



**BANK OF TAIWAN**

# 2012 ANNUAL REPORT



This Annual Report may be accessed on the Taiwan Stock Exchange Market Observation Post System (<http://mops.twse.com.tw>) and on the Bank's website (<http://www.bot.com.tw>).

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**Notice to readers**

This English version of the annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.



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## **2012 ANNUAL REPORT**



## **Bank of Taiwan, 2012 Annual Report**

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# 誠信

誠懇務實、信用至上、值得信賴

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值得信賴的銀行

臺銀財富管理

BANK OF TAIWAN VIP BANKING

# 信賴

傳承世代的信賴  
帶您迎向富裕的人生旅程



## Letter to Shareholders



Chairman  
Liu, Teng-Cheng

Taiwan's economy in 2012 was affected by the ongoing European debt crisis, continued policy of quantitative easing in the U.S., and the weakening momentum of mainland China's economy. As a result, Taiwan's export-oriented economy, in both the real sector and the financial market, failed to meet expectations. Fortunately, though, the country's banks registered an outstanding profit performance for the year, bolstered by growth in business of their offshore banking units (OBUs) and overseas branches, thanks partly to the opening by the competent authority of the renminbi (RMB) business.

Under the Bank of Taiwan's principle of stable operation, we performed well in almost all of our areas of business in 2012. We ranked No. 1 in Taiwan in assets, deposits, loans, and shareholder equity, and in many areas of business we continued to retain a position of leadership domestically. Our before-tax profit, too, exceeded the annual budget target. On Sept. 17, 2012 the Central Bank designated the BOT (Shanghai Branch) as the settlement bank for the NT dollar in mainland China; the undertaking of this historic mission is not only an honor and a responsibility for the BOT, but it also facilitates the expansion of the Bank's relevant businesses.

In addition to the enhanced profitability, the BOT's operating performance has also met with general



approval from the outside world. We won a variety of honors over the past year, including a listing among Asia's 10 and the world's 50 safest banks by the American magazine Global Finance; first place in both the "Overall Image of the Bank" and "Customer Recommendations" categories of Global Views magazine's Wealth Management Survey; first place among financial institutions on Digtimes magazine's listing of the 100 best websites in Taiwan in 2012; an Outstanding Award for government service quality from the Ministry of Finance; "Most Well-Known" and "Favorite Bank of Customers" in Wealth magazine's financial business survey; and BS25999 Business Continuity Management certification from the British Standards Institution. These honors reflect the BOT's outstanding service quality and our adherence to the operating principles of "Integrity," "Care," "Efficiency," and "Prudence" has won the widespread approval and approbation of the public. Here we would like, on behalf of our entire staff, to express our heartfelt appreciation to our friends and customers in all sectors of society for the long-term support with which you have shown us.

In addition to sponsoring our own BOT Basketball Team and supporting the Super Basketball League tournament, the Bank fulfilled its corporate social responsibility by donating to numerous social service institutions, organizing large-scale public-benefit activities in the Yuanshan Park area of the Taipei International Flora Exposition, sponsoring Chinese Professional Baseball League activities, and inviting Robert Shiller, a prominent economic advisor to the U.S. White House, to present the keynote speech, "Looking for the Realizable Recovery," at the 2013 Global Economic Trends Forum in Taiwan.

Our operating results for 2012, business plans for 2013 and strategies for the Bank's future development are briefly described below:

## I. Operating Results for 2012

### 1. Organizational change

- (1) In line with the liberalization of cross-strait financial policy, the BOT established a Shanghai Branch on July 10, 2012. This was the BOT's first return to mainland China and Shanghai after an absence of 60 years. Besides the special historical significance this has for the Bank itself, it also brings greater convenience to the operation of Taiwanese companies in the mainland and to cross-strait financial exchanges between the people of Taiwan and China.
- (2) To strengthen its international deployment, the BOT received permission from the Financial Supervisory Commission on May 10, 2012 to establish a representative office in Mumbai, India and on July 5, 2012 to set up a branch in Sydney, Australia.

### 2. Results of Implementation of Business Plan and Operating Strategy

Unit: NT\$ Billion; US\$ Billion (Foreign Exchange); %

Major Operation Category \ Year	2012	2011	2012 Growth Rate
Deposits	3,218.1	3,153.5	2.05
Loans	2,183.0	2,100.0	3.96
Guarantees	71.5	50.7	41.09
Foreign Exchange	372.5	339.3	9.78
Procurement	66.9	74.7	(10.4)
Precious Metals Business	147.7	152.0	(2.81)
Government Employees Insurance	18.0	17.7	1.64

### 3. Budget implementation

The volume of deposits during the year was NT\$3.2 trillion, giving a target achievement rate of 123.10%. Loans amounted to NT\$2.2 trillion, for a target achievement rate of 113.48%. Foreign exchange operations undertaken in 2012 totaled US\$372.52 billion, amounting to 235.38% of the target figure, and profits after tax reached NT\$7.232 billion, achieving 105.09% of the target.

### 4. Revenues, Expenditures and Profits

Net interest income for 2012 amounted to NT\$24.68 billion; non-interest income (net) totaled NT\$4.52 billion; bad debt expenses amounted to NT\$3.11 billion, and operating costs totaled NT\$17.99 billion. Income before tax reached NT\$8.093 billion; income tax amounted to NT\$861 million, leaving a net income after tax of NT\$7.232 billion.

That year's NT\$7.232 billion in after-tax income was NT\$350 million more than the budgeted income of NT\$6.882 billion.

Pre-tax return on assets (ROA) for 2012: 0.20%

Pre-tax return on equity (ROE) for 2012: 3.24%

### 5. Research and Development

In response to changes in the financial environment and the needs of business development, the Bank continued collecting and analyzing information on domestic and overseas economic and financial conditions as well as the status of major domestic industries. In addition to the compilation of regular analytical reports related to economics, financial markets and major industries, special reports on important economic and financial issues related to overall banking operations, and on industries related to the Bank's lending business were compiled on an unscheduled basis for use as reference in expanding the Bank's business.

## II. Business Plans for 2013

### 1. Business Strategy and Major Operating Policies

- (1) The Bank will continue working on its existing foundation to adjust its assets and liabilities structure and strengthen its international deployment so as to expand its customer base, reinforce its momentum for development, and generate greater income.
- (2) The Bank will continue working in line with government policy to fulfill its functions of regulating financial order and supporting industrial development.
- (3) The Bank will heighten the market share of business in which it enjoys comparative advantage and will continuously increase its ratios of demand deposits as well as loans to private enterprises and individuals with the aim of upgrading operating performance.
- (4) The Taiwan Financial Holdings platform will be used to consolidate product resources and meet customers' needs for one-stop shopping, using the advantage of scale to help enhance the Holding Company's marketing synergies.
- (5) With the inauguration of the Shanghai Branch and the establishment of a renminbi (RMB) settlement mechanism for domestic banking units, the Bank will work vigorously to expand its operating territory in mainland China and will exert its full efforts to promoting domestic RMB-related businesses so as to enhance the depth and breadth of its financial services to customers on both sides of the Taiwan Strait.
- (6) The Bank will vigorously promote syndicated loans and the financing of offshore Taiwanese enterprises, and will strengthen business relations with overseas syndicated loan lead banks in order to expand the domestic and overseas syndicated loan business and boost operating income.



President  
Chang, Ming-Daw

## 2. Business Targets

- (1) Deposits: NT\$ 2.68 trillion
- (2) Loans: NT\$1.97 trillion
- (3) Foreign Exchange: US\$205 billion
- (4) Before-tax Profit: NT\$8 billion

## III. Development Strategies

- (1) Following its appointment as the settlement bank for the New Taiwan Dollar in mainland China, the Shanghai Branch will use this special role to vigorously pursue development of the NT Dollar cash exchange business in the mainland and will strive to develop the RMB deposit, loan, remittance, and cross-border trade settlement businesses.
- (2) The Bank will maintain a grasp of the global economic pulse and will build up a complete overseas operating territory by deploying in mainland China and the Asia-Pacific region.
- (3) The scale of and scope of customers served by the Bank's loan, forex, international banking, wealth management, trust, and gold businesses will be expanded.
- (4) The Bank will endeavor to attain constant reinforcement of e-banking, phone banking, electronic payment services, corporate e-banking sites, and other electronic financial products and services in order to further upgrade the quality of its cash-flow services.
- (5) The capital adequacy ratio will be heightened at the appropriate time and a low non-performing-loan rate will be maintained in order to strengthen the Bank's financial structure and reinforce its operating system.

- (6) The integration of financial holding company resources will be used to build financial services with a high-quality content, satisfy the diversified needs of customers, and boost the Bank's operating income.

#### IV. Credit Ratings

Rating Company	Items	Rating Date	Assigned Rating		Outlook
			Long-term	Short-term	
Standard & Poor's		Oct. 2012	A+	A-1	stable
Moody's		Nov. 2012	Aa3	P-1	stable

Following the weak performance in the first half of 2012, Taiwan's economy gradually bottomed out and began a slow recovery starting in the fourth quarter of the year. The rate of growth in industrial production rose month by month and exports also improved, with export orders showing positive growth. In addition, the government implemented the Economic Power-Up Plan and related measures to stimulate recovery and, while future economic prospects will be highly challenging, in an overall sense we can hope for gradual improvement. The preliminary estimate by the Directorate General of Budget, Accounting and Statistics puts Taiwan's economic growth for 2012 at 1.26%, and its forecast for this year's growth is 3.59%.

Despite the improvement in the international economy, we should still maintain a cautious attitude regarding 2013. Europe has weathered the most difficult season of its debt crisis, but with fiscal austerity and other reforms in place the real economy there will remain weak. In the U.S., national debt and fiscal problems remain unresolved, and uncertainties continue to cloud spending cuts and political negotiations.



The BOT established the Shanghai Branch on July 10, 2012.



In Japan, the adoption of an extremely loose monetary policy has led to a large depreciation of the yen and sparked worries of competitive currency depreciation, and the potential impact of this situation on the recovering global economy must be closely watched. Most major economic forecasting institutions believe, however, that global economic performance in 2013 will be better than it was last year.

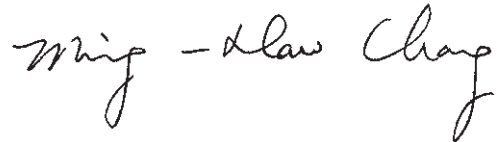
Taiwan's domestic banking units (DBUs) began renminbi (RMB) businesses on Feb. 6 this year (2013). This was a big step forward in the history of cross-strait financial exchanges, and it brought new opportunities to the island's banking industry. The BOT will take advantage of those opportunities to expand related businesses by adopting methods that provide progress with stability and in step with the pace of opening by the competent authority and with market demand. In addition, the Bank will work in line with the government's policies of "developing financial businesses with cross-strait characteristics" and "expanding the business scope of financial institutions and developing a Taiwan-centered financial planning platform for Taiwan people," and will help domestic bankers to deploy in overseas markets. The BOT will grasp the pulse of the global economy, deploy aggressively in mainland China and the Asia-Pacific region, build up an even more tightly-knit overseas business network, and enhance the extent of its internationalization so as to enlarge its operating territory and expand its profit sources.

Development of the financial industry is tied intimately to overall economic performance. Taiwan's financial industry is expected to enter a period of stable growth this year (2013) as the domestic and international economies return to health; and, with the expansion of business overseas and the inauguration of RMB businesses, we can look forward with optimism to the continued development and profitability of Taiwan's banking industry in the year to come.

Chairman



President



## A Brief Introduction of the Bank



Front Row (left to right) : Liu, Teng-Cheng, Chairman ; Chang, Ming-Daw, President

Back Row : Chang, Hong-Chi, Executive Vice President ; Chiang, Shih-Tien, Executive Vice President ;

Chiou, Ye-Chin, Executive Vice President ; Hsieh, Chuan-Chuan, Executive Vice President and General Auditor ;

Wei, Jan-Lin, Executive Vice President ; Hsieh, Teng-Lung, Executive Vice President

## I. Date of Establishment: May 20, 1946

## II. Brief History

The Bank first operated under the administration of the Taiwan Provincial Government. When that government was downsized on Dec. 21, 1998, however, it was taken over by the Central Government of the Republic of China and placed under the administration of the Ministry of Finance to be operated in accordance with the regulations governing government-owned financial institutions. On July 1, 2003 the Bank was registered as a corporation and reorganized into a company limited by shares in accordance with the provisions of the Banking Law and Company Law. On Sept. 16, 2004 the Bank received permission from the Securities and Futures Bureau of the Financial Supervisory Commission to become a public company. The Bank completed merger with Central Trust of China on July 1, 2007. To meet the needs of financial development and realize the operational efficiencies of cross-industry operations, the Taiwan Financial Holding Co. was established on Jan. 1, 2008. On Jan. 2, 2008 the Bank split its Department of Securities and Department of Life Insurance to organize the other two subsidiaries of Taiwan Financial Holdings, namely, BankTaiwan Securities Co., Ltd. and BankTaiwan Life Insurance Co., Ltd. The Bank further expanded its business scope on Feb. 6, 2013 by reinvesting in the establishment of a subsidiary, the BankTaiwan Insurance Brokers Co., Ltd.

In every stage of Taiwan's economic development the Bank of Taiwan has always firmly pursued the goals of stabilizing Taiwan's finance, assisting with economic construction, and developing industrial and commercial enterprises, devoting its full efforts in coordination with government policy in order to fulfill the mission entrusted to it by the government. In years past, the BOT served as agency for Central Bank of the Republic of China (Taiwan) in carrying out most of the CBC's business, including the issuance of the New Taiwan Dollar currency, implementation of monetary reform, offering preferential-rate deposits in line with government policy, promoting import and export trade in coordination with foreign exchange reform, providing financial support for economic construction plans, serving as agency for the public treasury in adjusting fiscal receipts and expenditures, and assisting with government missions in order to stabilize the Taiwan's financial situation. The BOT's position throughout the progress of Taiwan's economic and financial development has been of primary importance.

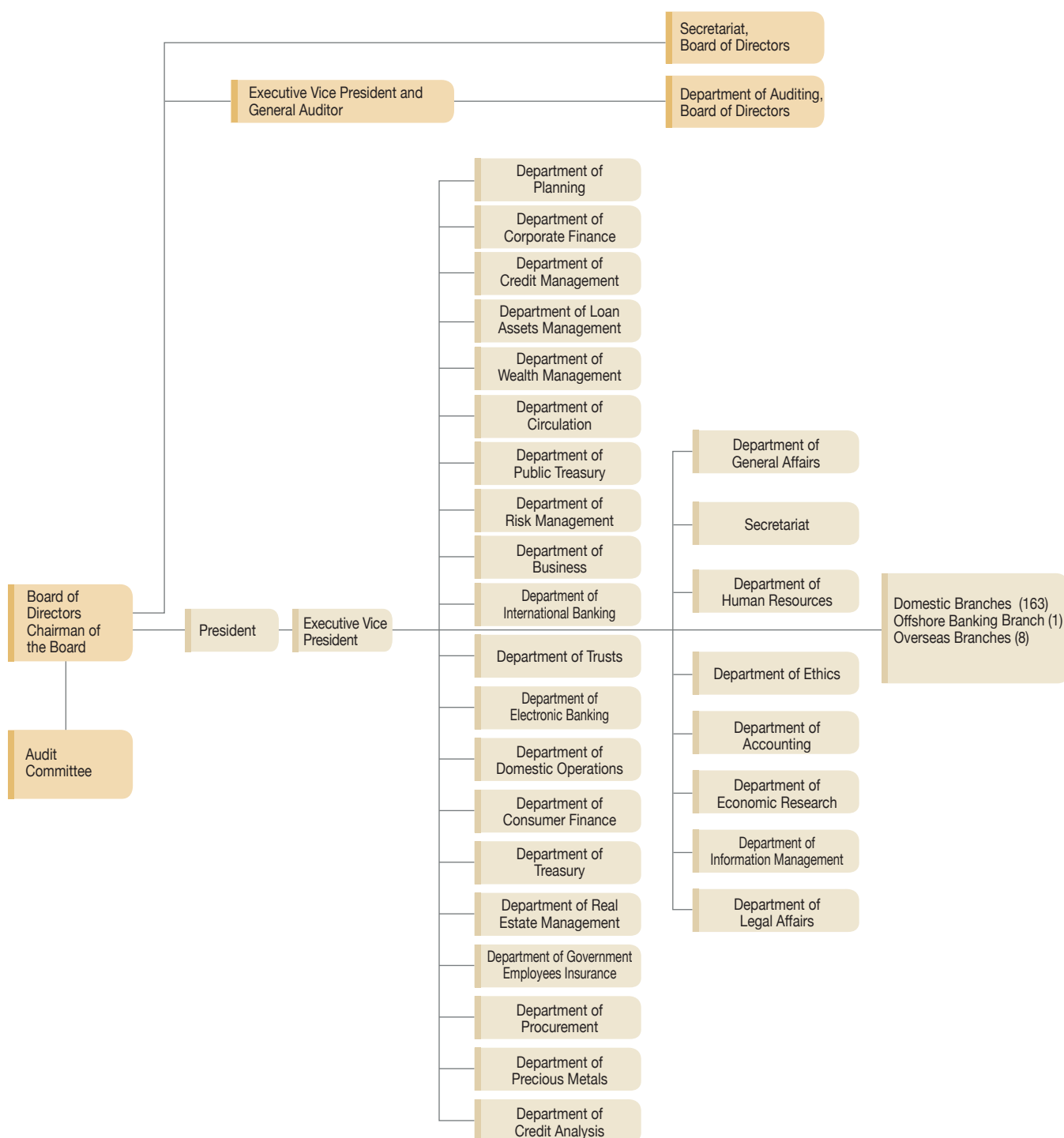
At the end of 2012 the capital of the BOT was NT\$70 billion and its assets amounted to NT\$4.05 trillion. Its deposits and loans accounted for 11.55% and 9.79%, respectively, of the entire Taiwan market. According to The Banker magazine's ranking of the world's top 1,000 banks, as published in its July 2012 issue, the BOT ranked 165th in the world.

# Corporate Governance Report

## I. Organization

At the end of 2012 the BOT's management organization consisted of Board of Directors, Audit Committee, Secretariat, Department of Auditing, Board of Directors, 28 departments, 164 domestic branches (including Offshore Banking Branch), 8 overseas units (including Los Angeles Branch, Hong Kong Branch, New York Branch, London Branch, Tokyo Branch, Singapore Branch, South Africa Branch and Shanghai Branch).

**Organization Chart**





## Functions of Major Departments

Department	Functions
Secretariat, Board of Directors	Handles important matters related to the Board of Directors, and documentary affairs.
Department of Auditing, Board of Directors	Takes care of planning, implementation, and examination of internal auditing matters, and participates in the formulation and revision of operating and management regulations.
Department of Planning	Responsible for systems, management regulations, operating directions, annual operating plans, and planning, evaluation, and management of branch units.
Department of Corporate Finance	Handles matters of designing new products for corporate finance, planning for and promoting corporate finance business, and the supply of consulting assistance services to operating branches.
Department of Credit Management	Handles planning, supervision, examining, consulting assistance services, and management for loan business.
Department of Loan Assets Management	Takes care of planning, examination, supervision, and management related to non-performing loans, loans for collection, and the clearing up of bad loans.
Department of Wealth Management	Handles planning, marketing, evaluation, training and administration of wealth management.
Department of Circulation	Handles the collection and payment, transport, adjustment of supply and demand, and the recovery of worn bills associated with the issuances of New Taiwan currency.
Department of Public Treasury	Handles agency operations for public treasuries at all levels, custodianship of securities for government agencies, and direction and supervision of the business of branch treasuries.
Department of Risk Management	Responsible for the planning and revision of risk management, handles formulation and integration of risk management regulations.
Department of Business	Takes care of general deposit, loan, remittance, and agency businesses.
Department of International Banking	Takes care of foreign exchange operations, foreign banking and overseas branch businesses, correspondent banking relations, and operational planning and management for the foreign exchange business.
Department of Trusts	Controls trust businesses and auxiliary businesses.
Department of Electronic Banking	Responsible for planning, study, marketing, integration, supervision, and management and examination of the electronic banking business and deposit business.
Department of Consumer Finance	Takes care of planning, promotion, review, management, and consultation assistance services for the general consumer banking business (general consumer loans, bank cards, and credit cards.)
Department of Treasury	Handles New Taiwan Dollar and foreign currency allocation, planning, and utilization, and securities investment.
Department of Real Estate Management	Takes care of maintenance of buildings and general management of real estate.
Department of Procurement	Handles procurement matters under concentrated system for government institutions, public schools and public enterprises.
Department of Domestic Operations	Handles matters of deposit business, installation and evaluation of ATMs and branch units, and administration of consulting system for operation units.
Department of Government Employees Insurance	Handles under the Government's authorization, the general life insurance for civil servants and staffs in public or in private schools.
Department of Precious Metals	Handles the precious metals and customs quotas business.
Department of Credit Analysis	Responsible for the collection, surveying, and editing of data related to the loan business, as well as overseas credit investigation services.
Department of General Affairs	Handles general affairs, procurement of articles and appliances in office, and cashier affairs.
Secretariat	Takes care of important affairs, documentation, chop management, meetings, editing, and public relations.
Department of Human Resources	Carries out the planning, study, training, and implementation of personnel affairs.
Department of Ethics	Looks after the propagation of ethics laws and regulations, and the formulation and revision of ethics regulations.
Department of Accounting	Responsible for the planning and formulation of accounting systems, budgets, statistics, internal auditing, and bank-wide accounts and interest matters.
Department of Economic Research	Carries out the analysis of domestic and overseas economic, financial, and industrial conditions, banking business research, and the compilation of economic publications.
Department of Information Management	In charge of research, analysis, planning and implementation of information operations.
Department of Legal Affairs	Handles legal matters as well as the collection and study of domestic and overseas laws and regulations.

## II. Directors, Supervisors, President, Executive Vice Presidents, and Heads of Departments and Branches

### 1. Directors and Supervisors

#### Information on Directors and Supervisors (1)

Title	Name	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		
					Shares	%	Shares	%	Shares	%	Shares	%	
Chairman	LIU, TENG-CHENG	July 31, 2012	July 30, 2015	July 16, 2012									1. Taiwan Financial Holding Co., Ltd. holds 100% of shares of the Bank of Taiwan. (7.0 billion shares) 2. The Ministry of Finance holds 100% shares of the Taiwan Financial Holding Co., Ltd (9.0 billion shares)
Managing Director	CHANG, MING-DAW	July 31, 2012	July 30, 2015	Jan. 08, 2010									
Independent Managing Director	HSU, YI-HSIUNG	July 31, 2012	July 30, 2015	July 31, 2009									
Managing Director	TSENG, MING-CHUNG	July 31, 2012	July 30, 2015	Mar. 27, 2012									
Managing Director	YANG, CHENG-CHEN	July 31, 2012	July 30, 2015	Aug. 31, 2007									
Independent Director	SHEN, CHUNG-HUA	July 31, 2012	July 30, 2015	July 31, 2009									
Independent Director	CHEN, MING-CHIN	July 31, 2012	July 30, 2015	July 31, 2012									
Director	YANG, MING-SHYANG	July 31, 2012	July 30, 2015	July 31, 2009									
Director	CHANG, CHIH-HUNG	July 31, 2012	July 30, 2015	July 01, 2003									
Director	RAU, HSIU-HUA	July 31, 2012	July 30, 2015	July 01, 2003									
Director	LEE, KUANG-HUEI	July 31, 2012	July 30, 2015	Sep. 25, 2009									
Director	CHEN, HSI-CHUAN	July 31, 2012	July 30, 2015	Aug. 19, 2005									
Director	LEE, HAO-HSUAN	July 31, 2012	July 30, 2015	Dec. 9, 2010									
Director	CHEN, CHUN-HSIUNG	July 31, 2012	July 30, 2015	July 31, 2012									

Note: All Directors are assigned by the Taiwan Financial Holding Co., Ltd.

Feb. 6, 2013

Education and Career	Positions Currently Held in the BOT and other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
		Title	Name	Relation
M.A. in International Business, National Taiwan University B.A. in Law, National Taiwan University Chairman, Taiwan Cooperative Financial Holdings Co., Ltd. and Taiwan Cooperative Bank Administrative Deputy Minister, Ministry of Finance Director General, National Treasury Agency, Ministry of Finance	Chairman, Taiwan Financial Holding Co., Ltd. Director, Central Bank of the ROC (Taiwan) Chairman, the Bankers Association of the ROC Director, Taiwan External Trade Development Council Director, Taiwan Academy of Banking and Finance Director, Joint Credit Information Center Director, Accounting Research and Development Foundation of the ROC Vice Chairman, Taiwan Financial Services Roundtable Co., Ltd.		—	
M.A. in Law, Chinese Culture University Director General, Banking Bureau, Financial Supervisory Commission Deputy Director General, Financial Examination Bureau, Financial Supervisory Commission Deputy Director General, Bureau of Monetary Affairs, Ministry of Finance	President, Bank of Taiwan Acting President, Taiwan Financial Holding Co., Ltd. Director, Taiwan Financial Holding Co., Ltd. Director, Taiwan Stock Exchange Corporation Director, Taiwan Small Business Integrated Assistance Center Supervisor, Securities & Futures Institute Supervisor, The Bankers Association of the ROC Director, Taipei Interbank Money Center, The Bankers Association of the ROC Supervisor, The Bankers' Association of Taipei Chairperson, Bankers Association of Taiwan Director, Financial Planning Association of Taiwan		—	
M.A. in Economics, National Taiwan University Deputy Governor, Central Bank of the ROC (Taiwan) Director General, Dept. of Financial Inspection, Central Bank of the ROC (Taiwan)	Director of Audit Committee, Bank of Taiwan Independent Director, Taiwan Financial Holding Co., Ltd.		—	
M.A. in Public Administration and Policy, National Taipei University Administrative Deputy Minister, Ministry of Finance Director General, Financial Examination Bureau, Financial Supervisory Commission Deputy Director General, Banking Bureau, Financial Supervisory Commission President, Taiwan Cooperative Bank	Political Deputy Minister, Ministry of Finance Director, China Aviation Development Foundation Director, Straits Exchange Foundation Director, Taiwan-Hong Kong Economic and Cultural Co-operation Council		—	
Ph.D. in Economics, Virginia Polytechnic Institute and State University, U.S.A Research Fellow, Institute of Economics, Academia Sinica Associated Research Fellow, Institute of Economics, Academia Sinica Teaching Assistant, Department of Economics, Virginia Polytechnic Institute and State University, U.S.A Instructor, Department of Economics, Tunghai University	Distinguished Research Fellow, Institute of Economics, Academia Sinica		—	
Ph.D. in Economics, Washington University, U.S.A Chairperson, Professor, Dept. of Money & Banking, National Chengchi University Chairperson, Associate Professor, Dept. of Economics, National Central University	Member, Audit Committee, Bank of Taiwan Independent Director, Taiwan Financial Holding Co., Ltd. Professor, Dept. of Finance, National Taiwan University Director, Securities & Futures Institute Director, Small and Medium Enterprise Guarantee Fund of Taiwan		—	
Ph.D. in Accounting, Arizona State University, U.S.A Chairperson, Department of Accounting, National Chengchi University International Exchange of Scholar, J. William Fulbright Foreign Scholarship Board, U.S.A Commissioner, Administrative Appeals Commission, Taipei City Government	Member, Audit Committee, Bank of Taiwan Professor, Department of Accounting, National Chengchi University Independent Director, TaiMed Biologics Inc. Commissioner, Administrative Appeals Commission, Ministry of Finance		—	
B.A. in Accounting, National Chengchi University Resident Supervisor, Bank of Taiwan Comptroller and Chief Executive Officer, Accounting Management Center, DGBAS, Executive Yuan Comptroller, Department of Accounting, Ministry of Economic Affairs	Comptroller and Director, Department of Special Fund Budget, DGBAS, Executive Yuan Supervisor, Chunghwa Post Co., Ltd.		—	
MBA in Statistics, National Chengchi University Statistician-General, Dept. of Statistics, Judicial Yuan Director-General, Dept. of Budget, Accounting and Statistics, Kaohsiung City Government Director-General, Dept. of Budget, Accounting and Statistics, Taiwan Province Government Controller and Director, Department of General Fund Budget, DGBAS, Executive Yuan	Accountant-General, Dept. of Accounting, Judicial Yuan		—	
Ph.D. in Economics, Yale University, U.S.A Assistant Professor, Rice University, U.S.A Research Fellow, DGBAS, Executive Yuan	Associate Professor, Department of International Business, National Chengchi University Commissioner, National Income Statistics Committee, DGBAS, Executive Yuan		—	
M.A. in Economics, National Taiwan University Assistant Director General, Economic Research Dept., Central Bank of the ROC (Taiwan) Assistant Director General, Foreign Exchange Dept., Central Bank of the ROC (Taiwan)	Adviser, Economic Research Dept., Central Bank of the ROC (Taiwan) Supervisor, Taiwan Academy of Banking and Finance		—	
Banking Insurance Dept., Kaohsiung Kuochi Junior College of Commerce Assistant Banking Officer, Kaohsiung Branch, Bank of Taiwan	Deputy Manager, Kaohsiung Branch, Bank of Taiwan Managing Director, Bank of Taiwan Labor Union (Kaohsiung)		—	
B.A. in Business Administration, National Taipei University Assistant Vice President and Assistant General Manager, Lungshan Branch, Bank of Taiwan	Assistant Vice President and Deputy General Manager, Chunhsien Branch, Bank of Taiwan Managing Director, Bank of Taiwan Labor Union		—	
Department of International Trade, National Open College of Continuing Education Affiliated to National Taichung Institute of Technology Banking Officer, Hsintien Branch, Bank of Taiwan	Assistant Vice President, Employee Benefits Committee, Bank of Taiwan Managing Supervisor, Bank of Taiwan Labor Union		—	

## Major shareholders of the institutional shareholders

Feb. 6, 2013

Name of institutional shareholders	Major shareholders of the institutional shareholders
Taiwan Financial Holding Co., Ltd.	Ministry of Finance

## Professional qualifications and independence analysis of directors and supervisors (2)

Feb. 6, 2013

Criteria  Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Notes)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Bank in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Bank	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Bank	1	2	3	4	5	6	7	8	9	10	
LIU, TENG-CHENG			✓	✓		✓	✓		✓	✓	✓	✓		
CHANG, MING-DAW			✓	✓		✓	✓		✓	✓	✓	✓		
HSU, YI-HSIUNG			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	1 (Taiwan Financial Holding Co., Ltd.)
TSENG, MING-CHUNG			✓	✓		✓	✓	✓	✓	✓	✓	✓		
YANG, CHENG-CHEN	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	
SHEN, CHUNG-HUA	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	1 (Taiwan Financial Holding Co., Ltd.)
CHEN, MING-CHIN	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	1 (TaiMed Biologics Inc.)
YANG, MING-SHYANG			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
CHANG, CHIH-HUNG			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
RAU, HSIU-HUA	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	
LEE, KUANG-HUEI			✓	✓		✓	✓	✓	✓	✓	✓	✓		
CHEN, HSI-CHUAN			✓			✓	✓	✓	✓	✓	✓	✓	✓	
LEE, HAO-HSUAN			✓			✓	✓	✓	✓	✓	✓	✓	✓	
CHEN, CHUN-HSIUNG			✓			✓	✓	✓	✓	✓	✓	✓	✓	

Notes: Please tick the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office.

- Not an employee of the Bank or any of its affiliates.
- Not a director or supervisor of the Bank or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Bank, its parent company, or any subsidiary in which the Bank holds, directly or indirectly, more than 50% of the voting shares.
- Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Bank or ranking in the top 10 in holdings.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
- Not a director, supervisor, or employee of a Bank shareholder that directly holds 5% or more of the total number of outstanding shares of the Bank or that holds shares ranking in the top five in holdings.
- Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Bank.
- Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Bank or to any affiliate of the Bank, or a spouse thereof; however, members of the Remuneration Committee carrying out their duties in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter are not limited by this restriction.
- Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Bank.
- Not a person of any conditions defined in Article 30 of the Company Law.
- Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.



## 2. Management Team

Feb. 6, 2013

Title/ Department & Branch	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	CHANG, MING-DAW	2010.01.08	100% of Shareholding: Taiwan Financial Holding Co., Ltd						M.A. in Law, Chinese Culture University	Acting President, Taiwan Financial Holding Co., Ltd. Director, Taiwan Financial Holding Co., Ltd. Director, Taiwan Stock Exchange Corporation Director, Taiwan Small Business Integrated Assistance Center Supervisor, Securities & Futures Institute Supervisor, The Bankers Association of the ROC Director, Taipei Interbank Money Center, The Bankers Association of the ROC Supervisor, The Bankers Association of Taipei Chairperson, Bankers Association of Taiwan Director, Financial Planning Association of Taiwan			
Executive Vice President	CHIANG, SHIH-TIEN	2007.11.23							Dept. of International Trade, Tamkang University	Director, Hua Nan Financial Holdings Co. Director, Hua Nan Commercial Bank Director, Bank Taiwan Insurance Brokers Co., Ltd.			
Executive Vice President	HSIEH, TENG-LUNG	2006.05.12							Dept. of Banking & Insurance, National Taichung Institute of Commerce	Director, Hua Nan Financial Holdings Co. Director, Hua Nan Commercial Bank Chairperson, General Banking Committee, Deputy Minister, Certificate Policy Management Committee, The Bankers Association of the ROC Financial information systems interbank business to participate in the Statute of the Executive Committee members of Financial Information Service Co., Ltd.			
Executive Vice President	WEI, JAN-LIN	2007.07.01							Master of Economics, Soochow University	Director, Mega Financial Holding Co. Executive Secretary, Taipei Interbank Money Center, The Bankers Association of the ROC Managing Director of Trust Association of ROC Director, Tea Industry Co., Ltd. joint venture in China			
Executive Vice President	CHANG, HONG-CHI	2011.07.16							Master of Agricultural Economics, National Chung-Hsing University	Acting Executive Vice President, Taiwan Financial Holding Co., Ltd. Director, Taiwan Futures Exchange Director, Bills Finance Association of ROC Supervisor, Bank Taiwan Securities Co., Ltd.			
Executive Vice President	CHIOU, YE-CHIN	2011.07.16							Dept. of Economics, National Taiwan University	Director of United Taiwan Bank S.A. Member of Taipei Land Review Committee on Land and Standards Supervisor of Taiwan Power Company			
Department of Auditing, Board of Directors Executive Vice President and General Auditor	HSIEH, CHUAN-CHUAN	2011.07.16							Master of Finance, National Taiwan University	Director, Cathay United Bank			
Secretariat, Board of Directors	CHEN, CHING-JUI	2012.07.23							Dept. of Laws, Soochow University	SVP and Chief Secretary, Taiwan Financial Holding Co., Ltd. Director of Tang Eng Iron Work Co.			
Department of Planning	SHIH, YING-YEN	2011.01.16							Master of International Trade, National Chengchi University	Director of Taiwan Fire & Marine Insurance Co.			
Department of Credit Management	HUANG, JUI-MU	2011.07.16							Dept. of Technology Mechanical Engineering, Mingchi University	Member of Lending Committee, The Bankers Association of the ROC Supervisors, Small & Medium Business Credit Guarantee Fund			
Department of Circulation	LIANG, CHIEN-YI	2010.04.29							Dept. of Banking and Insurance, Provincial Taichung Commercial Junior College	Director of Taiwan Fire & Marine Insurance Co. Auditor of Procurement and Auditing Subcommittee, Ministry of Finance			
Department of Treasury	WEI, JAN-LIN	2013.01.16							Master of Economics, Soochow University	Director, Mega Financial Holding Co. Executive Secretary, Taipei Interbank Money Center, The Bankers Association of the ROC Managing Director of Trust Association of ROC Director, Tea Industry Co., Ltd. joint venture in China			
Department of International Banking	HO, KAI-CHENG	2009.07.22							Master of Business Administration, National Chengchi University	Director of Taipei Foreign Exchange Market Development Foundation Member of International Finance Committee, The Bankers Association of the ROC Representative, Mainland China Group, Research and Development Committee, The Bankers Association of the ROC			
Department of Consumer Finance	CHOU, SHAO-I	2011.07.16							Dept. of Business, National Open University	Member of Lending Committee of Consumer Finance Group, The Bankers Association of the ROC Director of Taiwan Fire & Marine Insurance Co.			
Secretariat	WU, MU-YING	2011.01.16							Dept. of Business Administration, National Chengchi University	Director of Taiwan Life Insurance Co.			
Department of General Affairs	CHUANG, CHING-JIANG	2010.04.29							Master of Business Administration, Chang Gung University	Supervisor of Taiwan Handicraft Promotion Center			

Title/ Department & Branch	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
Department of Real Estate Management	LIN, PING-HUNG	2012.07.23	100% of Shareholding: Taiwan Financial Holding Co., Ltd						Master of Land Economics, National Chengchi University	Director, Tea Industry Co., Ltd. joint venture in China			
Department of Human Resources	HUANG, PEI-MING	2010.01.15							Dept. of Business, National Open University	Director of Taiwan Life Insurance Co.			
Department of Ethics	TSAI, WAN-KO	2012.10.26							Dept. of Business, National Open University				
Department of Accounting	PAN, JEN-CHIEH	2011.01.16							Dept. of Accounting, National Chungshing University	General Manager of Bankers Association of Taiwan Member of Internal Management Committee, The Bankers Association of the ROC Director of Taiyi Real Estate Management Co., Ltd. Director of China Development Financial Holding Corp.			
Department of Economic Research	HSU, CHIEN-TING	2011.07.15							Ph.D. in Economics, National Chengchi University	Acting Minister, Research and Development Committee, Executive Secretary of Financial Research and Training Development Fund Management Committee, The Bankers Association of the ROC Director of BankTaiwan Securities Co.			
Department of Credit Analysis	CHEN, YUNG-CHIA	2010.04.29							Dept. of Accounting and Statistics, Tamkang College	Director of Taiwan Life Insurance Co.			
Department of Information Management	KU, HSI-TAI	2011.01.16							Master of Business Administration, Northrop University	Director of Financial eSolution Co., Ltd. Member of Information Business, Bills Finance Association of the ROC Chief Secretary, Electronic Financial Services Committee, Member of Certificate Policy Management Committee, The Bankers Association of the ROC Financial information systems interbank business to participate in the Statute of the Executive Committee members of Financial Information Service Co., Ltd			
Department of Legal Affairs	LIN, SU-LAN	2004.01.15							Master of Laws, New South Wales University	Member of Financial Regulations Disciplinary Committee, The Bankers Association of the ROC			
Department of Loan Assets Management	KANG, CHENG-CHUAN	2011.07.16							Dept. of Statistics, Tamkang University	Supervisor of Taiwan Asset Management Corporation			
Department of Risk Management	LIN, LI-LING	2012.09.03							Dept. of Banking, National Chengchi University	Managing Director of Taiwan Business Bank Member of Risk Management Committee, The Bankers Association of the ROC			
Department of Electronic Banking	WANG, HSIN-PING	2007.07.16							Dept. of Mathematics, National Tsing Hua University	Supervisor of Taiyi Real Estate Management Co., Ltd. Convener, Electronic Banking Group, Electronic Financial Services Committee, Convener, Promote National Pay Tax Business Group, General Banking Committee, Member of Electronic Financial Services Committee and Certificate Policy Management Committee, The Bankers Association of the ROC			
Department of Wealth Management	KANG, FAN	2007.07.01							Master of Economics, Indiana University	Acting President, BankTaiwan Insurance Brokers Co., Ltd. Member of Wealth Management Committee, The Bankers Association of the ROC			
Department of Corporate Finance	WU, KANG-CHIN	2011.07.16							Master of Business Management Department, Asian Institute of Technology	Director of China Development Financial Holding Corp.			
Department of Domestic Operations	LIN, CHUN-LIANG	2011.07.16							Dept. of Banking and Insurance, Tamkang University	Director of BankTaiwan Life Insurance Co.			
Department of Business	CHU, CHUNG-CHIH	2013.01.16							Dept. of Shipping and Transportation Management, National Taiwan Ocean University				
Department of Public Treasury	LIN, TIEH-HAI	2011.01.16							Dept. of Banking and Insurance, Chinese Culture University	Managing Director of Taiwan Business Bank			
Department of Trusts	CHEN, HUNG	2011.07.16							Master of Business Administration, Southern California University	Member of Administration and Training Committee, Member of Auditing and Advising Committee, Trust Association of ROC			
Department of Procurement	LIU, CHING-RONG	2010.01.15							Dept. of Industrial and Business Administration, Tamkang College	Director of Taiyi Real Estate Management Co., Ltd. Director of Tea Industry Co., Ltd. joint venture in China Auditor of Procurement and Auditing Subcommittee, Ministry of Finance			
Department of Precious Metals	CHANG, WU-REN	2007.07.01							Dept. of International Trade, Tamkang University				
Department of Government Employees Insurance	HUANG, CHEN-YING	2010.01.15							Dept. of Business Administration, National Taiwan University	Supervisor of BankTaiwan Life Insurance Co.			
Offshore Banking Branch	JANE, LI-FEN	2009.08.20							Master of Business Administration, Central Missouri State University	Director, The Taiwan Payments Clearing System Development Foundation			
New York Agency	HSIEH, HSIU-HSIEN	2011.07.16							Dept. of Economics, National Chungshing University				
Los Angeles Branch	HO, CHWAN-MING	2009.07.29							Master of International Finance, National Taipei University				
Hong Kong Branch	HSU, CHI-WEN	2007.11.16							Dept. of Economics, Soo Chow University				
Singapore Branch	PAN, RONG-YAW	2009.08.17							Master of Public Finance, National Chengchi University				

Title/ Department & Branch	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
Tokyo Branch	WU, JIUNN-DING	2011.07.16	100% of Shareholding: Taiwan Financial Holding Co., Ltd						Dept. of Economics Administration, Chinese Culture University				
South Africa Branch	WU, TSANG-TAY	2011.07.16							Dept. of Business Management, National Cheng Kung University				
London Branch	HUA, KE	2011.07.16							M.B.A. University of Central Oklahoma, U.S.A.				
Shanghai Branch	YEN, QUEI-TIEN	2012.07.10							Dept. of Economics, Tunghai University				
Wuchang Branch	LIAO, HONG-YEN	2010.04.29							Dept. of Accounting and Statistics, National Taichung Institute of Technology				
Minsheng Branch	HO, CHUNG-HUEI	2010.07.15							Bliss College, Ohio, U.S.A				
Tunhwa Branch	TSAI, HUI-LIEN	2012.09.03							Dept. of Business Administration, National Taiwan University				
Chunglun Branch	WU, RUEY-MING	2010.04.29							Dept. of Shipping and Transportation Management, National Taiwan Ocean University				
Sungshan Branch	SHIH, MEI-KUEI	2013.01.16							Master of Business, National Taiwan University				
Taipei World Trade Center Branch	LIU, TUNG-CHEN	2010.04.29							Dept. of Business Administration, Soo- Chow University				
Chunghsiao Branch	CHANG, MEI-YUEH	2011.12.20							Dept. of Accounting and Statistics, Tamkang College				
Hsinyi Branch	CHANG, SEN-YEI	2010.04.29							Dept. of Business, National Open University				
Ta An Branch	HUNG, JIEN-JIEN	2013.01.16							Master of Business Management, National Dong Hwa University				
Hoping Branch	FU, SHAN-KUO	2010.04.29							Dept. of Banking and Insurance, Tamkang University				
Jinshan Branch	CHEN, SHU-JEN	2013.01.16							Master of Political Science, National Taiwan University				
Sinan Branch	CHU, TZE-PIN	2011.12.20							Dept. of International Trade, Chung Yuan University				
Chungshan Branch	CHEN, YING-KUEI	2011.12.20							Master of Business Administration, National Chengchi University				
Kungkuan Branch	YANG, CHI-LUNG	2013.01.16							Dept. of Economics, Fugen Catholic University				
Chengchung Branch	WANG, JUNG-CHOU	2011.01.15							Master of Sun Yat-Senism, Chinese Culture University				
Sungchiang Branch	LIAO, YUN-KUANG	2010.07.15							Dept. of Shipping and Transportation Management, National Taiwan Ocean University				
Yuanshan Branch	WANG, CHIAO-CHI	2012.07.16							Dept. of Business, National Open University				
Taipei Branch	LIU, CHIN-HSING	2010.04.29							College of Law, National Taiwan University				
Guancian Branch	KANG, HSIEH-YI	2013.01.16							Dept. of Business Administration, Soo- Chow University				
Nanmen Branch	CHENG, SU-MAN	2013.01.16							Dept. of International Trade, Overseas Chinese Business College				
Jenai Branch	HWANG, YU-FEN	2011.12.20							Dept. of Economics, National Taiwan University				
Chunhsien Branch	YEN, SHYH-YU	2010.07.15							Dept. of Business Administration, Soo- Chow University				
Yenping Branch	YU, YUNG-CHUAN	2011.07.16							Dept. of Accounting, Tamkang University				
Minchuan Branch	CHEN, JUNG-HSIEN	2010.04.29							Dept. of Banking, National Chengchi University				
Lungshan Branch	YAU, MING-REN	2010.04.29							Dept. of Economics, Soo- Chow University				
Wanhua Branch	HU, HSIN-TZU	2013.01.15							Master of Business Administration, Tamkang University				
Wenshan Branch	LIN, FU-YEN	2010.04.29							Dept. of Industrial and Business Administration, Tamkang University				
Muzha Branch	WU, YING-ZEN	2011.07.16							Dept. of Business Administration, Chihlee Institute Technology				
Nankang Branch	JUANG, CHYONG-LING	2011.07.16							Dept. of Business Administration, National Chunghsing University				
Nankang Software Park Branch	CHIU, HSIEN-REN	2012.01.16							Dept. of Finance and Taxation, National Chunghsing University				
Neihu Branch	WU, KUNG-MIN	2011.07.16							Dept. of Chinese Language and Literature, National Taiwan Normal University				
Donghu Branch	HSU, HAN-CHI	2011.07.16							Dept. of Economics, National Chunghsing University				
Xinhu Branch	WU, JIN-CHUAN	2009.06.22							Dept. of Industrial Management, Lunghwa Junior College of Technology				
Shihlin Branch	CHEN, WEN-CHANG	2011.12.20							Master of Enterprise Management, Tamkang University				
Tienmou Branch	SHIH, YUE-LI	2012.09.03							Master of Business Administration, Southern California University				
Jiantan Branch	HO, YUEH-CHIN	2011.12.20							Dept. of Business Administration, Ming Chuan College				
Peitou Branch	WANG, SHU-E	2011.12.20							Master of Business Administration, Tamkang University				
Panchiao Branch	CHENG, KUEN-DER	2010.04.29							Dept. of Economics, Soo- Chow University	Executive Director of Bankers Association of New Taipei City			
Huachiang Branch	WANG, CHUEN-AN	2011.07.16							Dept. of Banking, Tamkang University				

Title/ Department & Branch	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
Bansin Branch	TSENG, JENG-YI	2010.04.29	100% of Shareholding: Taiwan Financial Holding Co., Ltd						Master of Business Administration, New York Institute of Technology				
Sanchung Branch	TSENG, JAU-TAI	2009.03.10							Dept. of Finance and Taxation, Feng Chia University				
Yunggho Branch	TENG, SHU-CHEN	2013.01.16							Dept. of Business Administration, Fugen Catholic University				
Chunggho Branch	WANG, CHUAN	2010.04.29							Dept. of International Trade, Tamkang University				
Shuanghe Branch	CHEN, BI-MEI	2013.01.16							Dept. of International Trade, Feng Chia University				
Hsinchuang Branch	YEH, SHIOU-JSU	2011.12.20							Dept. of Business Administration, National Taiwan University				
Nan Hsinchuang Branch	CHEN, TZU-YU	2010.01.15							Dept. of Banking, National Chengchi University				
Xinzhuang Fuduxin Branch	LU, CHIN-CHUNG	2011.07.04							Dept. of Cooperative Economics, National Chungshing University				
Hsintien Branch	HU, YI-CHIEN	2013.01.16							Dept. of Business Administration, National Taiwan University				
Tucheng Branch	WU, CHIA-PIN	2013.01.16							Master of Science International Administration, University of La Verne, U.S.A.				
Lujou Branch	WU, MEI-LING	2013.01.16							Master of International Business, National Dong Hwa University				
Hsichih Branch	NIEN, CHUNG-HUAN	2011.07.16							Dept. of Accounting, National Chungshing University				
Shulin Branch	HO, MING-YAO	2011.12.20							Dept. of Electrical Engineering, Mingchi University of Technology				
Tamsui Branch	CHAN, CHU-MING	2013.01.16							Master of Business Administration, Shih Chien University				
Taipei Port Branch	CHIANG, JEN-YUNG	2011.07.16							Dept. of Shipping and Transportation Management, National Taiwan Ocean University				
Wuku Branch	TSAI, HWA-DER	2009.07.15							Taiwan Provincial Taipei Commercial School				
Taipei International Airport Branch	LIEN, HSING-FEN	2010.10.28							Dept. of Business Administration, National Cheng Kung University				
Keelung Branch	YANG, YEONG-MAW	2013.01.16							Dept. of Cooperative Economics, Feng Chia University				
Ilan Branch	LEE, MING-CHIH	2010.01.15							Dept. of Banking and Insurance, Feng Chia University	Director of Taiwan Clearing House Foundation Yilan County Branch			
Lotung Branch	YU, CHING-LUNG	2013.01.16							Dept. of Industrial Management, Chung Yuan University				
Suao Branch	CHEN, YI-HUNG	2011.07.16							Dept. of Applied Commerce, Open Business College Affiliated with National Taipei College of Business				
Taoyuan Branch	CHEN, WEI-CHI	2013.01.16							Dept. of Public Administration, National Open University	Chairman of Bankers Association of Taoyuan County Member of Taoyuan County Government Land Review Committee on Land and Standards Director of Taiwan Clearing House Foundation Taoyuan County Branch			
East Taoyuan Branch	TSAO, CHIN-HO	2013.01.16							Master of Finance, Kainan University				
Taosing Branch	KUAN, JUI-CHANG	2010.04.29							Dept. of Business Administration, Chinese Culture University				
Chungli Branch	LIN, CHIH-CHUNG	2013.01.16							Dept. of Accounting and Statistics, Taipei Commerce College Open Junior College of Commerce				
Neili Branch	CHEN, HUEY-LING	2013.01.16							Dept. of Banking, National Chengchi University				
Chienkuo Branch	SHIH, CHE-YU	2011.07.16							Dept. of Business Administration, Feng Chia University				
Sinming Branch	WANG, YING-FANG	2013.01.16							Master of Finance, National Central University				
Pingchen Branch	TSENG, CHENG-HSIUNG	2013.01.16							Dept. of Electronic Engineering, Taiwan Provincial Taipei Commercial School				
LinKou Branch	LAI, CHEN-CHI	2010.12.15							Dept. of International Trade, Fugen Catholic University				
Nankan Branch	YU, KUO-YU	2010.01.15							Dept. of Economics, National Chengchi University				
Taoyuan Airport Branch	LIU, HUI-HSIN	2009.01.21							Dept. of Accounting and Statistics, Tamkang College				
Longtan Branch	SHU, CHIH-CHUN	2011.07.16							Dept. of Accounting, Tamkang University				
Hsinchu Branch	KU, CHAO-CHU	2009.07.15							Executive Master of Business Administration, National Chiao Tung University	Director of Taiwan Clearing House Foundation Hsinchu Branch			
Science-Based Industrial Park Branch	YANG, CHARING-CHYI	2013.01.16							Dept. of Laws, National Chengchi University				
Peitalu Branch	LO, CHI-WANG	2010.04.29							Dept. of Industrial Management, Lunghwa Junior College of Technology				
Chupei Branch	HOU, FU-SOU	2010.04.29							Dept. of Business Administration, Fugen Catholic University				
Lioujia Branch	CHIANG, TAI-FONG	2011.12.02							Dept. of Banking, National Chengchi University				
Miaoli Branch	CHU, HSI-CHIN	2010.04.29							M.A. in Insurance, Feng Chia University	Director of Taiwan Clearing House Foundation Miaoli County Branch			
Toufen Branch	HSIEH, KUO-YI	2011.07.16							Dept. of International Trade, National Taichung Institute of College				
Taichung Branch	CHEN, WEN-YU	2012.07.16							Master of Business Administration, Tamkang University	Director of Taiwan Clearing House Foundation Taichung Branch			



Title/ Department & Branch	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
Fuhsing Branch	LIN, MAO-HONG	2011.01.15	100% of Shareholding: Taiwan Financial Holding Co., Ltd						Dept. of International Trade, Feng Chia University				
Chienhsing Branch	HSU, PI-CHIH	2013.01.16							M.B.A. in Finance, National Yunlin University of Science and Technology				
Liming Branch	WANG, SHIH-CHIEN	2011.01.16							Master of Finance, National Chunghsing University				
Taichung Industrial Park Branch	WANG, WEN-KUNG	2012.07.16							Dept. of Sociology, National Open University				
Shuinan Branch	LIN, YUAN-TUNG	2012.07.16							Dept. of Business, National Open University				
Hsitwun Branch	CHEN, CHING-SUNG	2013.01.16							Dept. of Business Administration, Tunghai University				
North Taichung Branch	CHANG, KUO-HSUN	2011.01.15							M.B.A National Taipei University				
Central Taichung Branch	WUNG, TE-CHING	2010.01.15							Tatung Junior Technological College of Commerce				
Fengyuan Branch	WANG, TZU-TUNG	2010.04.29							Dept. of Banking and Insurance, Provincial Taichung Commercial Junior College				
Wufeng Branch	HSIEH, HUA-CHING	2009.01.21							M.B.A in Finance, National Yunlin University of Science and Technology				
Tantzu Branch	KUO, TE-MING	2012.07.16							Dept. of Accounting and Statistics, Fujen Catholic University				
Taichung Harbor Branch	TSENG, CHIN-TSAN	2010.01.15							Dept. of Economics, Tunghai University				
Tachia Branch	HSU, MEI-HUI	2013.01.16							Dept. of Business Management, National Cheng Kung University				
Daya Branch	YANG, YING-LIEH	2013.01.16							Dept. of Economics, Tunghai University				
Tali Branch	BAIR, RONG-HWA	2011.01.16							Dept. of International Trade, National Taichung Institute of Commerce				
Wuchi Branch	LEE, CHEN-CHUNG	2012.07.16							Dept. of International Trade, Feng Chia University				
Taiping Branch	LIAO, FU-SEN	2010.01.15							Dept. of Economics, Feng Chia University				
Defang Branch	HSU, TI-TSENG	2013.01.16							Dept. of Business, National Open University				
Taichung Science Park Branch	WU, YAO-CHIH	2009.04.24							Dept. of Banking and Insurance, Provincial Taichung Commercial Junior College				
Chunghsin New Village Branch	LEE, CHUN-HSI	2013.01.16							Taiwan Police Academy				
Nantou Branch	CHEN, TSUNG-HSIN	2012.07.16							Dept. of Banking and Insurance, Feng Chia College	Director of Taiwan Clearing House Foundation Nantou Branch			
Puli Branch	LIN, JIAN-HAUR	2012.07.16							Dept. of Banking and Insurance, Feng Chia College				
Changhua Branch	WEN, JER-SHUAN	2013.01.16							Dept. of Business Administration, Tunghai University				
Yuanlin Branch	HUNG, CHI-HO	2009.01.21							Dept. of Accounting and Statistics, National Taichung Institute of Commerce				
Lukang Branch	HUANG, HSI-SHUN	2010.01.15							Dept. of International Trade, Open Business College Affiliated with National Taipei College of Business				
Chungdu Branch	LEOU, KUO- MIN	2010.12.20							Dept. of Statistics, Feng Chia University				
Touliu Branch	TSAI, JIN-YUAN	2012.07.16							Dept. of Business, National Open University	Director of Taiwan Clearing House Foundation Yunlin County Branch			
Huwei Branch	TSAI, WEN-LIANG	2011.01.16							Dept. of Accounting and Statistics, Tatung Junior Technological College of Commerce				
Chiayi Branch	CHEN, CHUN-HSIUNG	2013.01.16							M.A in Business Management, National Sun Yat-Sen University	Director of Taiwan Clearing House Foundation Chiayi City Branch			
Chiabei Branch	WANG, TSUI-CHIN	2012.01.16							Dept. of Laws, National Chengchi University				
Jiannan Branch	WEN, JENG-HUI	2010.04.29							Tatung Institute of Commerce and Technology				
Taipao Branch	HO, WEN-SHU	2010.04.29							Tatung Institute of Commerce and Technology				
Tainan Branch	JEN, KUN-FA	2012.07.16							Dept. of Economics, National Taiwan University	Director of Taiwan Clearing House Foundation Tainan Branch			
Anping Branch	TSENG, CHIN-KUAN	2012.07.16							Dept. of Business Administration, National Taiwan University				
Annan Branch	LEE, TIEN-HUA	2013.01.16							Dept. of Accounting and Statistics, Tatung Junior Technological College of Commerce				
Tainan Innovation and Research Park Branch	LIU, I-CHYUN	2013.01.16							Master of Business Administration, The Ohio State University, U.S.A.				
Nandu Branch	CHEN, WU-CHENG	2011.01.16							Master of Business Administration, National Cheng Kung University				
Hsinying Branch	HSU, MING-HUI	2011.01.16							Dept. of International Trade, Feng Chia University				
Yungkang Branch	HSIEH, TIEN-FU	2010.04.29							Dept. of Accounting and Statistics, Tatung Junior Technological College of Commerce				
Tainan Science-Based Industrial Park Branch	CHANG, CHUN-YUAN	2012.01.16							Master of Business Administration, National Cheng Kung University				
Rende Branch	LIN, SHIUH-RONG	2013.01.16							Dept. of Accounting, National Chengchi University				
Lioujiading Branch	CHENG, TIAO-HSIANG	2012.07.16							Dept. of Business Administration, National Chung Hsing University				

Title/ Department & Branch	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
Kaohsiung Branch	LEU, YAW-NENG	2012.07.16	100% of Shareholding: Taiwan Financial Holding Co., Ltd						Dept. of Business, National Open University	Director of Taiwan Clearing House Foundation Kaohsiung Branch	Kang Shan Branch VP and General Manager	WANG, YUNG-SHAN	Brother
Kaohsiung Export Processing Zone Branch	WANG, MEI-YUH	2012.01.16							M.A in Business Management, National Sun Yat-Sen University				
Zuoying Branch	LIU, SHENG-HSIUNG	2010.04.29							Dept. of Banking and Insurance, Open Junior College of Commerce National Cheng Kung University				
Chienchen Branch	CHEN, CHING-SHAN	2013.01.16							Master of Transportation and Communication Management Science Department, National Cheng Kung University				
Kusan Branch	HUNG, TENG-KUI	2012.01.16							Dept. of Economics, Fujen Catholic University				
Sanmin Branch	CHEN, CHI-AN	2010.01.15							Dept. of Business Administration, Fujen Catholic University				
Hsingsing Branch	LEE, HUAN-HSUN	2008.09.15							Dept. of Business, National Open University				
Lingya Branch	CHANG, KUO-CHIANG	2010.04.29							M.A in Business Management, National Sun Yat-Sen University				
Sandou Branch	HUANG, HSII-HSIANG	2008.09.15							Dept. of Business, National Open University				
Nantze Branch	CHENG, EN-TZU	2010.01.15							Dept. of Finance and Taxation, Feng Chia University	Director, Holy Light Theological Seminary of Chinese Free Methodist			
Dahchang Branch	CHANG-CHIEN, FENG-CHOU	2010.04.29							Dept. of Accounting, National Cheng Kung University				
Boai Branch	CHEN, YUNG-CHING	2013.01.16							Master of Financial Operations Department, National Kaohsiung First University of Science and Technology				
Hsiaokang Branch	LIN, JUO-JUNG	2012.01.16							Dept. of Statistics, National Chengchi University				
Kaohsiung Airport Branch	WU, BING-SONG	2012.01.16							Master of Finance Management, National Kaohsiung First University of Science and Technology				
Cianjin Branch	CHEN, TSUNG-JEN	2011.12.20							M.A. in Business Management, National Sun Yat-Sen University				
North Kaohsiung Branch	LIN, MING-YUH	2013.01.16							Master of Business Administration, National Cheng Kung University				
Chenggong Branch	SU, HSIN-ZHONG	2010.04.29							Dept. of Economics, Feng Chia University				
Gaorong Branch	CHIU, CHIN-CHENG	2007.09.20							Dept. of Economics, Chinese Cultural College				
Wufu Branch	CHANG, CHIN-SHU	2013.01.16							Dept. of Banking and Insurance, Open Junior College of Commerce National Cheng Kung University				
Fengshan Branch	HUANG, SHUI-CHEN	2010.04.29							National Changhua Senior School of Commerce				
Kangshan Branch	WANG, YUNG-SHAN	2013.01.16							Dept. of Business Management, National Cheng Kung University		Kaohsiung Export Processing Zone Branch VP and General Manager	WANG, MEI-YUH	Sister
Wuchia Branch	WANG, WEN-LI	2010.04.29							National Taipei Teachers' College				
Chungchuang Branch	LEE, FANG-MING	2010.04.29							Dept. of Business, National Open University				
Kaohsiung Science Park Branch	CHEN, MING-JER	2010.01.15							Dept. of Business Administration, Soo-Chow University				
Pingtung Branch	YEH, TON-YUAN	2011.12.20							Dept. of Accounting, National Cheng Kung University	Director of Taiwan Clearing House Foundation Pingtung County Branch			
Chaochou Branch	TSAO, CHE-JEN	2009.01.21							Dept. of Economics, Fujen Catholic University				
Donggang Branch	LIU, FU-MING	2013.01.16							Dept. of Business Administration, National Chung Hsing University				
Chungping Branch	CHANG, CHING-TSUN	2007.07.16							Dept. of Economics, Soo Chow University				
Yenpu Branch	LU, A-GAN	2010.04.29							Dept. of Banking, National Chengchi University				
Hsinyuan Branch	CHIU, NAN-HSIUNG	2011.01.16							Dept. of Business Management, National Cheng Kung University				
Taitung Branch	WAY, TZONG-REN	2013.01.16							Dept. of Business Administration, Open Junior College Affiliated with National Taipei Junior College of Business	Chairman of Bankers Association of Taitung County Director of Taiwan Clearing House Foundation Taitung Branch			
Hualien Branch	LEU, YEOU-YONG	2013.01.16							Dept. of Economics, Chinese Cultural College	Director of Taiwan Clearing House Foundation Hualien County Branch			
North Hualien Branch	HWANG, HUO-CHYAN	2011.07.16							Dept. of Business, Open Business College Affiliated with National Taipei College of Business				
Penghu Branch	CHOU, MING-JUI	2011.01.16							Master of Business Administration, Southern Taiwan University	Director of Taiwan Clearing House Foundation Penghu Branch			
Kinmen Branch	HSU, JIA-MING	2011.01.16							Master of Management, Fo Guang University				
Matsu Branch	CHIEN, HSUEH-YANG	2011.07.16							Taiwan Provincial Taipei Commercial School				

### 3. Remuneration of Directors, Supervisors, President, and Vice Presidents for 2012

#### (1) Remuneration of Directors

Unit: NT\$1,000

Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income (%)		Relevant remuneration received by directors who are also employees										Ratio of total compensation (A+B+C+D+E+F+G) to net income (%)		Reinvested Enterprises
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D) (Note)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)		Exercisable Employee Stock Options (H)		Exercisable Restricted Stock Awards				
		The Bank	Companies in the consolidated financial statements	The Bank	Companies in the consolidated financial statements	The Bank	Companies in the consolidated financial statements	The Bank	Companies in the consolidated financial statements	The Bank	Companies in the consolidated financial statements	The Bank	Companies in the consolidated financial statements	The Bank	Companies in the consolidated financial statements	The Bank	Companies in the consolidated financial statements	The Bank	Companies in the consolidated financial statements	The Bank	Companies in the consolidated financial statements			
Chairman	LIU, TENG-CHENG	3,576	None	165	None	None	None	3,260	None	0.10	None	9,329	None	418	None	None	None	None	None	None	0.23	None	96	
Chairperson	SUSAN S. CHANG																							
Managing Director	CHANG, MING-DAW																							
Managing Director	CHANG , SHENG-FORD																							
Managing Director	YANG, CHENG-CHEN																							
Managing Director	TSENG, MING-CHUNG																							
Independent Managing Director	HSU, YI-HSIUNG																							
Independent Director	SHEN, CHUNG-HUA																							
Independent Director	LOU, TIEN-WEI																							
Independent Director	CHEN, MING-CHIN																							
Director	TSENG, MING-CHUNG																							
Director	CHANG, CHIH-HUNG																							
Director	RAU, HSIU-HUA																							
Director	YANG, MING-SHYANG																							
Director	HUANG, SHOU-TZUOO																							
Director	LEE, KUANG-HUEI																							
Director	CHEN, SU-TIEN																							
Director	CHEN, HSI-CHUAN																							
Director	YANG, SHENG-TIEN																							
Director	LEE, HAO-HSUAN																							
Director	CHEN, CHUN-HSIUNG																							

Note: 1. The monthly rental for the chairman's residence is NT\$86,333.

2. The monthly rental for the president's residence is NT\$101,667; the president's sedan was purchased in November of 2011 at a cost of NT\$573,604, and the monthly expense for the chauffeur is NT\$40,695, oil fee NT\$46,431 (Jan.-Dec. 2012).

Unit: NT\$1,000

Bracket	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Bank	Companies in the consolidated financial statements	The Bank	Companies in the consolidated financial statements
Under NT\$2,000,000	CHANG, MING-DAW; CHANG, SHENG-FORD; YANG, CHENG-CHEN; TSENG, MING-CHUNG; HSU, YI-HSIUNG; SHEN, CHUNG-HUA; LOU, TIEN-WEI; CHEN, MING-CHIN; CHANG, CHIH-HUNG; RAU, HSIU-HUA; YANG, MING-SHYANG; HUANG, SHOU-TZUOO; LEE, KUANG-HUEI; CHEN, SU-TIEN; CHEN, HSI-CHUAN; YANG, SHENG-TIEN; LEE, HAO-HSUAN; CHEN, CHUN-HSIUNG		CHANG, SHENG-FORD; YANG, CHENG-CHEN; TSENG, MING-CHUNG; HSU, YI-HSIUNG; SHEN, CHUNG-HUA; LOU, TIEN-WEI; CHEN, MING-CHIN; CHANG, CHIH-HUNG; RAU, HSIU-HUA; YANG, MING-SHYANG; HUANG, SHOU-TZUOO; LEE, KUANG-HUEI; CHEN, SU-TIEN; CHEN, HSI-CHUAN; YANG, SHENG-TIEN; CHEN, CHUN-HSIUNG	
NT\$2,000,000~NT\$5,000,000	LIU, TENG-CHENG SUSAN S. CHANG		LIU, TENG-CHENG SUSAN S. CHANG CHANG, MING-DAW LEE, HAO-HSUAN	
NT\$5,000,000~NT\$10,000,000				
NT\$10,000,000~NT\$15,000,000				
NT\$15,000,000~NT\$30,000,000				
NT\$30,000,000~NT\$50,000,000				
NT\$50,000,000~NT\$100,000,000				
Over NT\$100,000,000				
Total	7,001		16,748	

## (2) Compensation of President and Vice President

Unit: NT\$1,000

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Exercisable Employee Stock Options		Exercisable Restricted Stock Awards		Reinvested Enterprises
		The Bank	Companies in the consolidated financial statements	The Bank	Companies in the consolidated financial statements	The Bank	Companies in the consolidated financial statements	The Bank		Companies in the consolidated financial statements		The Bank	Companies in the consolidated financial statements	The Bank	Companies in the consolidated financial statements			
								Cash	Stock	Cash	Stock							
President	CHANG, MING-DAW	12,430	None	993	None	9,934	None	None				0.32	None	None	None	None	749	
Executive Vice President	HSIEH, TENG-LUNG																	
Executive Vice President	YANG, LI-YEN																	
Executive Vice President	CHIANG, SHIH-TIEN																	
Executive Vice President	WEI, JAN-LIN																	
Executive Vice President	CHIOU, YE-CHIN																	
Executive Vice President	CHANG, HONG-CHI																	
Executive Vice President and General Auditor	HSIEH, CHUAN-CHUAN																	

Unit: NT\$1,000

Bracket	Name of President and Vice Presidents	
	The Bank	Companies in the consolidated financial statements
Under NT\$ 2,000,000	YANG, LI-YEN	
NT\$2,000,000 ~ NT\$5,000,000	CHANG, MING-DAW; HSIEH, TENG-LUNG; WEI, JAN-LIN; CHIANG, SHIH-TIEN; CHIOU, YE-CHIN; CHANG, HONG-CHI; HSIEH, CHUAN-CHUAN	
NT\$5,000,000 ~ NT\$10,000,000		
NT\$10,000,000 ~ NT\$15,000,000		
NT\$15,000,000 ~ NT\$30,000,000		
NT\$30,000,000 ~ NT\$50,000,000		
NT\$50,000,000 ~ NT\$100,000,000		
Over NT\$100,000,000		
Total	23,357	

#### 4. Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents

Because the Ministry of Finance holds 100% of the Bank's shares, this item is not applicable.



### III. Implementation of Corporate Governance

#### 1. Board of Directors

A total of 9 (A) meetings of the Board of Directors were held in 2012. Director attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance rate (%) [ B / A ]	Remarks
Chairman	LIU, TENG-CHENG	5	0	100	Assumed on July 16, 2012
Chairperson	SUSAN S. CHANG	4	0	100	Relieved on July 16, 2012
Managing Director	CHANG, MING-DAW	9	0	100	
Independent Managing Director	HSU, YI-HSIUNG	7	1	78	
Managing Director	TSENG, MING-CHUNG	7	0	100	Assumed on Mar. 27, 2012
Managing Director	CHANG, SHENG-FORD	0	0	—	Relieved on Feb. 6, 2012
Managing Director	YANG, CHENG-CHEN	9	0	100	
Independent Director	SHEN, CHUNG-HUA	6	2	67	
Independent Director	CHEN, MING-CHIN	4	0	100	Assumed on July 31, 2012
Independent Director	LOU, TIEN-WEI	3	1	75	Relieved on July 2, 2012
Director	YANG, MING-SHYANG	7	2	78	
Director	CHANG, CHIH-HUNG	7	2	78	
Director	RAU, HSIU-HUA	9	0	100	
Director	LEE, KUANG-HUEI	8	1	89	
Director	HUANG, SHOU-TZUOO	4	0	100	Relieved on July 16, 2012
Director	CHEN, SU-TIEN	3	0	100	Assumed on July 31, 2012 Relieved on Nov. 30, 2012
Labor director	CHEN, HSI-CHUAN	9	0	100	
Labor director	LEE, HAO-HSUAN	9	0	100	
Labor director	CHEN, CHUN-HSIUNG	4	0	100	Assumed on July 31, 2012
Labor director	YANG, SHENG-TIEN	4	1	80	Relieved on July 31, 2012

Other mentionable items:

1. If there are circumstances referred to in Article 14-3 of Securities and Exchange Act and resolutions of the directors' meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing, the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion should be specified:  
None
2. If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified:  
Loan application by the National Stabilization Fund Management Committee: All 5 of the BOT's managing directors attended; with the exception of Managing Director Tseng, Ming-Chung's recusal because of his position as executive secretary of that Committee, all of the attending managing directors gave their approval.

Note: The actual ratio of attendance (%) is calculated as the ratio (%) of the number of Board of Directors meetings attended to the total number held during the term in office.

## 2. Audit Committee

A total of 7 (A) Audit Committee meetings were held in 2012. Independent director attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance rate (%) [ B / A ]	Remarks
Independent Managing Director	HSU, YI-HSIUNG	6	1	86	
Independent Director	SHEN, CHUNG-HUA	6	1	86	
Independent Director	LOU, TIEN-WEI	3	1	75	Relieved on July 2, 2012
Independent Director	CHEN, MING-CHIN	3	0	100	Assumed on July 31, 2012

Other mentionable items:

- If there are circumstances referred to in Article 14-5 of Securities and Exchange Act and resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors, the dates of meetings, sessions, contents of motions, resolutions of Audit Committee and the Company's response to Audit Committee's opinion should be specified: None
- If there is Independent Directors' avoidance of motions in conflict of interest, the Independent Directors' names, contents of motions, causes for avoidance and voting should be specified: None
- Communications between the independent directors, Internal auditing authorities and CPAs.
  - Communication with internal auditing authorities was carried out as follows to reinforce the Bank's internal auditing work:
    - Meetings of the Audit Committee that were held during this fiscal year discussed (1) a report on auditing work for the second half of 2011; (2) Internal Control Statement in 2011; (3) a report on auditing work for the first half of 2012; and (4) auditing work plan for 2013.
    - Four seminars were held with the internal auditing authority to discuss the topics of internal auditing, the auditing business, and risk monitoring reports and the writing off of overdue loans.
  - Communications with CPAs were carried out as follows in order to reinforce the content of the Bank's external auditing work:
    - Meetings of the Audit Committee that were held during this fiscal year discussed (1) financial reports of 2011; (2) the financial report for the first quarter of 2012; (3) financial reports for the first half of 2012; (4) the financial report for the third quarter of 2012; (5) the Bank's IFRS conversion plan and status of implementation; and (6) Internal control auditing in 2011.
    - Seminars were held to discuss the Bank's financial report checking and review matters.
  - In order to reinforce regulatory compliance, risk management, financial, accounting, and business operations, the Bank's communications with regulatory compliance, risk management, finance, accounting, and business units were carried out as follows:
    - Meetings of the Audit Committee discussed important regulatory compliance, risk management, finance, accounting, and business matters.
    - Numerous seminars were held to discuss the Bank's important related issues.
    - Relevant executives were invited to the Audit Committee's office on an irregular basis, and talks were held via telephone, to discuss important issues.
    - Unannounced visits were paid to four branches for communication with their managers.
  - A total of 7 Audit Committee meetings were called, 18 seminars were held, and visits to four branches during this year.

Note: The actual ratio of attendance (%) is calculated as the ratio (%) of the number of Board of Directors meetings attended to the number held during the term in office.

## 3. Revealed items in the Corporate Governance Best-Practice Principles for the Banking Industry

Please refer to the following information "Corporate Governance Execution Status".

## 4. Corporate Governance Execution Status and Deviations from "Corporate Governance Best-

## Practice Principles for The Banking Industry”

Item	Implementation Status	Deviations from “Corporate Governance Best-Practice Principles for The Banking Industry” and reasons
<p>1. Shareholding Structure &amp; Shareholders’ Rights</p> <p>(1) Method of handling shareholder suggestions or complaints</p> <p>(2) The Bank’s possession of a list of major shareholders and a list of ultimate owners of these major shareholders</p> <p>(3) Risk management mechanism and “firewall” between the Bank and its affiliates</p>	<p>1. The Bank currently has only one institutional shareholder: the Taiwan Financial Holding Co. (which is 100% owned by the Ministry of Finance). All related matters are carried out in accordance with regulations, and channels of communication are clear.</p> <p>2. The Bank is a subsidiary of the state-owned Taiwan Financial Holding Co. (whose sole owner is the Ministry of Finance).</p> <p>3. Business having to do with related enterprises is all carried out in accordance with the provisions of the Banking Law and the regulations of the competent authority as well as the Bank’s own internal control charter.</p>	None
<p>2. Composition and Responsibilities of the Board of Directors</p> <p>(1) Independent Directors</p> <p>(2) Regular evaluation of CPAs’ independence</p>	<p>1. The Bank has a Board of Directors consisting of 14 members (three are independent directors). All carry out their duties under the principles of independence, objectivity, and professionalism.</p> <p>2. In 2012 the Bank commissioned independent, reputable, and professional international certified public accountants of appropriate scale, to carry out verification and certification of the Bank’s accounts.</p>	None
3. Communication channel with stakeholders	The Bank maintains a mailbox for complaints and suggestions on its website, as well as a customer service telephone hotline, providing materially interested persons with a diversity of communication channels. Its internal website also contains a Chairman’s Mailbox, President’s Interchange, and employees’ discussion area as channels for employee suggestions.	None
<p>4. Information Disclosure</p> <p>(1) Establishment of a corporate website to disclose information regarding the Bank’s financials, business and corporate governance status</p> <p>(2) Other information disclosure channels (e.g. maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)</p>	<p>1. The Bank’s website regularly discloses information on financial operations and corporate governance.</p> <p>2. The Bank’s website has an English page that provides information on the Bank’s financial operations and corporate governance. The information is updated whenever the data change. To circulate publicly reports and announcements in accordance with the requirements of the competent authority, the units in charge of different areas of business carry out the collection and disclosure of relevant information in their own fields. Their reports are made according to the stipulated deadlines. To strengthen liaison and communication with the news media, the Bank makes timely and accurate reports on its major policies, business measures, and services. “Bank of Taiwan News Issuance and News Liaison Guidelines” have been established to make consistent statements. A spokesperson has been appointed.</p>	None
5. Operations of the Bank’s Nomination Committee or other committees of the Board of Directors	<p>The Bank established an Audit Committee on July 31, 2009 and formulated an Audit Committee Charter. The primary objective of the Committee, which is made up of all the Bank’s independent directors, is to provide supervision in the following areas:</p> <p>1. The appropriate expression of the Bank’s financial reports.</p> <p>2. The appointment (or dismissal) of CPAs, and their independence and performance.</p> <p>3. The effective implementation of the Bank’s internal controls.</p> <p>4. The Bank’s compliance with relevant laws and regulations.</p> <p>5. Management of existing and potential risks.</p>	None
6. Corporate Governance Execution Status and Deviations from “Corporate Governance Best-Practice Principles for The Banking Industry”: As stated above.		

Item	Implementation Status	Deviations from "Corporate Governance Best-Practice Principles for The Banking Industry" and reasons
<p>7. Other Important Information on the Bank's Corporate Governance Operations (including employee rights, staff care, investor relationships, material relationships, advanced education for directors and supervisors, attendance of directors and supervisors at board of directors meetings, implementation of risk management policy and risk measurement standards, implementation of consumer protection or customer policy, abstention of directors from cases in which they have a material interest, and purchase by the bank of liability insurance for directors and supervisors.)</p> <p>(1) Advanced education for directors: The Bank provides directors with information on advanced courses on law, finance, and accounting related to issues of corporate governance on an irregular basis, and arranges for them to attend courses in accordance with the regulations and their individual wishes.</p> <p>(2) Attendance of Directors at Board of Directors' Meetings: The Bank's directors attend meetings of the Board of Directors (Board of Managing Directors) in accordance with the "BOT Articles of Incorporation", "BOT Board of Directors Organizational Charter" and "BOT Board of Directors Rules of Procedure".</p> <p>(3) Implementation of Risk Management Policy and Risk Measurement Standards:</p> <p>a. To reinforce risk control capability and conform to the provisions of the New Basel Accord, the Bank has established a Risk Management Committee and mapped out risk strategies, and convenes a meeting of the Committee to consider risk monitoring every three months. The Bank has also set up an independent dedicated risk control unit, carries out matters related to risk identification, assessment, monitoring, and management, and submits regular reports on the status of implementation to the Risk Management Committee.</p> <p>b. In compliance with FSC rules, the Bank has implemented Pillars 1, 2, and 3 of Basel II.</p> <p>c. The Bank has worked out a risk management policy, regulations for the establishment of a risk management committee, internal criteria for capital adequacy management, criteria for credit risk management, criteria for market risk management, criteria for operational risk management, criteria for national risk quota management, and regulations for the disclosure of risk management information.</p> <p>d. The Bank carries out the advanced approach risk management mechanism in accordance with the New Basel Accord.</p> <p>(4) Consumer Protection:</p> <p>a. To protect the interests of customers and assure observance of the competent authority's regulations, the Bank has established rules for the wealth management business including "Operating Regulations for the Sale of Financial Products," "Management Guidelines for Financial Product Salespersons," "Operating Instructions for a Full Understanding of Customers in the Sale of Financial Products," and "Manual of Customer Rights for the Sale of Financial Products".</p> <p>b. To protect consumer interests, the contracts signed with customers for the extension of consumer loans are drawn up according to the "Items to be Included and Not Included in Personal Auto and Home Loan Model Contracts" as formulated by the competent authority in accordance with the Consumer Protection Law and other relevant laws and regulations.</p> <p>c. The Bank has established "Standards for Exemption from Risk due to Loss or Theft of International Credit Cards" and "Regulations for Writing Off Losses due to Fraudulent Use of International Credit Cards", so as to protect the users of international credit cards.</p> <p>d. In response to the promulgation and implementation of the Financial Consumer Protection Act and its subsidiary Regulations Governing Financial Services Companies Engaged in Advertising for Business Solicitation or Business Marketing, the Bank has established its "Management Instructions for Engaging in Advertising for Business Solicitation and Business Marketing" .</p> <p>(5) Directors withdraw from cases in which they have a material interest:</p> <p>a. Article 9 of the Board of Directors Organizational Charter, and Article 17 of the Board of Directors Rules of Procedure, both stipulate that directors should, at the current Board of Directors meeting, explain the major content of their relationships of material interest and, in case of any concern that those relationships might do harm to the Company's benefit or if there is any relationship of material interest of its own, they may not participate in discussions or voting and should remove themselves during discussion and voting, nor may they act as proxy for other directors in exercising their voting rights.</p> <p>b. Directors have to fill out the "Parties of Material Interest" as stipulated in Article 33-1 of the Banking Law, and the form is placed on a computer file by the Department of Credit Management.</p> <p>(6) Purchase of liability insurance for independent directors and supervisors: The Bank has not purchased liability insurance for its directors. To reinforce corporate governance, the Bank set up an Audit Committee on July 31, 2009 to take over the functions of the supervisors.</p>		
8. The corporate governance self-evaluation report or corporate governance evaluation report commissioned to a professional organization should include an explanation of the results of the report, major deficiencies (or suggestions), and status of improvement: The Bank has not yet carried out a corporate governance self-evaluation report or commissioned such a report to a professional organization.		

## 5. Information on members of the Remuneration Committee, and its operation

The BOT has not established a Remuneration Committee.

## 6. Social Responsibility

Item	Implementation Status
1. Implementation of corporate governance	
(1) Formulation of a corporate social responsibility policy or system, and review of implementation effectiveness	(1) Public-benefit donations are given to civic groups in accordance with the “Bank of Taiwan Rules for the Granting of Subsidies (Donations) to Private Groups.”
(2) Operation of dedicated (or concurrent) corporate social responsibility unit established by the bank	(2) The BOT has not yet established a dedicated (or concurrent) corporate social responsibility unit.
(3) Holding by the bank of regular corporate ethics training and publicity activities for directors, supervisors, and employees, combining of this training with the employee performance evaluation system, and establishment of a clear and effective system of rewards and punishments	(3) All directors participate in advanced corporate governance courses, and they are notified of any pertinent government decrees and other matters. The internal website contains an online learning page that allows employees to study corporate governance-related courses online, and such study is included in employee training time. Training in corporate ethics has not yet been made part of the employee performance evaluation system.
2. Development of a sustainable environment	
(1) Efforts by the bank to enhance the efficiency of resources utilization, and use of recyclable materials with a low environmental burden	(1) The BOT carries out operational activities in accordance with the following principles in order to lower the impact on the environment: a. Reduction of the consumption of resources and energy for financial products and services b. Appropriate disposal of wastes c. Use of energy-saving and environmentally friendly goods d. Equipment that has reached the end of its expected working life but is still usable continues to be used.
(2) Establishment by the bank of an appropriate environmental management system in accordance with its industry characteristics	(2) “Detailed Implementation Plan for the National Clean Home Campaign” was mapped out. The BOT has established an annual environmental patrol and supervision plan to manage the environmental beautification and maintenance of cleanliness by each unit.
(3) Establishment of an exclusive environmental management unit or personnel in order to protect the environment	(3) The Bank has set up a BOT Bank Premises Environmental Cleanliness and Beautification Inspection Team and has established incentive measures for use in evaluating the environmental protection performance of different units.
(4) Attention to the impact of climate change on operating activities, and establishment by the bank of energy conservation/carbon reduction and greenhouse gas emissions reduction strategies	(4) The BOT established an energy conservation/carbon reduction target of 30% for the use of paper (delete from 2009) , and 2% reduction for the use of electricity, water, and fuel (delete from the previous year) in accordance with the revision of the “Energy Conservation/Carbon Reduction Measures for Government Agencies and Schools” by the Executive Yuan on Dec. 16, 2009. The reductions during the year amounted to 1.31% for electricity, 2.59% for water, 6.77% for oil, and 6.49% for paper.
3. Maintenance of social benefit	
(1) Observance by the bank of relevant labor regulations and respect for the internationally recognized principles of labor rights, protection of employees' legal rights and non-discrimination in employment policy, and establishment of appropriate management methods and procedures	(1) As a state-owned enterprise governed by the Labor Standards Act, the BOT handles employees' working conditions, compensation, bonuses, retirement, pensions, layoffs, and insurance systems in accordance with the Labor Standards Act and other laws related to civil servants. A collective bargaining agreement has also been signed with the Taipei BOT Labor Union, assuring the full protection of employees' rights.
(2) Provision by the bank of a safe and healthy working environment for its employees, and offering of regular safety and health education to employees	(2) The BOT observes Article 12 of the “Rules on Protection of Workers' Health” in giving workers aged 40-64 a health examination every three years and workers under the age of 40 an examination every five years. Regular examinations are carried out to maintain the physical and mental health of employees.
(3) Establishment of a regular channel of communication for employees, and notification by reasonable methods of operational changes with a potentially major impact on employees	(3) Documents from the competent authority that relate to employee interests are relayed to the different units or are publicly announced for the understanding of employees.
(4) Establishment and publication of a consumer protection policy for the bank, and provision of a transparent and effective complaint procedure for its products and services	(4) To assure that customers understand their rights in regard to the Bank's trading in financial products, they are provided a customer rights manual for the sale of financial products to read and gain a full understanding of their rights and obligations. Loan certificates and contracts for other businesses all contain detailed descriptions of the rights of both parties; the contents of contracts are explained to customers prior to signing, and the customers attest to this by affixing their seals. Transparent and effective consumer complaint procedures, telephone numbers, toll-free hotlines, and complaint and suggestion mailboxes are given on the BOT website, at its teller counters, and on its business posters. In addition to taking telephoned complaints, the customer service center also provides 365-day, 24-hour online consultation and assistance in resolving questions.



Item	Implementation Status
<p>(5) Cooperation between the bank and suppliers in efforts to enhance corporate social responsibility</p> <p>(6) The bank's use of commercial activities, donation of goods, corporate volunteer services, or other free professional services to participate in community development and the activities of public-benefit groups</p>	<p>(5) In the procurement of goods, priority is given to suppliers that provide environmentally friendly, energy-saving products.</p> <p>(6) The Bank participated in the following public-benefit activities in 2012:</p> <p>a. Unified invoices were collected and donated to the Kanner Taiwan foundation in line with the charity activity held by Taiwan Financial Holdings Group on May 12, 2012.</p> <p>b. A donation activity was held to help renew facilities of the St. Camillus Center for Mentally Retarded on May 22, 2012.</p> <p>c. A donation activity was held on May 23, 2012 to help with the establishment of an early intervention training space for the Chung-Yi Children's Home of the Chung Yi Social Welfare Foundation.</p> <p>d. Children from family support centers were invited to participate in an environmental protection and book donation family charity activity on Aug. 20, 2012.</p> <p>e. Practical action through the giving of donations was used to support the Taoyuan branch of the Taiwan Fund for Children and Families in holding a garden party on Nov. 6, 2012.</p> <p>f. A year-end united donation activity was held on Dec. 11, 2012, with donations collected for the support of the Maria Social Welfare Foundation, Catholic Hua Kuang Social Welfare Foundation, and the Chinese Christian Relief Association in the efforts to help disadvantaged families and the physically disabled.</p>
<p>4. Strengthening of information disclosure</p> <p>(1) Disclosure by the bank of relevant and reliable information on corporate social responsibility</p> <p>(2) Production of a corporate social responsibility report by the bank, and disclosure of the implementation of corporate social responsibility</p>	<p>(1) The BOT discloses information on the implementation of corporate social responsibility in its Annual Report and on its website.</p> <p>(2) The BOT has not produced a corporate social responsibility report.</p>
<p>5. If the bank has compiled its own corporate social responsibility rules in accordance with the "Corporate Social Responsibility Best-Practice Principles for TSEC/GTSM Listed Companies," please explain their operation and their divergences: The BOT has not compiled its own corporate social responsibility rules.</p>	
<p>6. Other important information to help understand the operation of corporate social responsibility (such as systems, measures, and implementation adopted by the bank for environmental protection, community participation, contributions to society, social services, social benefit, consumer rights, human rights, safety and health, and other CRS activities):</p> <p>The BOT carried out the following social benefit activities in 2012:</p> <p>(1) The BOT held a "BOT Wealth Management Heart-Touching Carnival" charity activity for VIP wealth management families on Feb. 18, 2012 to fulfill the Bank's corporate social responsibility.</p> <p>(2) The Bank sponsored a Chinese Professional Baseball League activity on July 21-22, 2012, and invited baseball team members from the Xipu Primary School, Guanghua Primary School, Fuying Junior High School, and Erchong Junior High School in New Taipei City to watch the games, illustrating the Bank's support for physical fitness activities.</p> <p>(3) An environmental protection and book donation family charity activity was held on Aug. 20, 2012, inviting children from family support centers to participate as an expression of the Bank's care for disadvantaged children.</p> <p>(4) Sponsorship was provided for a family garden party held by the Taoyuan center of the Taiwan Fund for Children and Families on Nov. 6, 2012, with charity donations being given to help to center continue caring for disadvantaged families.</p> <p>(5) White House Economic Advisor Robert Shiller was invited to Taiwan to participate in the Global Forum 2012 on Nov. 23, 2012, where he presented a keynote speech on "Looking for the Realizable Recovery" and contributed his insights to Taiwan's economic and financial development.</p> <p>(6) BOT employees and their families were invited to go to the Wufeng Maria Care Center of the Maria Social Welfare Foundation on Dec. 19, 2012 to show their concern and serve as volunteers in accompanying inmates to the Fenggu Primary School for exercise.</p> <p>(7) A news release issued by the Department of Labor, Taipei City Government on Dec. 27, 2012 extolled the hiring of the visually impaired to serve as voice operators in the Bank's customer service center. This was an important step in fulfilling the Bank's corporate social responsibility.</p>	
<p>7. If the bank's product or corporate social responsibility reports include passage of certification standards by relevant certification agencies, please explain: Following its acquisition of ISO 20000-1:2005 Information Security Management System certification from the British Standards Institution and its passage of ISO 27001 Information Security Management System certification review by the same body, the Bank won BS25999 Business Continuity Management System certification on Dec. 6, 2012.</p>	

## 7. Status of the Bank's Honest Operation, and Measures Adopted

Item	Implementation Status
<p>1. Establishment of ethical management policies and programs</p> <p>(1) The clear expression of ethical management policy in the Bank's Charter and external documents, and the commitment of its managers to the vigorous implementation of that policy</p> <p>(2) The Bank's establishment of programs for the prevention of unethical behavior, and the operating procedures, behavioral guidelines, and education and training operations</p> <p>(3) The Bank's adoption of measures for preventing the giving and accepting of bribes and the provision of illegal political contributions in business activities with a high risk of unethical behavior within the scope of its business operations</p>	<p>(1) The BOT holds to an attitude of sincerity in guaranteeing the principle of putting customer rights first and providing professional services that meet the needs of its customers, and puts "sincerity" at the head of the list of its operating principles.</p> <p>(2) The BOT has established "Guidelines for Advertising Solicitation and Business Marketing Activities" to regulate advertising solicitation and business promotion activities, and to assure the rights of financial consumers.</p> <p>(3) a. Prior to the Chinese New Year, Dragon Boat Festival, and Mid-Autumn Festival each year, BOT's staff are notified not to accept gifts or banquet invitations from individuals, institutions, or groups that have a relationship of material interest with the Bank, that when they are asked to engage in illicit lobbying they should register the matter in accordance with the stipulations of the "Executive Yuan and Subordinate Agency Guidelines for the Registration and Investigation of Requests for Illicit Lobbying" and "Ministry of Finance and Subordinate Agency Guidelines for the Registration and Investigation of Requests for Illicit Lobbying," and that they should use multimedia platforms, digital signage, posters, and other methods to notify customers not to present gifts, offer invitations, or request illicit lobbying.</p> <p>b. A total of 543 cases were registered in 2012: one gift presentation, 496 banquet invitations, and 46 requests for illicit lobbying. Investigation revealed no violation of the rules.</p> <p>c. The different units were notified on Jan. 14, 2012, to use all kinds of meetings to publicize anti-election-fraud information for the election of legislators, president, and vice president.</p>
<p>2. Implementation of ethical management</p> <p>(1) The Bank's avoidance of transactions with parties having records of unethical behavior in its business activities, and inclusion of ethical behavior provisions in business contracts</p> <p>(2) The Bank's establishment of a unit charged exclusively with the promotion of corporate ethical management, and supervision by the board of directors</p> <p>(3) The Bank's establishment of a conflict-of-interest policy and provision of an appropriate complaint channel</p> <p>(4) The Bank's establishment of an effective accounting system to achieve ethical management, operation of the internal controls system, and auditing by internal auditors</p>	<p>(1) The BOT always evaluates the legitimacy of agents, suppliers, customers, and other transaction counterparties when carrying out transactions, and uses fair and transparent methods in its commercial activities.</p> <p>(2) The BOT follows the operating principles of "Integrity, Care, Efficiency, and Prudence," and propagates an understanding of these core values to employees during regular and irregular meetings at the different units. Cards are also printed and distributed to employees, and the principles are printed in publications to incorporate them into all operations and services.</p> <p>(3) The BOT's Charter, Organization Rules of the Board of Directors, and Rules and Procedures of Board of Directors Meetings clearly stipulate rules for the recusal of directors.</p> <p>(4) Checking items including accounting system rules, the production and submission of financial reports for annual accounts, profit-and-loss analysis, and accounting and file management have been established in accordance with the BOT's accounting system, business handling methods and rules, and International Financial Reporting Standards, and internal auditing is carried out to check whether the Bank's accounting matters and internal auditing operate effectively and to provide suggestions for improvement or for elimination of deficiencies.</p>
<p>3. Establishment and operation of the Bank's reporting channels and discipline for violations of ethical management rules, and complaint system</p>	<p>(1) In addition to a reporting hotline under the public services page on the Bank's external website homepage, the Bank's phone number for reporting problems is also included in the procurement bidding guidelines.</p> <p>(2) The Bank handles cases of fraud involving employees in accordance with the rules contained in the Ministry of Justice's Government Ethics Handbook, and holds to the principle of "no wrongful punishment, no leniency" in cracking down on corruption and handling administrative malpractice.</p>
<p>4. Strengthened information disclosure</p> <p>(1) The Bank's installation of a website for the disclosure of information related to ethical management</p> <p>(2) The Bank's adoption of other information disclosure methods (such as establishment of an English-language website, or designation of a person to take charge of the collection and disclosure of company information on the company website)</p>	<p>The BOT has established a world-wide web page to facilitate the acquisition of relevant information by the public, and discloses important financial and business information on its public information website in accordance with legal requirements.</p>

5. Please describe any differences in operations and rules of ethical management regulations that the Bank has established in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies:

The BOT is not a TWSE/GTSM-listed company, and has not established its own ethical management rules.

6. Other important information that would aid in understanding the Bank’s ethical management operations (such as the Bank’s determination in and policy regarding the guidance of companies with which it does business in ethical management, the inviting of those companies to participate in education and training, and the Bank’s review and revision of ethical management regulations):

The Bank’s ethical management operations have met with the approval of all sectors:

- (1) Selected as one of the Asia’s 10 and the world’s 50 safest banks in 2012 by the American magazine Global Finance.
- (2) Winner of the Reader’s Digest “Trusted Brands” Platinum Award in the banking category.
- (3) First place for “Bank Image” and “Recommended by Friends and Relatives” categories of Global Views magazine’s Wealth Management Survey in 2012.
- (4) Double winners of “Most Popular Domestic” and “Favorite Domestic Bank” in Wealth magazine’s Financial Brand Survey.

## 8. Corporate Governance Guidelines and Regulations

Please refer to the Bank’s website at <http://www.bot.com.tw>, and click on “Corporate Governance”.

## 9. Other Important Information Regarding Corporate Governance

None

## 10. Internal Control System

### (1) Internal Control Statement

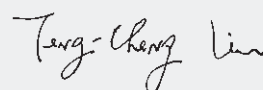
Bank of Taiwan

#### Internal Control Statement

TO: FINANCIAL SUPERVISORY COMMISSION

The internal control system of the Bank of Taiwan from Jan.1, 2012 through Dec. 31, 2012 was established in compliance with the "Implementation Rules for the Financial Holding Co. and the Banking Industry Internal Audit and Internal Control System" to implement risk management and audited by an independent auditing department which reports to the board of the directors and supervisors regularly (For bank's securities business, the Bank determines if the design and implementation of the internal control system are effective based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets). After careful evaluation, the Bank believes that the Bank's internal control system and compliance with applicable law and regulations have been effective for the year stated, except the items in need of strengthening in the BOT's Internal Controls System. (This Statement shall become a major part of the annual report and prospectus of the Bank and be made public. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the Securities & Exchange Act.)

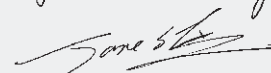
Chairman



President



EVP and General Auditor



Head Office Chief Compliance Officer

February 27, 2013



## (2) Independent Auditors' Report

## Independent Auditors' Report

The Board of Directors  
Bank of Taiwan

Article 28, Item 1 of the “Implementation Rules for the Financial Holding Co. and the Banking Industry Internal Audit and Internal Control System” states that when a bank is having its annual financial statements examined and certified by Certified Public Accountants, it should commission the CPAs to carry out an examination of its system of internal controls and to express an opinion about the accuracy of the data included in the statements reported to the competent authority, the implementation of the bank’s internal control system and its regulatory compliance, and the appropriateness of the bank’s policy on appropriations for bad debts.

We have been engaged by the Bank of Taiwan to carry out the examination described above and, in accordance with the stipulations of Article 31 of the Implementation Rules, hereby affix the scope, basis, procedure, and results of our examination in the attachment.

This examination report is provided solely to the Bank of Taiwan for reference. With the exception of being submitted to the competent Authority for supervisory reference, it may not be used for other purposes or distributed to other parties.

KPMG Certified Public Accountants  
March 15, 2013



## 11. Major Resolutions of Board Meetings

- (1) Report by the 16th meeting of the 3rd board of directors on Feb. 23, 2012: The Bank's 2011 business report, profit and loss statement, appropriation of profit and loss statement, balance sheet, and cash flow statement.
- (2) Resolution of the 16th meeting of the 3rd board of directors on Feb. 23, 2012: To expand the Bank's international deployment, it was resolved to establish a representative office in Mumbai, India; an application was submitted to the Financial Supervisory Commission, in accordance with the regulations, for permission to do so.
- (3) Resolution of the 16th meeting of the 3rd board of directors on Feb. 23, 2012: Signing by the BOT of a cooperation MOU with the China Merchants Bank for the purpose of establishing closer business relations with mainland Chinese banks.
- (4) Retroactive recognition by the 16th meeting of the 3rd board of directors on Feb. 23, 2012: The Bank's 2013 business plan(including subsidiary).
- (5) Report by the 17th meeting of the 3rd board of directors on Apr. 13, 2012: The Board of Directors of the Taiwan Financial Holding Co., Ltd passed a resolution to appoint Tseng, Ming-Chung as a director of the Bank, and the appointment of Tseng as a managing director was approved unanimously by all the directors in attendance.
- (6) Resolution of the 17th meeting of the 3rd board of directors on Apr. 13, 2012: The Bank's internal controls for 2011 and final accounting for 2011 (Jan. 1, 2011 to Dec. 31, 2011) were examined and certified by KPMG Certified Public Accountants, including the Internal Controls Audit Suggestion Sheet, Financial Statements (CPI Audit Report, Balance Sheets, Statement of Income, Changes in Shareholder Equity, and Statement of Cash Flow), Business Reports, Statement of Surplus Allocation, and List of Major Properties.
- (7) Resolution of the 17th meeting of the 3rd board of directors on Apr. 13, 2012: To expand the Bank's international operating network, it was resolved to establish a branch in Sydney, Australia. After all the necessary documentation was prepared, an application was submitted to the Financial Supervisory Commission, in accordance with the regulations, to do so.
- (8) Report by the 18th meeting of the 3rd board of directors on June 15, 2012: The audit report of the Bank's final accounts for 2011 by the Audit Committee.
- (9) Report by the 13th session of the third Board of Directors on July 16, 2012: An interim meeting of the Board of Directors of the Taiwan Financial Holding Co., Ltd approved the resignation of Susan S. Chang as the Bank's chairperson, effective July 16, 2012; the resignation of Independent Director Lou, Tien-Wei, effective July 2, 2012; and the resignation of Director Huang, Shou-Tzuoo, effective July 16, 2012.
- (10) Resolution of the 1st meeting of the 4th board of standing directors on July 31, 2012: Managing Director Liu, Teng-Cheng was elected chairman of the Bank in accordance with the stipulated procedures.
- (11) Retroactive recognition by the 2nd meeting of the 4th board of directors on Aug. 17, 2012: A Taiwan Financial Holding Co., Ltd Board of Directors meeting approved Chang, Ming-Daw as president of the Bank of Taiwan.
- (12) Resolution of the 3rd meeting of the 4th board of directors on Nov. 9, 2012: A "Feasibility Study and Operational Plan for the Establishment by the Bank of Taiwan of a Phnom Penh Branch" was formulated, an application was submitted to the Financial Supervisory Commission in accordance with regulations.

- (13) Resolution of the 4th meeting of the 4th board of directors on Dec. 28, 2012: The Bank's 2014 business plan(including subsidiary).
- (14) Resolution of the 26th meeting of the 4th board of standing directors on Jan. 18, 2013: The Bank received permission to reinvest in the BankTaiwan Insurance Brokers Co.; to facilitate its establishment and registration. Chiang, Shih-Tien and Kang, Fan were appointed its first directors and Liu, Yu-Chih as its first supervisor, with terms of office of three years beginning with the date of that Company's first Board of Directors meeting.
- (15) Report by the 5th meeting of the 4th board of directors on Feb. 22, 2013: The Bank's 2012 business report, profit and loss statement, appropriation of profit and loss statement, balance sheet, and cash flow statement.
- (16) Resolution of the 6th meeting of the 4th board of directors on Mar. 15, 2013: The Bank's internal controls for 2012 and final accounting for 2012 (Jan. 1, 2012 to Dec. 31, 2012) were examined and certified by KPMG Certified Public Accountants, including the Internal Controls Audit Suggestion Sheet, Financial Statements (CPI Audit Report, Balance Sheets, Statement of Income, Changes in Shareholder Equity, and Statement of Cash Flow), Business Reports, Statement of Surplus Allocation, and List of Major Properties.

## 12. Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors

None

## 13. Resignation or Dismissal of Personnel Involved in Preparation of Financial Reports

Feb. 6, 2013

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Chairperson	SUSAN S. CHANG	July 23, 2009	July 16, 2012	Retirement
Executive Vice President	YANG, LI-YEN	Nov. 23, 2007	July 4, 2012	Retirement
SVP and General Manager, Department of Treasury	LIU, YU-CHIH	July 16, 2011	Jan. 16, 2013	Personnel changes

Note: "Persons related to financial reports" refers to the chairperson, president, finance executive, chief auditor, and chief internal auditor.

#### IV. CPA Information

(Major changes in CPA audit fees, change of CPA, employment of the chairperson, president, or manager responsible for financial or accounting duties at the attesting CPA's office or an affiliated enterprise, or other matters requiring disclosure)

Name of Accounting Firm	Name of CPA		Audit Period	Notes
KPMG Certified Public Accountants	Yen-Ling Fang	Derek Hsu	Jan. 1, 2012~Dec. 31, 2012	

Unit: NT\$1,000

Amount \ Items	Auditing Fees	Non-auditing Fees	Total
Under NT\$ 2,000,000			
NT\$2,000,000 ~ NT\$4,000,000	3,397		3,397
NT\$4,000,000 ~ NT\$6,000,000		4,668	4,668
NT\$6,000,000 ~ NT\$8,000,000			
NT\$8,000,000 ~ NT\$10,000,000			
Over NT\$10,000,000			

#### V. Transfer of Equity and Changes in Equity Used as Collateral by Directors, Supervisors, Managers, and Others Required to Report Equity in accordance with the provisions of Article 11 of the Regulations Governing the Holding in Excess of a Set Ratio of Voting Shares Already Issued by the Same Bank by the Same Party or Same Related Parties

None

#### VI. Information Disclosing the Relationship between Any of the Company's Top Ten Shareholders

None

## VII. Numbers of Shares in the Same Reinvested Enterprises Held by the BOT and its Directors, Supervisors, President, Executive Vice Presidents, the Heads of Departments and Branches, and Enterprises Controlled Directly or Indirectly by the Bank, and Ratios of Consolidated Shareholding

### Consolidated Shareholding Ratios

Dec. 31, 2012

Unit: Share; %

Reinvested Enterprise (Note)	Investment by the BOT		Investment by Directors, Supervisors, the President, Executive Vice Presidents, Heads of Departments and Branches, and Enterprises Controlled Directly or Indirectly by the BOT		Consolidated Investment	
	No. of Shares	Ratio of Shareholding	No. of Shares	Ratio of Shareholding	No. of Shares	Ratio of Shareholding
Taiwan Sugar Corp.	23,137,489	0.30	11,120,138	0.14	34,257,627	0.44
Taiwan Power Company	865,191,972	2.62	148,281,562	0.45	1,013,473,534	3.07
Taiwan Machinery Manufacturing Corp.	10,253,459	1.60	167	0.00	10,253,626	1.60
Taiwan Stock Exchange Corp.	61,389,591	10.01	18,395,380	3.00	79,784,971	13.01
First Financial Holding Co., Ltd.	627,636,984	7.72	262,946,383	3.24	890,583,367	10.96
Hua Nan Financial Holdings Co., Ltd.	1,831,201,815	21.23	331,509,887	3.84	2,162,711,702	25.07
Taiwan Business Bank	843,676,422	17.22	1,196,872	0.02	844,873,294	17.24
Gathay Financial Holding Co., Ltd.	55,196,575	0.51	13,588,299	0.13	68,784,874	0.64
Mega Financial Holding Company	286,954,793	2.51	1,026,096	0.01	287,980,889	2.52
Taiwan Life Insurance Co., Ltd.	162,280,143	18.94	22,792,869	2.66	185,073,012	21.60
Taiwan Fire & Marine Insurance Co., Ltd.	64,608,278	17.76	525,320	0.14	65,133,598	17.90
Tang Eng Iron Work Co., Ltd.	74,802,414	21.37	16,084,512	4.60	90,886,926	25.97
China Development Financial Holding Corp.	238,729,496	1.65	2,938,975	0.02	241,668,471	1.67
Kaohsiung Ammonium Sulfate Co., Ltd.	303,131,576	91.86	0	0.00	303,131,576	91.86
Taiwan Chunghsing Paper Corp.	25,035,822	9.54	0	0.00	25,035,822	9.54
China Trade & Development Corp.	1,250,110	1.91	0	0.00	1,250,110	1.91
China Daily News	62,882	0.14	0	0.00	62,882	0.14
Central Motion Picture Corp.	8,913,458	15.22	0	0.00	8,913,458	15.22
Yunta Financial Holding Co., Ltd.	230,836,323	2.30	6,126,511	0.06	236,962,834	2.36
Taiyi Real Estate Management Co., Ltd.	1,500,000	30.00	0	0.00	1,500,000	30.00
United Taiwan Bank S.A.	146,250	4.99	0	0.00	146,250	4.99
Taipei Forex Inc.	1,400,000	7.06	700,000	3.53	2,100,000	10.59
Taiwan Futures Exchange Corp.	5,711,031	2.05	5,479,798	1.97	11,190,829	4.02
Bankpro E-Service Technology Co., Ltd.	450,000	3.33	0	0.00	450,000	3.33
Taiwan Asset Management Corp.	100,000,000	5.68	200,000,000	11.35	300,000,000	17.03
Taiwan Financial Asset Service Corp.	10,000,000	5.88	5,000,000	2.94	15,000,000	8.82
Financial Information Service Co., Ltd.	11,998,125	2.67	5,191,875	1.15	17,190,000	3.82
Financial eSolution Co., Ltd.	2,481,467	7.19	792,027	2.30	3,273,494	9.49
Taiwan Integrative Shareholder Service Company	490,000	1.63	1,580,000	5.27	2,070,000	6.90
Sunny Asset Management Corp.	15,531	0.26	69,740	1.16	85,271	1.42
International Property & Finance Co., Ltd.	14,658	0.92	0	0.00	14,658	0.92

Note: Investment according to Article 74 of the Banking Law

# 關懷

關懷社會、關懷客戶、關懷員工

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# 幫你實現 人生的無數桶金

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# Capital Overview

## I. Capital and Shares

### 1. Source of Capital

Month/ Year	Par Value (NTD)	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount (NTD)	Shares	Amount (NTD)	Sources of Capital	Other
Dec. 2012	\$10	7.0 billion	\$70 billion	7.0 billion	\$70 billion	Appropriation from the National Treasury and Increment NT\$5.0 billion due to the merger with the Central Trust of China Shareholder dividends and bonuses and surplus reserves in the total amount of NT\$25 billion were transferred for the purpose of capital increment in 2010.	

Share Type	Authorized Capital			Remarks
	Issued Shares		Un-issued Shares	
Common Stock	7.0 billion ( Shares have not been listed )		0	7.0 billion

### 2. Status of Shareholders, Shareholding Distribution Status, and List of Major Shareholders

100% shares are held by Taiwan Financial Holding Co., Ltd; shares have not been listed.

### 3. Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$; share

Items		Year	2012	2011
Market Value Per Share	Highest		-	-
	Lowest		-	-
	Average		-	-
Net Worth Per Share	Before Appropriation		36.10	35.20
	After Appropriation		35.42	34.56
Earnings Per Share	Weighted Average Issued Shares		7,000,000,000	7,000,000,000
	Earnings Per Share		1.03	0.52
Dividends Per Share	Cash Dividends		0.68	0.63
	Stock Dividends	Earnings	-	-
		Capital Reserve	-	-
	Cumulative Dividends Undistributed		-	-
Return Analysis	P/E Ratio		-	-
	Ratio of Share Price to Dividends		-	-
	Cash Dividend Yield %		-	-

Notes: Figures for 2011 are readjusted by the CPA in accordance with figures approved by the Ministry of Audit; figures for 2012 are CPA approved.

#### 4. Dividend Policy and Implementation Status

##### (1) Dividend Policy

The BOT Charter stipulates that if the final annual accounts show a profit, the profit will be distributed as follows:

- A. Payment of the income tax;
- B. Making up of losses for previous years;
- C. Allocation of 30% for legal reserve;
- D. Allocation of 20~40% of the profit, and that an amount similar to that of “Unrealized Loss from Financial Instruments” listed under the “Stockholder’ equity” item for the special reserve.
- E. Distribution of stock dividends

Any remaining profits will be distributed, together with undistributed profits from the previous year, in accordance with the relevant laws and regulations.

Until the legal reserve reaches the total amount of capital the maximum distribution of profits in the form of cash may not exceed 15% of the capitalization.

##### (2) Current Distribution of Stock Dividends

Following the allocation of legal reserve and special reserve from the audited after-tax profit for 2012, a cash dividend of NT\$4,769 million, or NT\$0.68 per share, was decided. Under Article 50 of the Audit Law, however, the final determinant of the BOT’s profit is the Ministry of Audit. Since the Bank’s final 2012 final budget is still under examination by the Ministry, the actual amount of cash dividends distributed will be determined after the Ministry completes its examination.

#### 5. Influence on the Bank's Operating Performance and Earnings Per Share of the Current Uncompensated Distribution of Shares as Proposed by the Shareholders' Meeting

None

#### 6. Employee Bonus and Directors' and Supervisors' Remuneration

None

#### 7. Buyback of Treasury Stock

None

## II. Status of Bank Debentures, Preferred Shares, Overseas Depository Receipts, Employee Stock Warrants, Restricted Stock Awards

None

## III. Status of New Shares Issuance in Connection with Mergers and Acquisitions

None

## IV. Financing Plans and Implementation

None

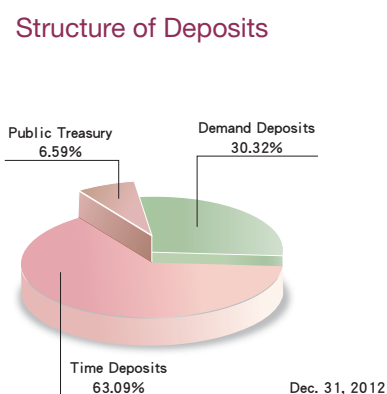
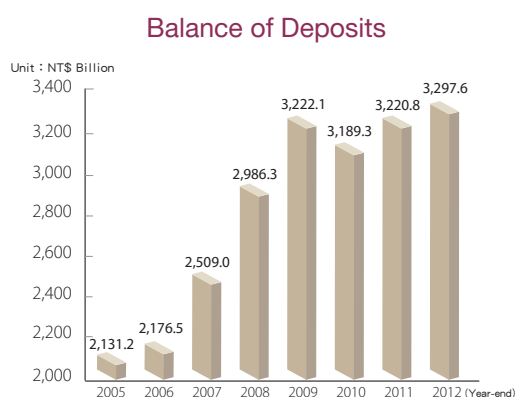
# Operational Highlights

## I. Business Activities

### 1. Main areas of business operations

#### (1) Deposits

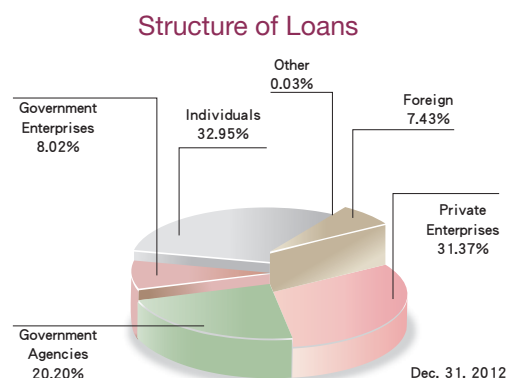
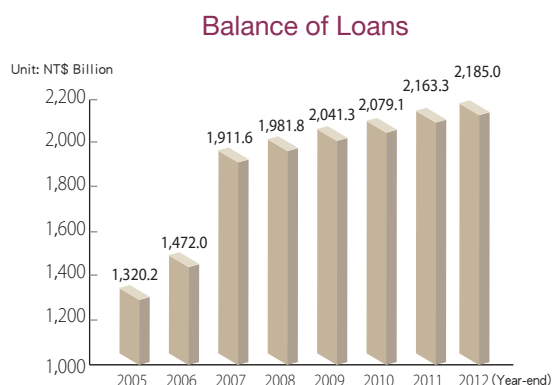
Total deposits in the Bank at the end of December 2012 amounted to NT\$3,297.6 billion, equal to 81.33% of the NT\$4,054.7 billion in total assets and representing an increase of 2.38% over the previous year. Demand deposits in 2012 grew by 8.24%, and deposits from public treasuries decreased by 4.31% over the year before.



#### (2) Corporate Banking

The amount of the Bank's total loans outstanding at the end of December 2012 (including general loans as well as import and export negotiations) stood at NT\$2,185 billion, equal to 53.89% of the total assets and reflecting an increase of 1%, over a year earlier. Corporate loans outstanding at the end of 2012 (including loans to government agencies and government-owned enterprises) amounted to NT\$1,465 billion, accounting for 36.13% of total assets and representing a decrease of 1.17% from the previous year. At the end of December 2012 the amount of loans outstanding to government agencies and government enterprises totaled NT\$616.7 billion, recording a decrease of NT\$46.4 billion or 7% from a year earlier. The Bank engaged vigorously in extending SME loans. SME loans outstanding at the end of 2012 amounted to NT\$281.4 billion, NT\$17.8 billion more than a year earlier for a growth of 6.75%.

According to statistics from the specialized syndicated loan magazine Basis Point, the BOT's performance as lead bank for syndicated loans in 2012, in terms of mandated arranger and bookrunner, placed it first in share of Taiwan's domestic market.



## (3) Consumer Banking

The Bank engages vigorously in all facets of the consumer banking business in order to strengthen services to the general public and promote economic growth, including the provision of general consumer loans. In addition to the continued implementation of such preferential consumer loan programs as “Easy Home Loans,” “Preferential Military Loans,” the Bank works in line with market development trends and targets different customer groups for the introduction of various kinds of preferential programs such as “Preferential Home Loans for Housing Brokered by Sinyi Realty,” “Preferential Home Loans for Housing Along Greater Taipei MRT Lines,” and “Dragon Luck 101 Preferential Home Loans” in order to pursue the quality owner-occupied home loan business. In line with government policy, the Bank also continues to handle personal policy loans such as “Youth Family Program,” “Preferential Housing Procurement Loans,” “Young Entrepreneur Loans,” “Loans for Students at Senior High Schools and Higher,” and “Ministry of Education Subsidized Loans for Overseas Study.” These loans help young people buy homes, start businesses, or get an education. Consumer loans outstanding at the end of 2012 amounted to NT\$669 billion, NT\$34.6 billion more than a year earlier for a growth of 5.46%.

## (4) Foreign Exchange and International Banking

The amount of foreign exchange transactions undertaken during the year reached US\$372.52 billion, up 9.78% over 2011. The volume of deposits carried out by DBUs as agents for the OBU amounted to US\$1,337 million, for a growth of 29.30% over the year before and the volume of loans amounted to US\$1,133 million, for a growth of 49.28%.

A total of 157 branches were designated to handle foreign exchange services, another 3 dealt in simple foreign-currency cash and traveler’s check

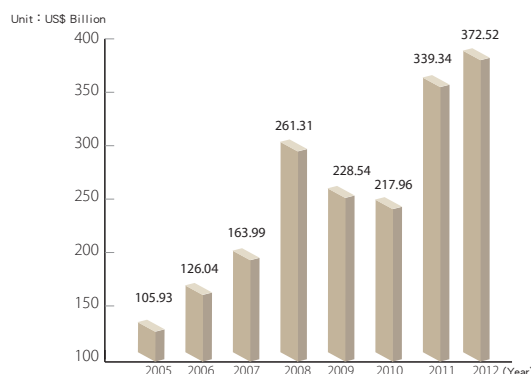
transactions, and 367 foreign-currency exchange bureaus, among which 259 offer renminbi (RMB) exchange services at the end of 2012. The Bank had correspondent relations with 2,405 financial institutions in 137 countries, providing a correspondent banking network covering major cities around the world.

The Bank also has an Offshore Banking Unit and eight overseas branches which, in addition to the deposit, loan, remittance, and import and export trade financing businesses, engage in international bond investment and participate in international syndicated loans. At the end of 2012, the total assets of these offshore branches amounted to US\$14.589 billion.

## (5) Electronic Banking

At the end of 2012 the accumulated number of Internet banking transfer accounts stood at 2.21 million, up 15.67% over 2011. Transfers carried out during the year stood at 9.74 million. Gold Passbook Internet transactions numbered 1.29 million, accounting for 94.80% of all the Bank’s Gold Passbook transactions. Telephone banking transfers amounted to 408,800 and online purchase requests for funds amounted to 2.15 million, making up 87.79% of all the Bank’s fund transactions. The corporate financial management system had 1,659 accounts at the end of 2012, indicating an outstanding performance in terms of e-business. The Corporate e-Banking Site (including Super Pay fund management, Financial EDI, Account receivables and payables Super e-Billing management) transfer transactions undertaken during the year numbered 3.43 million. Usage of the Bank’s portal site for fee collections extended to 4,009, and the number of collections reached 9.86 million, up 9.31% over 2011.

## Foreign Exchange Operations





## (6) Trust Business

At the end of 2012 the average principal of trust property amounted to NT\$395 billion, up 4.88% from the previous year. At the end of December 2012 the amount of assets under custodianship by the BOT totaled NT\$989.3 billion, for a growth of 4.66% over the year earlier. Of this total, the outstanding amount of foreign assets under custodianship for investment in domestic securities was NT\$238.9 billion, for a growth of 13.66% over the previous year, discretionary investment assets amounted to NT\$319.4 billion, and boosted the BOT to first place in market share in the fourth quarter of 2012. In addition, 158,775 enterprise units opened worker retirement fund accounts with total deposits of NT\$1,229 billion, retirement payments amounting to NT\$661.5 billion, and trust funds outstanding of NT\$567.5 billion.

## (7) Investment

## A. Bills Finance

Short-term commercial paper transactions by the Bank in 2012 totaled NT\$4,300.3 billion, a growth of NT\$314.4 billion over a year earlier. The outstanding amount of bills dealing at the end of the year stood at NT\$644.8 billion, of which Central Bank negotiable certificates of deposit accounted for NT\$607.1 billion. Profit from securities dealing during the year was NT\$5.43 billion, giving an average profit margin of 0.84%, compared with the profit margin of 0.87% in the previous year, a decrease of 0.03 percentage points. The amount of short-term bills underwriting undertaken in 2012 reached NT\$48.9 billion, a growth of NT\$16.3 billion over the year before.

## B. Proprietary Bond Dealing

The Bank's dealing in government bonds amounted to a total of NT\$4.6 billion in 2012, of which government bonds purchased amounted to NT\$2.8 billion and government bonds sold totaled NT\$1.8 billion. Repurchase agreements amounted to NT\$427.4 billion, and reverse repo agreements totaled NT\$30.3 billion. The volume of repurchase agreements remained substantial because of the abundance of idle capital in the market. The earnings on reverse repo were relatively low compared with other kinds of capital utilization, and so the Bank reduced its dealing in this instrument. The volume of trading in government bonds also fell because of the general slump in Taiwan's bond market in 2012.

## C. Reinvestment

At the end of 2012 the Bank had investments in 31 enterprises with the book value of the investments totaling NT\$57.5 billion, an increase of NT\$2.6 billion, or 4.74%, over the year before. The main reason for the improvement was an increase in equity as calculated by the equity method. Profit on long-term equity investment amounted to NT\$2.7 billion in 2012, derived mainly from stock dividends and the benefit from booking by the equity method.

## D. Short-term Investment (in Stocks and Funds)

At the end of 2012 the costs of the Bank's investment in stocks were NT\$8.5 billion, and the operating volumes were NT\$9.7 billion. Realized gains amounted to NT\$0.25 billion and the post-assessment earnings rate on shares was 5.06%. If stocks used as financial assets available for sale are factored in, the overall rate of return on investment was 8%.

At the end of 2012 the costs of the Bank's investment in NT Dollar dominated equity funds were NT\$0.79 billion and the operating volumes were NT\$0.83 billion. Realized earnings stood at NT\$7 million and fund yield at 0.84%. If funds used as financial assets available for sale are factored in, the rate of return on investment was 10.31%; this was better than the rate of return on the Taiwan Weighted Stock Index, which was 8.87%.

## (8) Business Derived from the Issuance of NT Dollar Currency for the Central Bank

Under the provisions of the Regulations Governing the Entrustment of the Bank of Taiwan of Matters Associated with the Issuance of the New Taiwan Dollar by the Central Bank of the Republic of China



(Taiwan), the Bank handles collection and payment, transport, adjustment of supply and demand, and the recovery of worn bills associated with the issuance of NT currency. The average amount of currency in circulation in 2012 was NT\$1,410.5 billion, an increase of 7.87% over the previous year. The peak amount in circulation was NT\$1,743.7 billion (on the eve of the Chinese New Year on Jan. 20, 2012), also an increase of 8.03% over the 2011 peak. The amount in circulation at the end of the year was NT\$1,437.5 billion, 8.85% more than year-end 2011.

(9) Government Employees Insurance

At the end of 2012 there were 7,515 insured units and 594,149 insured persons, and income on insurance premiums in 2012 amounted to NT\$17.992 billion, and 58,427 claims totaling NT\$28.245 billion were paid that year. For FY2012, the balance of civil servants' and teachers' insurance was NT\$16.635 billion, as well as the balance of retirement insurance was NT\$2.77 million, the full amount of which was allocated to reserves respectively.

(10) Procurement Business

The primary mission of the BOT's procurement business is to execute the government's centralized procurement policy in carrying out procurement on behalf of government agencies as well as government enterprises. The Bank also coordinates with government policy in carrying out special procurement projects designated by the government, again manifesting the function of centralized procurement. The volume of the procurement business in 2012 amounted to NT\$66.9 billion.

(11) Wealth Management Service

The volume and fee income of the wealth management business in 2012 amounted to NT\$157.8 billion and NT\$1.56 billion, exceeding the annual targets by 11.87 percentage points. At the end of 2012 a total of 127 business units were handling wealth management, eight of them were flagship units, and 186 wealth-management agents were in place to serve high-net-worth customers.

(12) Precious Metals Business

The operating volume of the precious metals business in 2012 was NT\$147.7 billion, down 2.81% over the previous year. The Bank earned NT\$45 million in commission income from the handling of customs quotas in 2012, 5.83% more than the year before.

## 2. Operating Plans for 2013

(1) Deposits

The deposit structure will be improved in line with policy; operating procedures will be simplified, service performance will be enhanced, and a simple and convenient business platform for the public will be created.

(2) Corporate Banking

Loans to private enterprises will be promoted continuously and loan risk controls will be reinforced; OBU services will be strengthened and the overseas loan business actively developed; the promotion of loans in mainland China will be strengthened; the Internet banking and factoring businesses will be promoted to upgrade loan performance and augment fee income; the electronic local letter of credit and electronic bid bond businesses will be implemented; operating procedures will be simplified and electronic operating systems strengthened to enhance operating efficiency; small and medium enterprises will be assisted in obtaining funds needed for operations and investment in line with the government policy of supporting SMEs; and the extension of non-SME loans to upgrade the performance of the economy will be strengthened in line with government policy.

(3) Consumer Banking

The promotion of high-quality loans for owner-occupied homes will be continued; overall promotion of student loan portal functions will be carried out to simplify student-loan cross-guarantees and procedures for opening savings accounts; incentive measures for policy-type start-up loans will be

worked out to strengthen “Youth Dream-Building Start-up Loans” and other start-up loans to young people; the strengthening of credit-card marketing will be continued; and promotion of the credit-card invoice collection business will be continued and the number of contract stores will be expanded.

(4) Foreign Exchange and International Banking

Promotion of the Bank's foreign-currency deposit business and expansion of e-banking service will be continued so as to enlarge the Bank's business scope and consolidate the scale of foreign-currency deposits. At the same time, in line with the timetable for the opening of renminbi (RMB) businesses to DBUs, the BOT will vigorously promote a variety of RMB businesses to provide customers with one-stop shopping for financial services and boost its profitability. In overseas operations, cultivation of local markets will be deepened, development of the loan business and businesses for Taiwanese enterprises will be strengthened, the scope of financial services will be vigorously expanded, and fee income will be enhanced. The deposit business will be promoted to increase low-cost capital sources. In addition, overseas branch operating systems will be integrated in order to improve business efficiency.

(5) Electronic Banking

Planning for overseas branch account integration and augmentation of the mobile bank functions of the UNIX server system will be completed, strengthening the content and depth of services and pursuing optimized services for mobile users and other groups.

(6) Trust Business

More commodities will be added and combined with the wealth management business to increase the operating scale of fund and trust management products; real estate trust will be promoted in line with government policy, and various kinds of property management trust, public-benefit trust, purchase fund trust, employee welfare trust, life insurance trust, security trust, and individual trust businesses will be continuously developed. A diversity of trust businesses will be developed to expand the operating scale. In accordance with the law and with instructions from the competent authority, the Bank will make aggressive use of the old-system labor retirement fund and the civil servants and teachers insurance reserve to achieve an outstanding performance.

(7) Investment

The Bank will continue to focus on the purchase of Central Bank negotiable certificates of deposit in its bills finance business; commercial paper will be purchased in the primary market to coordinate with the certification and underwriting of the guaranteed issuance of commercial paper by business units; commercial paper will be purchased in the secondary market to support the needs of RP/RS customers as well as to provide for short-term funding. Consideration will be given to capital earnings, cost, and government bond sources in carrying out repo on government bonds, and the undertaking of repo agreements will be continued. The Bank will continue with the appropriate management of the reinvestment business to enhance overall reinvestment performance and boost profits; stock portfolio investment will continue to focus on blue chips, high cash dividend stocks, and ETFs. The principle of controlling risk-control positions will be observed to strengthen the structure of allocations, and use hedging transactions to lower market risk and heighten profit performance.

(8) Government Employees Insurance

The Bank will, in line with the policy of the competent authority, actively carry out the pensions business and related measures so as to facilitate implementation of the government employee pension system; reinforce the contents of publicity work and the government employee insurance page of the Bank's global information website; and strengthen the government employee insurance finance operation to enhance the performance of government employee insurance investment; and government insurance seminars will be held and educational publicity regarding law and business will be strengthened to facilitate business promotion and protection of the rights of the insured.

(9) Wealth Management Service

The Bank will continue strengthening the professional know-how and marketing ability of professional planning personnel and financial product salespersons; business units will be encouraged to continuously organize investment planning seminars; employees will be encouraged to obtain relevant licenses, and regular professional training and the integration of headquarters and branch services teams will be used to reinforce integrated marketing capabilities; the business guidance mechanism will continue to operate to strengthen management by objective; and a plan for integrated product and channel marketing between financial holding company subsidiaries will be carried out, and new financial products will be developed and a diverse range of businesses be promoted, to build a complete product sales platform.

(10) Precious Metals Business

The Bank will continue promoting new gold-related businesses and products so as to consolidate its position as the leading domestic gold-business bank. It will reinforce customer services, providing the public with abundant and objective gold-related information and vigorously organizing sales and promotional activities as well as listing press conferences. It will also develop new customer groups, stimulate all-staff marketing, and continuously hold lectures and staff marketing training related to gold businesses.

### 3. Market Analysis

(1) Business operations areas

The BOT is a 100% government-owned bank, and all of its financial products are marketed to customers through business branches. At the end of 2012 the BOT's business units included 164 domestic branches (including Offshore Banking Branch), 8 overseas units (including Los Angeles Branch, Hong Kong Branch, New York Branch, London Branch, Tokyo Branch, Singapore Branch, South Africa Branch and Shanghai Branch).

(2) Future market supply and demand as well as growth prospects

International economic forecasting bodies believe that the rate of global economic growth in 2013 will show a small improvement compared with 2012. Thanks to the global economic recovery, Taiwan's economic performance is expected to improve. It is expected, furthermore, that Taiwan's banks, through self-discipline standards and controls, will maintain the interest-rate gap at a certain level and that, along with the steady opening of cross-straits financial exchanges, the scope of OBU and DBU businesses will continue to expand. DBUs have already begun inaugurating RMB businesses following the establishment of a cross-straits monetary settlement mechanism, and this will help boost growth in a variety of areas for Taiwan's banks.

(3) Competitive Niches

- A. As the oldest bank in Taiwan the BOT enjoys an outstanding reputation; its operating performance over the years has been excellent, and it has built up a strong operating strength.
- B. Financial holding company resources will be integrated to provide a comprehensive financial product line that will satisfy customers' needs for one-stop shopping in financial services.
- C. Professional financial personnel and a good reputation, along with a dense network of service bases, will facilitate the promotion of business in various areas.

(4) Factors Favorable and Unfavorable to the Bank's Development Prospects

A. Favorable factors:

- a. The BOT is a 100% government-owned bank and has the highest credit rating of all domestic banks; with a solid operating base, it enjoys the trust of the public.
- b. The Bank enjoys a No. 1 position in scale of deposits and loans, leadership among local banks in total assets and shareholders' equity, and a solid operating strength.

- c. The BOT is a subsidiary of Taiwan Financial Holdings, the resource-sharing platform of which reinforces the operation of the primary and cross-sales systems, realizes the synergies of business integration.
- d. The BOT serves as the cover bank for renminbi cash in the Taiwan area and the settlement bank for the NT dollar in mainland China. In addition to expressing the Bank's operational position, this also facilitates the development of renminbi related businesses.
- e. The establishment of an insurance brokerage subsidiary and the introduction of life-insurance products with competitive advantage upgrade the Bank's wealth management performance.

B. Unfavorable factors:

- a. As a bank that is 100% owned by the government, the BOT has a personnel system, budget, and procurement that are relatively inflexible. The Bank's organizational framework is also relatively rigid, making it difficult to respond to changes of the external environment in a timely manner.
- b. As a bank that is 100% owned by the government, the difficulty of using cash injection to boost capital affects the Bank's capacity for business expansion.
- c. Although the Bank is an enterprise unit, it also shoulders policy missions which reduce its profitability.

C. Countermeasures

- a. The integration of financial holding group resources helps realize operational synergies.
- b. The grasping of business opportunities that come with the opening of the RMB business accelerates the development of related businesses.
- c. The Bank's outstanding brand image enables it to realize the benefits of differentiated marketing.
- d. The Bank will timely reinforce the capital structure, solidify the operating strength, and enhance the risk-bearing capability.

#### 4. Financial Product R&D and Business Development

The Bank has established "Guidelines for Handling the Suggestion System," enabling employees to make suggestions online via the internal global information network. Bonuses are given for suggestions that are adopted following evaluation and approval. The Bank received a total of 682 staff suggestions in 2012; 103 were adopted, in whole or in part, and incentives in the amount of NT\$55,500 were granted.

(1) Major Financial Products and New Business Units Added in the Past Two Years, and Scale and Profit and Loss Situation Up to Date of Publication of the Annual Report

A. For major financial products during the past two years, refer to "Results of Implementation of Business Plan and Operating Strategy" on Page 7.

B. Establishment of new business units: The Shanghai Branch was established on July 10, 2012.

(2) R&D Expenditures and Results for the Past Two Years, and Future R&D Plans

R&D spending amounted to NT\$6,694,000 in 2012 and NT\$9,846,000 in 2011.

To respond to changes in the financial environment and the needs of business development, and to encourage employees to pursue self-development, the Bank will continue to carry out research related to reform and development of its own business as well as to the financial business in general, and will continue to implement the employee suggestion program as well as self-initiated research and overseas study by employees.

#### 5. Long-term and Short-term Development

(1) Short-term development plan

- A. Institution of a flexible pricing strategy to boost loan earnings
- B. Strengthening of loan management and maintenance of credit quality
- C. Grasping of economic momentum to further develop quality customers
- D. Reinforcement of integrated marketing to enhance customer contribution

- E. Expansion of the consumer banking business to augment operating income
- F. Strengthening of the e-banking business to upgrade service efficiency
- G. Deepening of cross-straits businesses to expand operating space
- H. Acceleration of international deployment to upgrade operating performance
- I. Expansion of channel deployment and further development of wealth management
- J. Utilization of insurance brokerage resources to introduce a variety of products

## (2) Long-term development plan

To continuously expand our markets and upgrade our profits, the Bank will not only constantly carry out various businesses in line with government policy but will participate vigorously in international syndicated loans and will deepen and expand deployment in overseas markets. Following the implementation of the cross-straits currency settlement mechanism, especially, the Bank will use its position as the bank for NT Dollar settlements in China to develop RMB-related financial products; at the same time, we will combine the resources of the financial holding group to provide a range of financial services. This will help us expand our operating territory and advance in the direction of becoming an outstanding Asia-Pacific bank.

## II. Human Resources

In 2012 the Bank held 275 in-house training courses with a total of 19,347 trainees participating, sent 1,582 employees for outside training in Taiwan, and subsidized domestic advanced training for 820 persons.

### Employee Statistics

Items		Year	2011	2012	As of Mar. 31, 2013
Number of Employees	Staff		6,971	7,083	7,046
	Guards		161	164	162
	Janitors		770	746	745
	Total		7,902	7,993	7,953
Average Age			44.37	44.39	44.49
Average Years of Service			17.74	17.62	17.70
Education (%)	Ph.D.		0.05	0.05	0.05
	Masters		11.05	12.66	12.84
	Bachelor's Degree		76.70	75.84	75.71
	Senior High School		10.59	9.92	9.88
	Below Senior High School		1.61	1.53	1.52

Note: The above numbers do not include contract salespersons, contract workers, and overseas employees.

## III. Corporate Responsibility and Ethical Behavior

As a 100% government-owned bank, the Bank makes every effort to attain the budget targets set by the government, and coordinates with the government's major construction plans and participates actively in the financing of infrastructure projects as well as large private investment projects in order to promote overall national economic development. Furthermore, the Bank also participates in public welfare activities to pay back to the public and carry out the principle of "Caring".

## IV. Information Equipment

### 1. Installation and Maintenance of Hardware and Software for Major Information Systems

The Bank's core accounts system and overseas system consists of an exclusive server platform for deposit, foreign exchange, loan, and remittance account transactions; an open-system server for the securities, trust, credit card, bonds, and notes businesses; and an operations management support system. These systems are connected on an open-system server through the "Integrated Corporate Application System Platform" to make up a comprehensive back-office system for financial operations.

In response to the trend in the evolution of the Internet and to improve customer services, the Bank uses different customer-service channels to build up a comprehensive financial service network that, in addition to traditional teller operations, has a front-end system that includes a global information network, ATM system, internet bank, corporate e-banking site, financial EDI, telephone banking, mobile banking, and online securities trading, providing customers with account enquiry and other services any time, any place. To assure the continued smooth operation of the Bank's back-office systems and financial front-end systems, the Bank also has approximately 640 front-end system servers in addition to the business servers mentioned above. Since the bank has more than 20 years of experience in installation and maintenance, it is able to carry out most maintenance itself. To provide more channels for customer service, the Bank makes widespread use of new technology in its front-end processing systems; If there is a technological limitation, need for large amounts of short-term manpower, or timetable restriction, outsourcing will be considered. Otherwise, the principle of self-development and maintenance will be followed.

### 2. Future Development or Procurement Plans, Emergency Back-up and Security Protection Measures

- (1) Coordination with the needs of automation, new branches, and business growth terminal equipment for branches, ATMs, personal computers, notebook computers, and communications processing equipment will be procured.
- (2) In the integrated establishment of overseas branch information systems, the Tokyo Branch went online on July 30, 2012 and the New York Branch on Dec. 3, 2012 with the new and old systems engaging in twin-track operation. Establishment of the independent operating environment for the Hong Kong Branch's information system was completed and retesting and turnover began in November 2012. The Los Angeles Branch is also engaged in drill testing for system conversion.
- (3) In line with the establishment of the foreign currency settlement platform by the Financial Information Service Co., system development for the integration of the online foreign currency system with the SWIFT system was undertaken and the first stage of the platform is scheduled to go on line in March of 2013. The BOT is the pilot bank for the platform's online operation.
- (4) In line with the request by the competent authority for Basel III rules, the Bank will continuously carry out the expansion and revision of the risk management standards system.
- (5) In line with the annual needs of the credit card business, a centralized telephone collection module will be added to the credit card system, review methods will be readjusted, the reserve allocation method will be amended, a credit quality analysis module will be added for assets disclosed under IFRS financial reporting, the automated transfer of bad-loan collection for branch accounts will be readjusted, reporting operations will be added in coordination with the Joint Credit Information Center, international VISA account settlement operations will be readjusted, quotas will be readjusted, and VIP-grade reservation/due date automated reply will be established.



## (6) Emergency Backup

The Bank formally inaugurated its integrated Taoyuan remote backup center in December of 2008 to serve as a backup mechanism for the core accounts servers. Establishment of the Bank's backup systems for open front-end systems that are important and that involve a large volume of transactions (such as the information channel integration platform, Enb corporate banking service platform business applications, personal Internet banking, student loans, and corporate e-banking site) is steadily being completed, making the backup mechanism ever more comprehensive. The outsourcing of the remote backup center, with the leasing of specialized infrastructure facilities, the operation and management of the specialized computer room, and the provision of emergency response management planning services, enhances the availability of the computer room and saves the Bank the cost of setting up its own remote computer room backup.

## (7) Safety Protection

- a. The Bank passed biannual ISO 27001 information security management system reviews on Jan. 4 and Aug. 20, 2012, and biannual ISO 20000 information service management system reviews on Jan. 4 and June 22, 2012, continuing the effectiveness of our ISO 27001 and 20000 certification.
- b. The Bank expanded the scope of application of its business continuity management system in 2011, and on Sep. 27, 2012 three of our major systems—the e-banking network, e-corporate combo network, and student loan portal-passed review for BS 25999 business continuity management system standards certification.

# V. Labor Relations

## 1. Employee Welfare Measures, Retirement System and Its Implementation, Labor-Ownership Agreements, and Measures for Protecting Employee Interests

- (1) The BOT is a government enterprise in an industry that is subject to the Labor Standards Law. Working conditions, welfare measures, and the retirement system are all handled in accordance with the provisions of the Labor Standards Law and other laws and regulations governing civil servants. The Bank addresses concrete requests raised by employees by establishing a labor-ownership meeting for negotiation and communication and, whenever necessary, by using various other occasions to communicate with employees, iron out differences, pursue a consensus, and boost harmony between employees and management. Under the preconditions of mutual trust and respect, the Bank will seek the greatest benefit for both labor and management.
- (2) In the past year the Bank suffered no damage as a result of employee-management disputes, and a response mechanism to prevent an interruption in case of strikes has been set up to cope with potential disputes and bring about their early resolution. In cases of relatively general and damaging labor-management disputes, in addition to seeking manpower support from the competent authority, the Bank moves as quickly as possible to resolve the issues by negotiation through the competent authority or by submission to labor-dispute arbitration, or resolution by legal means so that the dispute can be settled at an early date and the attendant losses minimized.

## 2. Losses Due to Labor-Ownership Disputes, Estimated Possible Current and Future Amounts that Might Occur, and Countermeasures

None

## VI. Important Contracts

Agreement	Counterparty	Period	Major Contents and Restrictions
Commissioning by the Small and Medium Business Credit Guarantee Fund	Small and Medium Business Credit Guarantee Fund	From July 1974	Provision of credit guarantees for loans to SMEs that meet the conditions for credit guarantees.
Loan guarantees for the Overseas Credit Guarantee Fund	Overseas Credit Guarantee Fund	From June 1991	Provision of credit guarantees for loans to overseas Chinese and overseas Chinese enterprises.
Commissioning by the Agricultural Credit Guarantee Fund	Agricultural Credit Guarantee Fund	From Nov. 2002	Provision of guarantees for loans to borrowers who meet the conditions for agricultural loan guarantees.
Taiwan Small Business Integrated Assistance Foundation Project for the Upgrading of Small Business Competitiveness Assistance	Taiwan Small Business Integrated Assistance Center	Jan. 1, 2012~ Dec. 31, 2012	Provision of opportunities for diagnosis to small and medium business customers, provision of follow-up case assistance, and assistance for the strengthening of financial, accounting, and other management systems
Agency for county, city, and town treasuries, and recommissioning of other financial institutions to handle treasury affairs	1.BOT branches serving as agency for the general treasury 2.Local governments 3.Other recommissioned financial institutions	Depends on different agency tasks and contracts	Agency for treasury affairs
Operations of public treasury commissioning contract	Central Bank of Republic of China	From Feb. 1, 2011	Commissioning of operations for public treasury
Commissioning of financial institutions to collect local taxes for the BOT on behalf of the National Treasury	1.Financial institutions (including farmers' and fishermen's associations, and credit cooperatives) 2.BOT branches serving as agency for the general treasury	July 1, 2010~ July 1, 2015	Commissioned collection of local taxes on behalf of the National Treasury
Commissioning of the operation of the local tax collection system to the Financial Information Service Co.	Financial Information Service Co., Ltd.	July 1, 2010~ July 1, 2015	Commissioning of cash and information flow transmission operations for the collection of local taxes for the National Treasury
Commissioning of the Bank of Taiwan by the National Tax Administration of Southern Taiwan to handle the redemption of consolidated income tax refund certificates	National Tax Administration of Southern Taiwan Province, Ministry of Finance	From July 9, 2010	Redemption of consolidated income tax refund certificates beginning in fiscal year 2009
Contract for the New Taipei City Government's Commissioning of the Bank of Taiwan to Manage Government Construction Bonds and Municipal Treasury Bills	Cities under the direct administration of the Executive Yuan	Mar. 30, 2012 until the expiration date of the acting treasury contracts signed by the two parties	The method of issuance, investor qualifications and undersubscription, and payment of principal and interest for municipal bonds and treasury bills will be handled in accordance with the outsourcing contract, issuing plan, and regulations of cities under the direct administration of the Executive Yuan.

Agreement	Counterparty	Period	Major Contents and Restrictions
Contract Commissioning the Payment of Fees Due from Agencies and Schools Under the New Taipei City Government via Remittance or Transfer of Treasury Funds	New Taipei City Government	Mar. 25, 2011~ Dec. 31, 2013 This Contract will be signed at the same time as substitute treasury contracts signed by the two parties are re-signed.	Funds due from agencies and schools under the New Taipei City Government will be paid through the remittance or transfer of funds from the treasury.
Data entry service contracting for centralized domestic remittance and bills operations	Tsai Ku Hr Management Co., Ltd	June 1, 2012~ May 31, 2013	Information systems data recording processing
The BOT “Outsourcing of Mainland China Branch Information Operations” procurement project	IBM Taiwan	Five years beginning with date of signing on Dec. 29, 2011	Data processing
Outsourced procurement of operating cash and notes shipping	Taiwan Security Co., Ltd.	April 1, 2012~ Mar. 31, 2013	Operating method: As specified in the “Outsourced Cash Shipment Service Criteria” Service method: Fixed and irregular duties
“Outsourced Shipment of Cash for ATMs” procurement	LienAn Service Co., Ltd.	April 1, 2012~ Mar. 31, 2013	Shipment of cash
Commissioning of an express delivery company to ship notes	Chung Hwa Express Co., Ltd.	June 1, 2011~ May 31, 2013	Commissioning of professional parcel delivery services to handle the exchange of notes
Credit card service operations	Financial Information Service Co., Ltd.	Jan. 1, 2012~ Dec. 31, 2012	Credit card authorization operations, card loss and cancellation operations, handling of emergency services
Outsourcing of Renminbi Cross-border shipment Services procurement project	Brink’s Taiwan Security Limited	Sep. 1, 2012~ Aug. 31, 2013	Shipment of cash

## VII. Type of and Related Information on Securitized Products Approved in Accordance with the Statute for Securitization of Financial Assets or Statute for Securitization of Real Estate During the Past Year

None

# 效率

積極主動、迅速服務、追求創新

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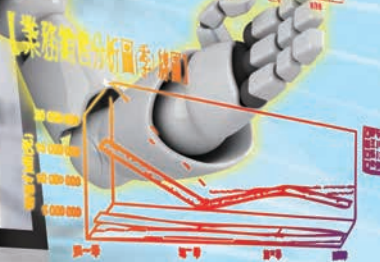
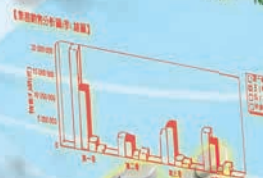


# 強化企業競爭力 e企合成真省力



**24小時**  
資金調度  
財會人員好幫手

業務發展部 業務發展部 總金額十萬				
第一組	第二組	第三組	第四組	合計
22,142	4,023,200	6,459,800	4,170,000	40,205,000
129,870	5,019,400	5,017,800	6,320,000	31,487,000
2,009,225	777,775	1,360,000	5,000,000	4,700,000
500,250	1,401,110	202,070	1,700,000	4,800,000
38,407,800	9,973,015	17,223,740	17,380,200	1,400,400



**客製化**  
彈性授權  
符合財務管理需求

**服務功能  
多元化**  
輕鬆掌握財務脈動

# Financial Information

## I. Five-Year Financial Summary

### Brief Balance Sheets for Past Five Years

Unit: NT\$1,000

Items		Financial Information for Past Five Years				
		2012	2011	2010	2009	2008
Cash, Cash equivalent, Placement with Central Bank and call loans to banks		622,440,273	564,981,579	562,643,187	1,287,012,402	1,050,661,801
Financial assets measured at fair value through profit or loss		146,534,038	110,886,008	99,875,033	92,123,443	72,201,513
Bonds and bills purchased under resell agreements		4,980,621	3,231,949	600,294	368,349	298,262
Receivables		91,268,044	86,439,780	84,272,771	91,299,622	103,636,858
Loans and discounts		2,177,133,260	2,153,591,118	2,079,558,679	2,045,894,068	1,988,070,246
Available-for-sale financial assets		734,870,751	757,373,465	837,360,582	142,009,713	155,491,586
Held-to-maturity financial assets		61,999,046	50,942,589	54,207,507	37,859,403	31,818,435
Investments under equity method		35,393,882	32,479,598	31,330,008	29,815,276	26,959,682
Other financial assets		69,672,866	72,207,332	69,201,006	68,496,647	67,326,090
Fixed assets		97,253,348	97,864,904	76,596,999	78,474,877	79,953,507
Intangible assets		1,164,105	821,057	969,574	1,107,496	1,226,158
Other assets	Before distribution	11,951,655	15,119,109	18,607,244	16,590,347	16,735,325
	After distribution	7,357,643	10,747,702	12,986,379	12,635,344	12,761,493
Total assets	Before distribution	4,054,661,889	3,945,938,488	3,915,222,884	3,891,051,643	3,594,379,463
	After distribution	4,050,067,877	3,941,567,081	3,909,602,019	3,887,096,640	3,590,405,631
Deposits of Central Bank and other banks		213,374,465	208,926,475	207,612,937	204,950,860	181,489,738
Financial liabilities measured at fair value through profit or loss		4,876,954	3,902,885	18,985,604	4,535,308	6,002,275
Bonds and bills sold under repurchase agreements		11,998,398	14,906,165	9,429,373	5,486,934	19,217,840
Deposits and remittances		3,294,903,719	3,218,010,687	3,185,931,012	3,189,671,973	2,947,909,688
Borrowed from Central Bank and other banks, and Financial bond payable		-	-	-	-	-
Preferred liability		-	-	-	-	-
Accrued Pension liability		4,959,970	4,566,752	3,389,155	2,695,402	2,396,018
Other financial liabilities		8,499,403	5,756,183	1,048,528	1,511,328	1,618,124
Other liabilities	Before distribution	263,314,962	243,500,212	237,277,669	241,629,847	211,911,904
	After distribution	263,490,028	243,560,707	237,399,288	241,763,050	212,116,616
Total liabilities	Before distribution	3,801,927,871	3,699,569,359	3,663,674,278	3,650,481,652	3,370,545,587
	After distribution	3,802,102,937	3,699,629,854	3,663,795,897	3,650,614,855	3,370,750,299
Common stock		70,000,000	70,000,000	70,000,000	45,000,000	45,000,000
Capital surplus		105,682,871	106,077,872	105,581,440	110,062,555	110,063,016
Retained earnings	Before distribution	33,701,906	30,901,653	32,923,901	50,427,139	46,429,272
	After distribution	28,932,828	26,469,751	27,181,417	46,338,933	42,250,728
Unrealized gain or loss on financial assets		17,929,660	13,983,157	28,860,619	19,065,468	6,074,887
Cumulative translation adjustments		- 800,300	- 366,046	- 455,457	- 123,228	- 151,884
Shareholder's equity and other items		26,219,881	25,772,493	14,638,103	16,138,057	16,418,585
Total –share holders' equity	Before distribution	252,734,018	246,369,129	251,548,606	240,569,991	223,833,876
	After distribution	247,964,940	241,937,227	245,806,122	236,481,785	219,655,332

Notes: Figures for 2008-2011 are readjusted by the CPA in accordance with figures approved by the Ministry of Audit; figures for 2012 are CPA approved.



## Brief Income Statements for Past Five Years

Unit: NT\$1,000

Items \ Year	Financial Information for Past Five Years				
	2012	2011	2010	2009	2008
Net interest income	24,675,639	23,186,559	20,269,138	16,803,150	24,548,326
Non-interest income, net	4,519,424	4,422,055	5,257,020	13,284,694	3,166,464
Bad debt expenses	3,107,865	5,045,474	376,029	4,434,016	1,545,337
Operating costs	17,993,929	18,114,175	17,323,324	17,055,490	17,666,944
Income (loss) before tax from continued operations	8,093,269	4,448,965	7,826,805	8,598,338	8,502,509
Income (loss) from continued operations	7,232,157	3,663,805	7,084,968	8,176,411	8,357,089
Gain (loss) from discontinued Operations	-	-	-	-	-
Extraordinary Gain or Loss	-	-	-	-	-
Cumulative effect of changes in accounting principles	-	-	-	-	-
Net income	7,232,157	3,663,805	7,084,968	8,176,411	8,357,089
Earnings per share (after tax) (NT\$)	1.03	0.52	1.01	1.17	1.19

Notes: Figures for 2008-2011 are readjusted by the CPA in accordance with figures approved by the Ministry of Audit; figures for 2012 are CPA approved.

## CPA-Auditor of Financial Report

Year	Name of Accounting Firm	Name of CPA	Audit Opinion
2008	KPMG Certified Public Accountants	Yen-Ling Fang, Derek Hsu	Modified Unqualified Opinion
2009	KPMG Certified Public Accountants	Yen-Ling Fang, Derek Hsu	Modified Unqualified Opinion
2010	KPMG Certified Public Accountants	Yen-Ling Fang, Derek Hsu	Modified Unqualified Opinion
2011	KPMG Certified Public Accountants	Yen-Ling Fang, Derek Hsu	Modified Unqualified Opinion
2012	KPMG Certified Public Accountants	Yen-Ling Fang, Derek Hsu	Modified Unqualified Opinion

## II. Five-Year Financial Analysis

Unit: NT\$1,000; %

Items		Year	Five-year Financial Analysis				
			2012	2011	2010	2009	2008
Operating Ability	Ratio of Deposits to Loans		66.26	67.16	65.19	63.35	66.36
	Non-performing Loan Ratio		0.52	0.44	0.62	1.03	1.06
	Ratio of Interest Cost to Annual Average Deposits		1.27	1.21	1.04	1.26	2.45
	Ratio of Interest Income to Annual Average Loans Outstanding		1.87	1.77	1.59	1.68	3.12
	Total Assets Turnover (times)		0.73	0.70	0.65	0.80	0.80
	Average Net Interest and Non-interest Income per Employee		3,636	3,477	3,210	3,733	3,410
	Average Operating Revenue per Employee		-	-	-	-	-
	Average Profit per Employee		901	461	891	1,014	1,028
Profitability	Return on Tier 1 Capital		4.64	2.55	4.43	4.98	5.05
	Return on Assets		0.18	0.09	0.18	0.22	0.24
	Return on Shareholders' Equity		2.90	1.47	2.88	3.52	3.53
	Net Income Ratio		24.77	13.27	27.76	27.18	30.15
	Earnings per Share (NT\$)		1.03	0.52	1.01	1.17	1.19
Financial Structure	Ratio of Liabilities to Assets		93.75	93.74	93.57	93.81	93.76
	Ratio of Fix Assets to Stockholders' Equity		38.48	39.72	30.45	32.62	35.72
Growth Rates	Rate of Asset Growth		2.76	0.78	0.62	8.25	7.37
	Rate of Earnings Growth		81.91	-43.16	-8.97	1.13	-36.69
Cash Flow	Cash Flow Ratio		5.70	-	12.33	2.66	6.03
	Cash Flows Adequacy Ratio		175.75	388.64	580.70	781.07	683.77
	Cash Flow Complacency Ratio		-38.09	-	4.60	-2.12	-2.58
Liquidity Reserve Ratio			40.07	40.59	42.94	47.25	40.28
Loans to Parties with Material Relationship with the Bank			20,181,252	19,419,003	19,516,445	19,657,805	18,038,620
Ratio of Loans to Parties with Material Relationship with the Bank to Total Loans			0.88	0.86	0.91	0.93	0.87
Operating Scale	Market Share of Assets		10.31	10.36	10.94	11.55	10.91
	Market Share of Net Worth		10.03	10.67	11.46	11.76	11.71
	Market Share of Deposits		11.12	11.29	11.63	12.32	12.17
	Market Share of Loans		9.29	9.52	9.97	10.54	10.22

Notes: 1. Figures for 2008-2011 are readjusted by the CPA in accordance with figures approved by the Ministry of Audit; figures for 2012 are CPA approved.

2. Formulae used in calculations:

(1) Operating ability

- a. Ratio of deposits to loans = Annual average loans outstanding / Annual average deposits
- b. Non-performing loan ratio = Non-performing loans / Total loans outstanding
- c. Ratio of interest cost to annual average deposits = Total interest cost (Notes 3) / Annual average deposits
- d. Ratio of interest income to annual average loans outstanding = Total interest income / Annual average amount of loans outstanding
- e. Total assets turnover (times) = Net interest and non-interest income / Average Total Assets
- f. Average net interest and non-interest income per employee = Net interest and non-interest income / Annual average total number of employees
- g. Average profit per employee = Net income / Total number of employees at year-end

(2) Profitability

- a. Return on Tier 1 capital = Before-tax profit or loss / Total amount of Tier 1 capital
- b. Return on assets = Net Income / Average total assets
- c. Return on shareholders' equity = Net income / Average net shareholders' equity
- d. Net income ratio = Net income / Net interest and non-interest income
- e. Earnings per share = Income after income tax-preferred stock dividend / Weighted average number of shares issued

(3) Financial Structure

- a. Ratio of liabilities to assets = Total liabilities / Total assets
- b. Ratio of fix assets to stockholders' equity = Net fix assets / Net shareholders' equity

(4) Growth rates

- a. Rate of asset growth = (Total assets for current year – total assets for previous year) / Total assets for previous year
- b. Rate of earnings growth = (Before-tax profit or loss for current year – before-tax profit or loss for previous year) / Before-tax profit for previous year

(5) Cash Flow

- a. Cash flow ratio = Net cash flow from business activities / (Call loans and overdrafts from banks + commercial paper + financial liabilities measured at fair value through profit or loss + bonds and bills sold under repurchase agreements + current portion of payables)
- b. Net cash flow adequacy ratio = Net cash flow from business activities for the past five years / (Capital expenditures + inventory increase + cash dividends) for the past five years
- c. Cash flow complacency ratio = Net cash flow from business activities / Net cash flow from investing activities

(6) Liquidity reserve ratio = Liquid assets specified by the Central Bank / Debt items for which liquidity reserves should be allocated

(7) Operating Scale

- a. Market Share of Assets = Total assets / Total assets of the major financial institutions
- b. Market Share of Net Worth = Net Worth / Total net worth of the major financial institutions
- c. Market Share of Deposits = Deposits / Total deposits of the major financial institutions
- d. Market Share of Loans = Loans / Total loans of the major financial institutions

3. Total interest costs were switched to “cost of other employee benefits” in line with the revision made by the Ministry of Audit.

## Adequacy of Capital

Unit NT\$1,000;%

Year			Capital Adequacy Ratio for Recent Five Years				
			2012	2011	2010	2009	2008
Items							
Self-owned Capital	Tier 1 Capital	Common Stocks	70,000,000	70,000,000	70,000,000	45,000,000	45,000,000
		Non-cumulative Perpetual Preferred Stocks					
		Non-cumulative Subordinated Debts without Maturity Dates					
		Advanced Receipts for Capital Stocks					
		Capital Surplus (Apart from Fixed Assets Appreciation Surplus)	105,682,871	106,077,872	105,581,440	110,062,555	110,063,016
		Legal Reserves	25,218,428	24,119,287	21,993,796	19,540,873	17,033,747
		Special Reserves	98,322	518,561	1,645,137	22,709,855	21,038,437
		Retained Earnings	8,385,156	6,301,072	9,284,925	8,117,131	8,152,201
		Minority Interests					
		Others of Equity	-3,947,909	-5,799,208	-1,567,024	-3,442,117	-10,378,229
		deducted:Goodwill					
		deducted:Non-amortization of NPL Disposal Loss					
		deducted:Others	29,544,165	28,336,290	30,416,621	25,434,476	22,092,214
		Total Tier 1	175,892,703	172,881,294	176,521,653	176,553,821	168,816,958
	Tier 2 Capital	Perpetual Cumulative Preferred Stocks					
		Cumulative Subordinated Debts without Maturity Dates					
		Fixed Asset Appreciation Surplus	27,383,086	26,581,673	14,640,019	16,138,057	16,418,585
		45% of Unrealized Gain of Financial Assets in Available-for-sale	8,961,329	8,373,213	13,486,622	10,072,960	7,335,555
		Convertible Bonds					
		Operating Reserve and Loan Provision	9,146,517	7,865,923	1,328,931	2,596,286	2,423,631
		Long-terms Subordinated Debts					
		Non-perpetual Preferred Stocks					
		The Aggregate of Non-cumulative Perpetual Preferred Stocks and Non-cumulative Subordinated Debts without a Maturity Date exceed 15% of Total Tier 1 Capital					
		deducted:Others	29,544,164	28,336,288	29,455,572	25,434,475	22,092,211
		Total Tier 2	15,946,768	14,484,521	-	3,372,828	4,085,560
	Tier 3 Capital	Short-term Subordinated Debts					
		Non-perpetual Preferred Stocks					
		Total Tier 3					
	Self - owned Capital		191,839,471	187,365,815	176,521,653	179,926,649	172,902,518

Items \ Year			Capital Adequacy Ratio for Recent Five Years				
			2012	2011	2010	2009	2008
Total Risk Weighted Assets	Credit Risk	Standardized Approach	1,631,099,532	1,525,347,746	1,387,342,993	1,425,665,616	1,415,152,755
		Internal Rating Based Approach					
		Securitization	3,646,593	2,125,603	2,722,945	3,073,045	3,360,326
	Operational Risk	Basic Indicator Approach	49,219,638	47,184,300	46,779,788	47,894,250	44,805,525
		Standardized Approach/ Alternative Standardized Approach					
		Advanced Measurement Approach					
	Market Risk	Standardized Approach	72,726,088	71,441,638	49,679,588	36,162,738	23,653,475
		Internal Model Approach					
	Total Risk Weighted Assets			1,756,691,851	1,646,099,287	1,486,525,314	1,512,795,649
Capital Adequacy Ratio			10.92	11.38	11.87	11.89	11.63
Ratio of Tier 1 Capital to Risk Assets			10.01	10.50	11.87	11.67	11.35
Ratio of Tier 2 Capital to Risk Assets			0.91	0.88	-	0.22	0.28
Ratio of Tier 3 Capital to Risk Assets							
Ratio of Common Share Equity to Total Assets			1.73	1.77	1.79	1.16	1.25

Notes: 1. Figures for 2008-2012 are CPA approved.

2. Formula used in calculations:

- Self-owned Capital = Tier 1 Capital + Tier 2 Capital + Tier 3 Capital
- Total Risk Weighted Assets = Credit Risk Weighted Assets + (Operational Risk + Market Risk) Capital Requirement × 12.5
- Capital Adequacy Ratio = Self-owned Capital / Total Risk Weighted Assets
- Ratio of Tier 1 Capital to Risk Assets = Tier 1 Capital / Total Risk Weighted Assets
- Ratio of Tier 2 Capital to Risk Assets = Tier 2 Capital / Total Risk Weighted Assets
- Ratio of Tier 3 Capital to Risk Assets = Tier 3 Capital / Total Risk Weighted Assets
- Ratio of Common Share Equity to Total Assets = Common Share Equity / Total Assets

### III. Statement by the Audit Committee

#### Statement by the Audit Committee

The 2012 Financial Statements of the Bank of Taiwan have been examined and certified by Yen-Ling Fang and Derek Hsu, CPAs, of KPMG Certified Public Accountants, who have submitted the CPA report. The above-mentioned 2012 Financial Statements were reviewed by the Audit Committee at the 5th Meeting of its 2nd Term on March 11, 2013, and were found to have no inconsistencies. This review report is submitted in accordance with the requirements of Article 14-4 of the Securities and Exchange Act.

Audit Committee

Independent Director: Chen, Ming-Chin

Independent Director: Shen, Chung-Hua

Independent Director: Hsu, Yi-Hsiung  
(Convenor)

March 11, 2013



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

### Independent Auditors' Report

The Board of Directors

Bank of Taiwan:

We have audited the accompanying balance sheets of Bank of Taiwan as of December 31, 2012 and 2011, including 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 Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. As stated in note 12 to the financial statements, certain investments under the equity method in the financial statements of Bank of Taiwan in 2012 and 2011 amounting to NT\$28,206,651 thousand, 0.70% of total assets, and NT\$26,661,865 thousand, 0.68% of total assets, respectively, and related investment gains of NT\$1,693,174 thousand and NT\$2,124,999 thousand, which were 20.92% and 47.76% of income before income tax, in 2012 and 2011, respectively, were accounted for by using the equity method and based on the investees' financial statements audited by other auditors.

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

In our opinion, based on our audits and the audits by the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Bank of Taiwan 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 "Regulations Governing the Preparation of Financial Reports by Publicly Held Banks", the "Regulations Governing the Preparation of Financial Reports by Securities Firms", and accounting principles generally accepted in the Republic of China.

As stated in note 3, effective from January 1, 2011, the Bank adopted the amended SFAS No. 34 "Financial Instruments: Recognition and Measurement". The Bank recognizes, measures, and assesses the impairment of receivables in accordance with SFAS No. 34. Also in accordance with SFAS No. 34. The accounting treatments by a debtor for modification of the terms of obligations when the debtor has financial difficulties. For further information, please see notes 5, 8, 9 and 13.

In accordance with auditing regulations in Taiwan, the financial statements of Bank of Taiwan are required to be audited by the National Audit Office, known as the Ministry of Audit. The statements for the years ended 2011 and 2010 have been audited and approved by the Ministry of Audit. And the adjustments by that office are reflected in the financial statement amounts. For further information, please see note 35 (6).



March 15, 2013

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

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

**Balance Sheets**  
**December 31, 2012 and 2011**

	2012	2011	Percentage change
<b>Assets</b>			
Cash and cash equivalents (notes 4 and 30)	\$ 72,812,404	76,426,176	(5)
Placement with Central Bank and call loans to banks (notes 5 and 30)	549,627,869	488,555,403	13
Financial assets measured at fair value through profit or loss, net (notes 6, 28 and 30)	146,534,038	110,886,008	32
Bonds and bills purchased under resell agreements (notes 7 and 30)	4,980,621	3,231,949	54
Receivables, net (notes 8, 9, 25 and 30)	91,268,044	86,439,780	6
Loans and discounts, net (notes 9, 28 and 30)	2,177,133,260	2,153,591,118	1
Available-for-sale financial assets, net (notes 10, 17, 28 and 31)	734,870,751	757,373,465	(3)
Held-to-maturity financial assets, net (notes 11, 28 and 31)	61,999,046	50,942,589	22
Investments under equity method, net (note 12)	35,393,882	32,479,598	9
Other financial assets, net (notes 8, 9, 13, 17 and 28)	69,672,866	72,207,332	(4)
Fixed assets, net (notes 14 and 17)	97,253,348	97,864,904	(1)
Intangible assets (note 15)	1,164,105	821,057	42
Other assets (notes 16, 17, 24, 25 and 30)	11,951,655	15,119,109	(21)
<b>Total Assets</b>	<b>\$ 4,054,661,889</b>	<b>3,945,938,488</b>	<b>3</b>

(expressed in thousands of New Taiwan Dollars)

	2012	2011	Percentage change
<b>Liabilities and Stockholders' Equity</b>			
Deposits of Central Bank and other banks (notes 18 and 30)	\$ 213,374,465	208,926,475	2
Financial liabilities measured at fair value through profit or loss (notes 19, 28 and 30)	4,876,954	3,902,885	25
Bills and bonds sold under repurchase agreements (note 7)	11,998,398	14,906,165	(20)
Payables (notes 20 and 30)	42,156,062	39,471,580	7
Deposits and remittances (notes 21 and 30)	3,294,903,719	3,218,010,687	2
Accrued pension liability (note 24)	4,959,970	4,566,752	9
Other financial liabilities (notes 22 and 28)	8,499,403	5,756,183	48
Other liabilities (notes 14, 23 and 30)	<u>221,158,900</u>	<u>204,028,632</u>	8
<b>Total liabilities</b>	<u>3,801,927,871</u>	<u>3,699,569,359</u>	3
<b>Stockholders' equity (notes 12, 14, 16, 24, 25 and 26):</b>			
Common stock	<u>70,000,000</u>	<u>70,000,000</u>	-
Capital surplus	<u>105,682,871</u>	<u>106,077,872</u>	-
Retained earnings:			
Legal reserve	25,218,428	24,119,287	5
Special reserve	98,322	518,561	(81)
Unappropriated retained earnings	<u>8,385,156</u>	<u>6,263,805</u>	34
	<u>33,701,906</u>	<u>30,901,653</u>	9
Equity adjustments:			
Unrealized gain on revaluation increments	27,383,086	26,581,673	3
Cumulative translation adjustments	(800,300)	(366,046)	(119)
Unrealized gain (loss) on financial instruments	17,929,660	13,983,157	28
Net loss not recognized as pension cost	<u>(1,163,205)</u>	<u>(809,180)</u>	(44)
	<u>43,349,241</u>	<u>39,389,604</u>	10
<b>Total stockholders' equity</b>	252,734,018	246,369,129	3
<b>Commitments and contingencies (note 32)</b>			
<b>Total Liabilities and Stockholders' Equity</b>	<u>\$ 4,054,661,889</u>	<u>3,945,938,488</u>	3

**Statements of Income**  
**For the years ended December 31, 2012 and 2011**

(expressed in thousands of New Taiwan Dollars)

	2012	2011	Percentage change
<b>Revenues:</b>			
Interest income (note 30)	\$ 57,663,081	53,764,189	7
Less: interest expenses (note 30)	<u>32,987,442</u>	<u>30,577,630</u>	8
Net interest income	24,675,639	23,186,559	6
Non-interest income, net			
Fee and commission income, net (note 30)	4,700,011	4,960,296	(5)
Gains (losses) on financial assets and liabilities measured at fair value through profit or loss (notes 6 and 30)	12,107,835	(4,129,073)	393
Realized gains (losses) on available-for-sale financial assets (note 10)	929,157	1,363,849	(32)
Gains on investments under equity method (note 12)	1,948,134	2,255,273	(14)
Foreign exchange gains and losses, net	1,679,754	2,596,381	(35)
Reversal gains (losses) on assets impairment (notes 10, 14, 16 and 17)	(72,267)	37,027	(295)
Other non-interest income			
Premium income	17,992,149	17,695,580	2
Service fees	147,698,592	151,965,102	(3)
Subsidized income from government (note 35)	18,525,118	18,619,038	(1)
Other miscellaneous revenue	1,031,244	1,114,260	(7)
Benefits and claims	(28,267,159)	(26,971,342)	(5)
Service charges (note 16)	(146,867,152)	(151,065,996)	3
Provisions for policyholders' reserve premium	(16,637,602)	(3,526,880)	(372)
Others (note 30)	(789,113)	(832,925)	5
Excess interest expenses (notes 8)	(10,272,071)	(10,080,205)	(2)
Gains on property transaction (note 14)	<u>812,794</u>	<u>421,670</u>	93
<b>Net revenues</b>	<u>29,195,063</u>	<u>27,608,614</u>	6
<b>Bad debt expenses (note 9)</b>	<u>3,107,865</u>	<u>5,045,474</u>	(38)
<b>Operating expenses:</b>			
Personnel expense (notes 24 and 35)	11,742,850	11,925,345	(2)
Depreciation and amortization expense	1,292,022	1,412,201	(9)
Other business and administrative expense (note 30)	<u>4,959,057</u>	<u>4,776,629</u>	4
<b>Total operating expenses</b>	<u>17,993,929</u>	<u>18,114,175</u>	(1)
<b>Income before income taxes</b>	8,093,269	4,448,965	82
<b>Income tax expense (note 25)</b>	<u>861,112</u>	<u>785,160</u>	10
<b>Net income</b>	<u>\$ 7,232,157</u>	<u>3,663,805</u>	97
	<b>Before tax</b> <b>After tax</b>	<b>Before tax</b> <b>After tax</b>	
<b>Earnings per share—basic (note 27)</b>	<u>\$ 1.16</u> <u>1.03</u>	<u>0.64</u> <u>0.52</u>	

# Statements of Changes in Stockholders' Equity

## For the years ended December 31, 2012 and 2011

(expressed in thousands of New Taiwan Dollars)

	Common stock	Capital surplus	Retained earnings			Cumulative currency translation adjustments	Net loss not recognized as pension cost	Unrealized gains or losses on financial instruments	Unrealized gain on revaluation increments	Total
			Legal reserve	Special reserve	Unappropriated retained earnings					
<b>Balance as of January 1, 2011</b>	\$ 70,000,000	105,581,440	21,993,796	1,645,137	9,284,988	(455,457)	(1,915)	28,860,619	14,640,019	251,548,607
Net income of 2011	-	-	-	-	3,663,805	-	-	-	-	3,663,805
Appropriation of retained earnings:										
Legal reserve	-	-	2,125,491	-	(2,125,491)	-	-	-	-	-
Special reserve	-	-	-	1,416,994	(1,416,994)	-	-	-	-	-
Cash dividends for government	-	-	-	-	(5,742,483)	-	-	-	-	(5,742,483)
Special reserve reversal	-	-	-	(2,600,000)	2,600,000	-	-	-	-	-
Retained earnings for capital reserve	-	-	-	56,430	-	-	-	-	-	56,430
Variation of additional paid-in capital of investee company (note 26)	-	496,432	-	-	-	-	-	-	-	496,432
Unrealized gain on revaluation increments (note 26)	-	-	-	-	-	-	-	-	11,941,654	11,941,654
Unrealized gain or loss from available-for-sale financial assets (note 26)	-	-	-	-	-	-	-	(14,877,462)	-	(14,877,462)
Net loss not recognized as pension cost (note 26)	-	-	-	-	-	-	(807,265)	-	-	(807,265)
Cumulative translation adjustment (note 26)	-	-	-	-	-	34,115	-	-	-	34,115
Cumulative foreign currency translation adjustments (note 26)	-	-	-	-	-	55,296	-	-	-	55,296
<b>Balance as of December 31, 2011</b>	70,000,000	106,077,872	24,119,287	518,561	6,263,805	(366,046)	(809,180)	13,983,157	26,581,673	246,369,129
Net income of 2012	-	-	-	-	7,232,157	-	-	-	-	7,232,157
Appropriation of retained earnings:										
Legal reserve	-	-	1,099,141	-	(1,099,141)	-	-	-	-	-
Special reserve	-	-	-	732,761	(732,761)	-	-	-	-	-
Cash dividends for government	-	-	-	-	(4,431,904)	-	-	-	-	(4,431,904)
Special reserve reversal	-	-	-	(1,153,000)	1,153,000	-	-	-	-	-
Recognition of additional paid-in capital of investee company (note 26)	-	(395,001)	-	-	-	-	-	-	-	(395,001)
Unrealized gain on revaluation increments (note 26)	-	-	-	-	-	-	-	-	801,413	801,413
Unrealized gain or loss from available-for-sale financial assets (note 26)	-	-	-	-	-	-	-	3,946,503	-	3,946,503
Net loss not recognized as pension cost (note 26)	-	-	-	-	-	-	(354,025)	-	-	(354,025)
Cumulative translation adjustments (note 26)	-	-	-	-	-	(330,141)	-	-	-	(330,141)
Cumulative foreign currency translation adjustment (note 26)	-	-	-	-	-	(104,113)	-	-	-	(104,113)
<b>Balance as of December 31, 2012</b>	\$ 70,000,000	105,682,871	25,218,428	98,322	8,385,156	(800,300)	(1,163,205)	17,929,660	27,383,086	252,734,018

**Statements of Cash Flows**  
**For the years ended December 31, 2012 and 2011**

	2012	2011
<b>Cash flows from operating activities:</b>		
<b>Net income</b>	\$ 7,232,157	3,663,805
<b>Adjustments to reconcile net income with net cash provided by operating activities:</b>		
Depreciation	1,000,846	973,738
Amortization	349,340	441,317
Provision for bad debts	3,074,280	4,735,521
Provision for insurance reserves	16,637,602	3,526,880
Provision for guarantee reserves	33,584	309,954
Amortization of premiums on financial assets	195,592	20,875
Investment income accounted for under equity method	(1,948,134)	(2,255,273)
Cash dividend received on investments under equity method	872,001	648,138
Gain on disposal of fixed assets	(792,909)	(398,531)
Expense transferred from fixed assets	-	1,597
Gain on disposal of investments	(153,396)	(533,175)
Unrealized (gain) loss on financial assets	(1,138,801)	(3,382,898)
Impairment of financial assets	12,289	137
Gain on reversal of loss on financial assets	-	(1,156)
Impairment of non-financial assets	4,971	4,036
Gain on reversal of loss on non-financial assets	-	(40,044)
Gain on disposal of collateral	15	-
Loss on bad debts	3,217,589	4,102,760
Decrease in commercial paper payable and reduction of inventory to market	(224,302)	248,868
<b>Change in operating assets and liabilities:</b>		
<b>Change in operating assets</b>		
(Increase) decrease in financial assets held for trading	(12,910,922)	(11,986,494)
Increase in bonds and bills purchased under resell agreement	(1,748,673)	(2,631,655)
(Increase) decrease in receivables	(5,419,694)	(2,157,757)
Decrease in deferred tax	119,074	335,928
Increase in other financial assets	941,450	(3,031,942)
Increase in other assets	3,315,936	(5,465,697)
<b>Change in operating liabilities</b>		
Decrease in financial liabilities held for trading	96,016	(5,137)
Increase in bonds and bills purchased under repurchase agreement	(2,907,766)	5,476,792
Increase (decrease) in payables	2,683,527	545,573
Increase in pension payables	125,789	399,927
Increase (decrease) in other liabilities	557,468	(644,380)
<b>Net cash (used in) provided by operating activities</b>	<u>13,224,929</u>	<u>(7,098,293)</u>



(expressed in thousands of New Taiwan Dollars)

	2012	2011
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through profit or loss	\$ (2,549,204)	(11,528,078)
Disposal of financial assets at fair value through profit or loss	2,590,390	4,056,872
Acquisition of available for sale financial assets	(4,068,774,798)	(3,835,278,367)
Disposal of available-for-sale financial assets	9,397,063	35,823,526
Reduction in available-for-sale financial assets	-	3,069
Acquisition of bonds from non-active market	-	(605,485)
Proceeds from maturity of bonds from non-active markets	1,548,161	632,217
Acquisition of held-to-maturity financial assets	(132,745,012)	(133,778,319)
Proceeds from maturity of held-to-maturity financial assets	124,623,430	130,323,391
Disposal of derivatives for hedging purposes	1,169	259
Proceeds from maturity of available-for-sale financial assets	4,069,208,516	3,794,300,535
Cash dividend from available-for-sale financial assets	51,601	330,242
Proceeds from maturity of financial assets at fair value paid	3,584,884	2,320,951
Acquisition of fixed assets	(590,474)	(694,117)
Proceeds from disposal of fixed assets	697,829	498,651
Increase (decrease) in refundable deposits	(8,697)	(4,099)
Acquisition of intangible assets	(690,244)	(290,518)
Decrease in placement with Central Bank	(11,901,027)	29,738,637
Increase in loans and discounts	(21,696,355)	(84,143,691)
Increase in other financial assets	320,427	(11,163)
Decrease in other assets	(7,791,049)	1,196,243
<b>Net cash (used in) provided by investing activities</b>	<b>(34,723,390)</b>	<b>(67,109,244)</b>
<b>Cash flows from financing activities:</b>		
(Decrease) increase in deposits received	(77,137)	(318,112)
Increase (decrease) in other financial liabilities	2,851,737	4,553,096
(Decrease) increase in other liabilities	36,930	(143,857)
Payments of cash dividends	(4,431,904)	(4,493,026)
Increase in deposits of banks	6,777,526	1,785,715
Decrease in deposits of Central Bank	(2,329,535)	(472,178)
Increase (decrease) in deposits and remittances	76,893,031	32,079,675
<b>Net cash (used) provided by financing activities</b>	<b>79,720,648</b>	<b>32,991,313</b>
<b>Effect of exchange rate changes</b>	<b>(484,839)</b>	<b>151,743</b>
<b>Increase in cash and cash equivalents</b>	<b>57,737,348</b>	<b>(41,064,481)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>845,954,590</b>	<b>887,019,071</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 903,691,938</b>	<b>845,954,590</b>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ 42,911,962	39,601,569
Income tax paid	\$ 1,054,020	431,185
<b>Financing and investing activities without cash flows:</b>		
<b>Cumulative foreign currency translation adjustment</b>	<b>\$ -</b>	<b>22,790</b>
<b>Unrealized gain on revaluation increments</b>	<b>\$ 801,413</b>	<b>11,941,654</b>
<b>Unrealized gain (loss) on financial instruments</b>	<b>\$ 3,946,503</b>	<b>(14,877,462)</b>
<b>Long-term investment for capital reserve under equity method</b>	<b>\$ (395,001)</b>	<b>496,432</b>
<b>Net loss not recognized as pension cost</b>	<b>\$ (354,025)</b>	<b>(807,265)</b>

## Notes to Financial Statements

December 31, 2012 and 2011

(all amounts expressed in thousands of New Taiwan Dollars, unless otherwise specified)

### (1) Organization and Business Scope

Bank of Taiwan (the Bank) was established on May 20, 1946, as the first government-owned bank following the island's restoration to the Republic of China in 1945. and transformed into a corporate entity starting from July 1, 2003, as approved by the Ministry of Finance on April 24, 2003, and became a public company from September 16, 2004.

On November 18, 2005, the House of Administration (Executive Yuan) authorized the merger of the Bank and the Central Trust of China. The merger plan was approved by the Fair Trade Commission, the Executive Yuan, and the Ministry of Finance. On December 22, 2006, the Financial Supervisory Commission, Executive Yuan, reauthorized the merger and indicated the Central Trust of China was the dissolved party and the Bank was the surviving party. The merger was accomplished on July 1, 2007.

On January 1, 2008, the Ministry of Finance organized Taiwan Financial Holding Co., Ltd. in accordance with the Act for Taiwan Financial Holding Co., Ltd., and the Bank is its subsidiary.

On January 2, 2008, the Bank decreased capital by \$8 billion and split off its part of business and assets to organize two other subsidiaries of Taiwan Financial Holding Co., Ltd. (Taiwan Financial Holdings): BankTaiwan Securities Co., Ltd. (BankTaiwan Securities) and BankTaiwan Life Insurance Co., Ltd. (BankTaiwan Life Insurance), whose capital was \$3 billion and \$5 billion, respectively.

The Bank is engaged in (a) all commercial banking operations allowed under the Banking Law; (b) international banking operations; (c) savings and trust operations; (d) overseas branch operations authorized by the respective foreign governments; and (e) other operations as authorized by the central competent authority-in-charge.

The Bank's Trust department is engaged in the planning, management and operation of trusts under the Banking Law and Trust Law, along with the investment of overseas securities and trust funds.

In accordance to the Bank's policy approved by the Government, the Bank's mission's to perform all functions in providing stable financial environment, contribute to the economic infrastructure and develop manufacturing production. The Bank manages public treasury and ensures the smooth settlement of national operations, which later translated into providing normal banking facilities and issuing banknotes as Central Bank of the Republic of China was later promulgated on July, 1961. The relationship between the Bank and the Central Bank remained closely attached. Among the financial institutions in Taiwan, the Bank has always maintained its importance in the financial industry.

The assets of the Bank have continuously increased through revaluations of reserve over the period since the Government provided the capital for the establishment of the Bank. After the currency revolution on June, 1949, the Government approved \$5 million as the Bank's capital on May, 1950; \$100 million on May, 1954; \$300 million on August, 1963; \$600 million on September, 1967; \$1 billion on May, 1973; \$2 billion on September, 1977; \$4 billion on September, 1980; \$8 billion on November, 1982; \$12 billion on May, 1990; \$16 billion on April, 1992; \$22 billion on December, 1994; \$32 billion on August, 1998; \$48 billion on September, 2002; \$53 billion on July, 2007; \$45 billion on January, 2009 and \$70 billion on November 2010.

As the Bank is funded and owned by the government, the execution and compliance with government policies is of importance to the Bank. The economy of Taiwan has developed considerably from the 50s and the Bank has contributed by supporting the planning and implementation of many medium to long term infrastructure. Through the years, the Government has actively increased strategic and critical industrial development, the Bank has similarly increased its support for the fund needed for such infrastructure in compliance with the Government policy.

The Bank has its Head Office in Taipei, and the Bank has established domestic and worldwide branch offices for expansion of various banking services. As of December 31, 2012, in addition to the Department of Business, Department of International Banking, Department of Trusts, Department of Public Treasury, Treasury, Precious Metal, Procurement, Government Employee Insurance and Electronic Banking at the Bank's headquarters, there were 163 domestic branches, 1 offshore banking unit, 8 overseas branches.

The parent company of the Bank is Taiwan Financial Holding Co., Ltd.

As of December 31, 2012 and 2011, the Bank had 8,029 and 7,940 employees, respectively.

## (2) Summary of Significant Accounting Policies

The financial statements of the Bank have been prepared in the local currency and in Chinese. 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.

### 1) General accounting policies

The Bank prepares the accompanying financial statements in accordance with relevant law and regulations. For those not implied by the law or regulations, the Bank complies with the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks, the Regulation of Business Entity by Accounting Handling and accounting principles generally accepted in the Republic of China.

The Bank is a government-owned enterprise, and its accounting practices mainly follow the Budget Law, Account Settlement Law, and Uniform Regulations on Accounting Systems for Banks Governed by the Ministry of Finance (the MoF). The annual financial statements are audited by the Ministry of Audit (the MoA) to ensure that the Bank complies with the budget approved by the Legislative Yuan, the parliament of ROC Taiwan. The financial statements become final only after such an audit by the MoA.

The financial statements of 2011 and 2010 were approved by the MoA, and the beginning balances of unappropriated earnings of 2012 and 2011 were the same as the approved closing balances in 2011 and 2010.

### 2) Basis of financial statements

The financial statements include accounts of the headquarters, domestic branches, overseas branches, and overseas representative offices. All significant inter-office account balances and transactions have been eliminated in preparing the financial statements.

### 3) Foreign currency transactions

The Bank records its transactions through New Taiwan Dollar. Non-derivative foreign currency products adopts the exchange rates at the date of transaction. Assets and liabilities uses the exchange rates at the date of transaction. Change in fair value recognition is transacted using exchange rates at the balance sheet date. Change in fair value recognized is booked under profit or loss. If the recognized fair value variation is associated with change in shareholder's equity, the difference is adjusted in change of shareholder's equity.

The financial statements of overseas branches reported in functional currencies are translated into New Taiwan Dollars at the exchange rates prevailing on the balance sheet date, with the exception of stockholders' equity, which is translated at historical rates. Translation differences resulting from the translation of these financial statements into New Taiwan Dollars are recorded as cumulative translation adjustments under stockholders' equity.

### 4) Use of estimates

The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

### 5) Accounting basis cash-flow

The Bank considers cash, placement with banks, placement with Central Bank of China (CBC) (excluding deposit reserve – demand account), and marketable securities with a maturity of three months or less to be cash equivalents.

### 6) Cash and cash equivalents

Cash and cash equivalents refer to cash on hand, notes and checks for clearing, petty cash and placement with other banks.

### 7) Assets and liabilities measured at fair value through profit or loss

1. An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Derivatives that do not meet the criteria for hedge accounting are classified as financial assets or liabilities at fair value through profit or loss. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

(a) Bought and held principally for the purpose of selling them in the near term. Derivatives held by the Company, other than hedging securities, are classified in this category.

- (b) An embedded derivative shall be separated from the master contract, but if the entity is unable to determine reliably the fair value of an embedded derivative on the basis of its terms and conditions, financial assets or liabilities may be designated as financial instruments measured at fair value through profit or loss to eliminate measurement mismatches for items that naturally offset each other.
  - (c) Financial assets or liabilities measured at fair value through profit or loss should be evaluated by fair value, and the gains or losses from evaluation should be designated as current gains or losses. Financial assets or liabilities held by the Bank are recorded on the trading date (except for bonds and funds on the settling date).
2. Derivative financial instruments refer to transactions such as forward contracts, interest swaps, cross currency swaps, asset swaps and options that are engaged in by the Bank in foreign exchange, interest rate and capital markets. Other than their application in hedge accounting, derivative financial instruments are for trading purposes. Derivative financial instruments for trading purposes are involved in creating markets, serving customers and other related arbitrage activities.
- Derivative financial instruments for trading purposes are assessed by the fair value method. Any relevant net present value created shall be recognized as current gain or loss. Fair value refers to the formal transaction price fully recognized and agreed by both parties. The fair value generally is the trading price in an active market. If there is no trading price available, the fair value should be estimated by a valuation method or model. The right of set-off of derivative financial instruments measured by the fair value method is enforceable by law. In net settlement, financial assets are offset with liabilities and disclosed in net amount.
- 8) **Available-for-sale financial assets**
- Are recorded at fair value, and the change in market value is adjusted against shareholders' equity. Financial assets or liabilities held by the Bank are recorded on the trading date (except for bonds and funds on the settling date). Impairment loss is recognized when there is objective evidence of impairment thereof. If there is objective evidence that the impairment loss recognized has decreased in a subsequent period, the decline in impairment loss is adjusted against shareholders' equity. If the decrease in impairment loss of available-for-sale financial assets-debt instruments is significantly related to subsequent events after recognizing impairment loss, the amount is reversed and recognized through profit or loss.
- 9) **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 can be related objectively 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.
- 10) **Hedge accounting**
- Financial instruments held by the Bank which meet all the criteria for applying hedge accounting are treated as fair value hedges. Changes in the fair value of a hedging instrument designated as a fair value hedge are recognized in profit or loss. The hedge item also is stated at fair value in respect of the risk being hedged, with any gain or loss being recognized in profit or loss.
- 11) **Financial assets are carried cost**
- If their fair values are not available. Impairment loss is recognized if there is objective evidence of impairment thereof, and this recognized amount is non-reversible.
- 12) **Debt investments without quoted price in active markets**
- Are recorded at amortized cost. Impairment loss is recognized when there is objective evidence of impairment thereof. If the impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit and loss. The carrying value after the reversal should not exceed amortized balance of the assets assuming no impairment loss was recognized.
- 13) **Bills and receivables**
- Bills receivables are originated by providing goods or services directly to a debtor.

#### 14) 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 which is overdue over three months or interest which is overdue over three months is categorized as overdue accounts. When principal or interest has not been paid for over six months, the principal and related interest is transferred to nonperforming loans. When this occurs, interest will only be calculated for external parties and booked to the memo account.

The Bank first assesses whether any objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment impairment. Impairment 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. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss. When determining impairment loss, the estimated future cash flows should include collaterals and the recoverable amount from associated insurance contracts.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

The Bank evaluates its assets in accordance with the "Rules for Bank Assets Evaluation, Loss reserve provision, and disposing of overdue loans, non-accrual loans and bad debts" issued by the MoF. Probable losses are recorded as a provision for credit losses. Doubtful accounts are written off when the recovery possibility is remote. Under the MoF guidelines, the Audit Committee must be notified concerning the write-offs of specific loans and related provision, after being approved by the Board of Directors. The collection of written-off nonperforming loans is recorded as a credit to "allowance for doubtful accounts".

In accordance with Bureau of Monetary Affairs, Ministry of Finance, Ruling Tai-Tsai-Rong No. 88733168, the Bank provided 3% of operating revenue as allowance for bad debt with a view to writing off the default accounts for the four years beginning July 1, 1999. In addition, in accordance with Ruling Hua-Zong-(1) Yi No. 09200114870, announced by the Office of the President, the Bank shall apply the above ruling until the overdue loan ratio is less than 1%.

#### 15) Non-financial asset of impairment

The Bank adopted SFAS No.35 "Accounting for Asset Impairment". In accordance with standard, the Bank identified indications that asset is impaired on balance sheet date (besides cash-generating units and goodwill), and should estimate the recoverable amount for the asset, which if it's lower than its carrying amount, the carrying amount of the asset should be reduced to its recoverable amount, and the reduction should be recognized as impairment loss. The accumulated impairment loss of an asset (other than goodwill) recognized in prior years should be reversed if, subsequently, there has been a change in the estimates used to determine the asset's recoverable amount so as to increase the recoverable amount. Then, the asset's carrying amount should be increased to its recoverable amount but should not exceed the carrying amount of an asset that would have been determined net of depreciation or amortization had no impairment loss been recognized for the asset in prior years.

#### 16) Investment under equity method

Investees in which the Bank and Taiwan Financial Holding Co., Ltd. and its subsidiaries, directly or indirectly, hold more than 20% of the outstanding voting stock, or less than 20% of the outstanding voting stock but have significant influence, are accounted for under the equity method.

If the differences between investment cost and securities' net value arise from assets that can be depreciated or amortized, then an investor company shall amortize such differences over the estimated remaining economic lives. If the differences come from discrepancies between the carrying amounts of assets and their fair market values, then an investor company shall offset all unamortized differences when conditions making such over- or under-valuation are no longer present. When the investment cost exceeds the fair value of identifiable net assets acquired, the excess should be recorded as goodwill. Goodwill shall be evaluated on an annual basis or when

there is any indication that goodwill may be impaired, the recoverable amount less than book value is recognized as impairment loss. If any such indication exists, the Company estimates the impairment loss on goodwill. When the fair value of identifiable net assets acquired exceeds the cost, the difference should be assigned to non-current assets acquired (except for financial assets not under equity method, assets to be disposed of, deferred tax assets, or prepaid pension or other retirement benefits cost) proportionate to their respective fair values. If these assets are all reduced to zero value, the remaining excess should be recognized as extraordinary gain.

When the equity of an investee exceeds the carrying value accounted for by the equity method, due to limited liability, the Bank recognizes the investment loss by reducing the balance of the investment to zero. But if the Bank intends to hold the stock of an investee and the investee cannot make a profit in the short term, then the Bank should recognize the loss based on the ownership percentage.

When a long-term investment under the equity method is sold, the cost in excess of (under) the selling price on the disposal date is recognized as gain (loss) on disposal of long-term equity investment. If there is any capital reserve arising from a long-term equity investment, capital reserve is recognized as current income (loss) by the percentage sold.

#### 17) Deferred expense

Deferred expense includes electrical wires and telephone applications, amortized from three to five years.

#### 18) Fixed assets

A surplus arising on revaluation is credited to the revaluation reserve. Additions to revalued premises made subsequent to the revaluation are included at cost. Revaluation increments are depreciated on the same basis over the remaining useful lives at the revaluation dates.

Excluding land, other fixed assets are stated at acquisition cost, including capitalization of interest and certain expenses which were incurred in connection with the construction of a plant and the installation of machinery and equipment. Major renewals, additions and improvements are capitalized, while maintenance and repairs are expensed.

Depreciation is computed on a straight-line method based on its cost, in accordance with Standard Classification of Property announced by Directorate – General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan). Leasehold improvements are amortized over the lesser of lease terms or the useful lives of such improvements. If the depreciated asset is still in use after its primary useful life, the asset is depreciated based on its residual value over its new estimated life.

Effective November 20, 2008, the Bank adopted Accounting Research and Development Foundation Interpretation (97) Ji-Mi-Zih 340. The cost of a fixed asset includes the estimated costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when then item is acquired or as a consequence of having used the item during a particular period for a purpose other than to produce inventories during that period. Every single part of the fixed asset that is significant should be depreciated individually. The Company assesses the remaining useful lives, depreciation method and salvage value at each balance sheet date. The changes in the above assumptions are accounted for as changes in accounting estimates.

Other assets- non-operating assets are fixed assets not in continuous use, the lower of net realizable value and book value is booked under other assets- non-operating assets.

Depreciation is computed on a straight-line basis over the useful lives estimated as follows:

Buildings	8 to 55 years
Machinery and equipment	3 to 7 years
Transportation equipment	4 to 8 years
Other equipment	3 to 10 years

Gains or losses on the disposal of fixed assets are recorded as gain or losses on property transaction.

#### 19) Intangible assets

The Bank adopted SFAS No. 37 "Intangible Assets". In accordance with SFAS No. 37, intangible assets are recorded at cost. Subsequent to their initial recognition, their book values are their cost plus the incremental value that resulted from revaluation minus accumulated amortization and impairment loss.

Amortization is computed using the straight-line method. The Bank should reevaluate the residual value, estimated useful lives, and amortization method at least once every year. Changes in the above factors will be regarded as changes in accounting estimate. Major intangible assets are as follows:



Computer software

3 to 5 years

At the end of each accounting period, the Company and its subsidiaries evaluate the residual value, the useful life and the method of amortization. Changes in those elements are considered changes in accounting estimate.

## 20) Collateral assumed

Collateral and assets received are stated at the net realizable value: the amount the Bank receives when debtors cannot meet obligations, and the collateral and residuals are auctioned off. Any discrepancy from the initial claim will be reflected as credit loss. Gains or losses on disposition are included in current earnings. The Bank recognized the impairment loss on collateral on the balance sheet date due to the cost of collateral exceeding the net fair value.

In accordance with Article 76 of the Banking Law of the Republic of China, real estate or securities acquired by a commercial bank through foreclosure of mortgage or pledge should be disposed of within four years from the date of acquisition. If there is no permission to extend the time limit, the amount by which the net realizable value of collateral is less than its cost is recognized as reserve for allowance for decline according to the official letter from the competent authorities.

## 21) Reserve for operations and liabilities

1. Reserve for losses on trading securities: According to the “Rules Governing the Administration of Securities Firms”, 10% of the monthly gains on trading securities in excess of monthly losses should be set aside as a reserve until the balance of the provision equals NT\$200 million. According to Ruling Letter No. 0990073857 of the Financial Supervisory Commission, Executive Yuan, R.O.C., the reserve for default losses and reserve for trading losses should be transferred to special reserve. The special reserve can only be used to offset an accumulated deficit, or one-half year may be converted to share capital when it reaches an amount equal to one-half of issued share capital.
2. Reserves for operations: Reserve for operations are organized according to the Insurance Act. These reserves include the unearned premium reserve, claim reserve, special reserve, and reserve for life insurance. Actuaries provide the figures for these reserves.

## 22) Pension

Employees’ retirement, relief and severance are dealt with according to “The Regulations on Employee’s Retirement, Relief and Severance for State-run Financial and Insurance Enterprises Owned by the Ministry of Finance”. According to Article 41.1 of the regulations, the length of service with the Bank is calculated in accordance with the formula for benefit payments set forth in the Labor Standards Law, and contributions have been made to a fund for future pension benefits after implementation of the Labor Standards Law. The Bank contributes 3% of total monthly salaries of employees to a pension fund each month. Before implementation of the Labor Standards Law, a monthly contribution equaling 4%-8.5% of salaries had been made by the Bank as prior service cost.

The Labor Pension Act of the R.O.C. (“the Act”), effective from July 1, 2005, adopts a defined contribution pension plan. In accordance with the Act, employees of the Bank (who were hired before May 1, 1997) may elect to be subject to either the Act, and maintain their service years before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. Employees who are hired by the Bank after May 1, 1997, are required to be covered by the pension plan as defined by the Act. For employees subject to the Act, the Bank is required to make monthly cash contributions to the employees’ individual pension accounts at the rate of not less than 6% of the employees’ monthly wages.

All contributions made by the Bank are administered by “The Pension Fund Management and Operation Committee”. The contributions are accumulated in the pension fund for making payments to the employees when retiring. For cleaning and maintenance workers, service costs equivalent to 8% of total monthly salaries for those workers are accrued over the workers’ careers based on plan benefit formulas according to Article 73 of the Labor Standards Law and the “Guidelines for Contributions to and Management of Labor Pension Fund” approved by the Executive Yuan. The workers’ pension is deposited in an account for the purpose of paying pension benefits to the workers when retiring.

Starting on July 1, 2005, the Bank, in accordance with the new labor pension system, has contributed 6% of salaries to individual pension accounts managed by the Bureau of Labor Insurance.

Since 1997, the defined benefit pension plan has used the balance sheet date as the measurement date to complete an actuarial valuation of accumulated payment obligation in excess of pension fund assets at fair value. At the balance sheet date, the Bank recognizes minimum pension liabilities and, according to the pension plan’s actuarial liabilities, records net pension cost, including current service cost and transitional net assets, prior service cost, and pension profit or loss, amortized over the average remaining length of service of employees by the straight-line method.

### 23) Income tax

"Expected" income tax expense is based on accounting income. Deferred income tax is determined based on differences between the financial statement and tax basis of assets and liabilities, using enacted tax rates in effect during the years in which the differences are expected to be reversed. 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, utilization of loss carryforwards, and income tax assets is evaluated, and a valuation allowance is recognized accordingly.

In accordance with the Financial Holding Company Act, Article 49, the Bank adopts Taiwan Financial Holding Co., Ltd. as the taxpayer to file a consolidated corporate income tax return starting 2008. When declaring the profit-seeking enterprise income, the Bank accounts for its income tax in conformity with SFAS No. 22, "Income Taxes". However, the Bank also adjusts the related income tax balance in a reasonable and systematic way to reflect the differences computed for purposes of filing a consolidated corporate income tax return with Taiwan Financial Holdings as the taxpayer. The adjustments resulting from using Taiwan Financial Holdings as the taxpayer to file a consolidated corporate income tax return are recorded under receivable from (payable to) related parties.

### 24) Revenue recognition

Except for insurance business income, revenue is recognized when realized or realizable; related costs and expenses are recorded when revenue is recognized. Additionally, according to Government Employees and School Staff Insurance Act, if GESSI experiences a loss, the loss before May 31, 1999, would be covered by the Ministry of Finance; and the loss after that date would be covered by an adjustment of the insurance premium.

### 25) Commitments and contingencies

If loss from commitments and contingencies is considered highly likely and the amount can be reasonably estimated, then the loss is recognized currently. Otherwise, commitments and contingencies are only disclosed in the notes to the financial statements.

### 26) Operating segments

An operating segment is a component of an entity 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 same entity). The segment's operating results are reviewed regularly by the entity's chief operating decision maker to make decisions pertaining to the allocation of the resources to the segment and to assess its performance for which discrete financial information is available.

### 27) Others

#### 1. Distinction between current and non-current assets and liabilities

Operational turnover period are usually harder to determine due to the characteristic of the banking industry. The Bank classifies its assets and liabilities in accordance with its nature by corresponding liquidity rather than current and non-current.

#### 2. Trust business

As required by the Banking Law and the Rules Governing Trust and Investment Companies and for the purpose of internal management, the Bank maintains separate accounts and prepares separate sets of financial statements for its own funds and for the funds it manages on behalf of trustors. All the entrusted assets are booked to the memo account.

#### 3. Other assets- Inventory

The costs of inventories are necessary expenditures and charges for bringing the inventory to the salable and useable condition and location. Inventories shall be measured at the lower of cost and net realizable value. Cost of inventories are prepared using weighted average cost formula and net realizable value as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### 4. Earnings per share

Earnings per share are calculated by dividing net income after tax by the weighted-average number of shares outstanding in each period.

### (3) Reasons for and Effects of Accounting Changes

- 1) Effective January 1, 2011, the Bank adopted the third amendment of SFAS No. 34 “Financial Instruments: Recognition and Measurement” revised by the Financial Accounting Standards Committees. In accordance with SFAS No. 34, the recognition, subsequent valuation and impairment losses of loans and receivables shall comply with the new amendment. The amendment also applies to the debt restructuring and debt negotiation. Please see note 5, 8, 9 and 13.
- 2) Effective January 1, 2011, the Company 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 impact of the business activities in which it engages and the economic environments in which it operates. The Company determines and presents the operating segments based on the information that is internally provided to the chief operating decision maker. The Standard also supersedes SFAS No. 20 “Segment Reporting.” Such changes in accounting principle did not have any significant impact of profit and loss for the year ended December 31, 2011.

### (4) Cash and Cash Equivalents

	December 31, 2012	December 31, 2011
Cash on hand	\$ 11,701,550	10,483,643
Foreign currency on hand	5,453,671	5,845,726
Notes and checks for clearing	11,768,506	8,904,406
Cash in transit	255,585	-
Placement with banks	43,633,092	51,192,401
	<u>\$ 72,812,404</u>	<u>76,426,176</u>

The balances of cash and cash equivalents presented in the statements of cash flows were as follows:

	December 31, 2012	December 31, 2011
Cash	\$ 72,812,404	76,426,176
Call loans to banks and bank overdraft	140,442,053	72,379,420
Placement with Central Bank, including reserve – checking account and foreign-currency-denominated deposit reserves	27,954,705	46,820,477
Negotiable certificates of deposit (NCDs)	614,518,774	631,220,453
Investment in bills and securities maturing within 90 days	47,964,002	19,108,064
Total	<u>\$ 903,691,938</u>	<u>845,954,590</u>

### (5) Placement with Central Bank and Call Loans to Banks

	December 31, 2012	December 31, 2011
Call loans to banks	\$ 140,442,053	72,379,420
Less: allowance for doubtful accounts – call loans to banks	(30,400)	(4,978)
New-Taiwan-dollar-denominated deposit reserve – checking account and reserves for deposits – foreign-currency-denominated deposit and so on	27,954,705	46,820,477
New-Taiwan-dollar-denominated required deposit reserve	62,743,516	60,077,287
Deposits in Central Bank	318,517,995	309,283,197
	<u>\$ 549,627,869</u>	<u>488,555,403</u>

The required deposit reserves are determined monthly at prescribed rates based on the average balances of customers' New-Taiwan-Dollar-denominated deposits. The required deposit reserve is subject to withdrawal restrictions, but reserve – checking account and foreign-currency-denominated deposit reserves may be withdrawn anytime and are non-interest-earning.

Additionally, as of December 31, 2012 and 2011, 60% of the reserve deposits collected on behalf of a government institution amounted to \$4,345,419 and \$5,077,052, respectively, and their use is restricted according to the regulations.

**(6) Financial Assets Measured at Fair Value through Profit or Loss, Net**

1) Financial assets measured at fair value through profit or loss were as follows:

	December 31, 2012	December 31, 2011
Financial assets held for trading	\$ 121,899,355	84,356,488
Add: Adjustment valuation	3,334,571	2,821,327
Subtotal	125,233,926	87,177,815
Financial assets designated as at fair value through profit or loss	20,581,246	24,189,751
Add: Adjustment valuation	718,866	(481,558)
Subtotal	21,300,112	23,708,193
	\$ 146,534,038	110,886,008

2) For details of the valuation of financial assets measured at fair value through profit or loss, please see note 29, "Information on Financial Instruments".

3) Details of financial assets held for trading were as follows:

	December 31, 2012	December 31, 2011
Commercial paper	\$ 31,909,877	7,477,954
Government bonds	704,084	966,154
Negotiable certificates of time deposits	200,021	-
Corporate bonds	24,782	12,708
Call foreign exchange options	108,486	16,564
Treasure bill	996,918	-
Structured time deposit	7,533,514	-
Foreign stock and beneficiary certificates	78,207,861	73,628,237
Foreign government bonds	2,213,812	2,254,871
Add: Adjustment valuation – non-derivative financial instruments	(549,178)	(8,129,523)
Adjustment valuation – call foreign exchange options	(42,685)	(7,626)
Adjustment valuation – cross currency swaps	3,362,157	9,479,852
Adjustment valuation – interest rate swaps	3,069	409,240
Adjustment valuation – asset swaps	61,856	-
Adjustment valuation – foreign exchange forward transactions	494,413	1,073,063
Adjustment valuation – commercial paper with fixed rate	(3,874)	(3,679)
Adjustment valuation – structured time deposit	8,813	-
Total	\$ 125,233,926	87,177,815

4) Details of financial assets designated at fair value through profit or loss were as follows:

	December 31, 2012	December 31, 2011
Foreign corporate bonds and financial bonds	\$ 20,581,246	24,189,751
Add: Adjustment valuation	718,866	(481,558)
Total	\$ 21,300,112	23,708,193

## 5) Details of unexpired derivative financial instruments (Notional principal) were as follows:

	December 31, 2012	December 31, 2011
Call foreign exchange options	\$ 10,140,222	5,049,048
Cross currency swaps	439,353,860	545,609,809
Interest rate swaps	490,127	9,031,487
Foreign exchange forward transactions	13,041,211	39,416,298
Commercial paper with fixed rate	1,200,000	1,700,000
Structured time deposit	7,533,514	-
Asset swaps	2,032,450	-
Total	\$ 473,791,384	600,806,642

## 6) Details of the profit (loss) on financial assets and liabilities measured at fair value through profit or loss were as follows:

	2012	2011
Cash dividend on financial assets	\$ 2,079,929	2,434,829
Net gain on disposal of financial assets	42,120,720	87,132,139
Net (loss) gain on valuation of financial assets	6,969,083	(4,945,025)
Net loss on disposal of financial liabilities	(38,654,352)	(81,770,050)
Net loss on valuation of financial liabilities	(407,545)	(6,980,966)
Total	\$ 12,107,835	(4,129,073)

## (7) Bills and Bonds Purchased / Sold under Repurchase Agreements and Resell Agreements

As of December 31, 2012 and 2011, the details of bonds and bills purchased / sold under agreements to resell (repurchase) were as follows:

	December 31, 2012	December 31, 2011
Bills and bonds purchased under resell agreements:		
Commercial paper	\$ 4,630,325	950,045
Government bonds	50,296	2,281,904
Negotiable certificates of deposit	300,000	-
	\$ 4,980,621	3,231,949
Bills and bonds sold under repurchase agreements:		
Commercial paper	\$ 349,473	2,706,204
Government bonds	11,648,925	12,199,961
	\$ 11,998,398	14,906,165

## (8) Receivables, Net

	December 31, 2012	December 31, 2011
Notes receivable	\$ 5,557	9,076
Accounts receivable	1,056,454	1,272,891
Long-term receivable – payment on behalf of the government	28,875,801	34,821,221
Accrued revenue	771,320	468,742
Interest receivable	11,820,712	10,839,856
Insurance receivable	151,840	204,714
Refundable income tax	2,101,496	1,838,009
Acceptance notes receivable	3,059,333	2,714,946
Factoring receivable – non-recourse	17,657,859	10,054,670
Others – shall be replenished by state treasury	21,620,758	22,572,919
Others – undelivered spot exchange	2,344	1,906
Other – ATM temporary receipts, payments and inter-branch difference	1,455,277	1,329,159
Others – Foreign currency amount to be transferred	2,070,823	59,161
Others	1,442,284	484,895
Subtotal	92,091,858	86,672,165
Less: allowance for doubtful accounts	823,814	232,385
Total	\$ 91,268,044	86,439,780

In accordance with Executive Yuan Tai-79-JEN-Cheng-SZU-tsu No. 14225, in 2012 and 2011, the Bank paid a premium savings account interest rate in excess of the regular rate of 1.8005% and 1.7868%, respectively, and the resulting interest expenses were \$7,996,175 and \$7,907,574, respectively, due to executing the government premium savings policy.

As of ended December 31, 2012 and 2011, the Bank, instead of the government, had paid premium savings interest expenses amounting to \$75,812,742 (booked in long-term receivable \$28,875,801 and other financial asset – short-term advance of \$46,936,941) and \$81,737,714 (booked in long-term receivable of \$34,821,221 and other financial assets – short-term advance of \$46,916,493), respectively. Please refer to note 13 “Other financial assets – net” for further descriptions.

## (9) Loans and Discounts, Net

	December 31, 2012	December 31, 2011
Discounts	\$ 5,490,786	4,415,954
Overdrafts	52,156,253	74,323,818
Secured overdrafts	870,934	1,498,174
Short-term loans	218,095,577	300,646,862
Accounts receivable financing	265,346	142,685
Short-term secured loans	87,428,462	87,252,408
Medium-term loans	688,781,695	600,661,125
Medium-term secured loans	277,284,341	287,299,276
Long-term loans	185,874,999	182,011,233
Long-term secured loans	668,724,259	625,024,761
Nonperforming loans	10,026,590	8,263,174
Subtotal	2,194,999,242	2,171,539,470
Less: allowance for doubtful accounts	17,865,982	17,948,352
Total	\$ 2,177,133,260	2,153,591,118



Tables of allowance for doubtful accounts of loans and receivables are as follows:

Loans

Item		Total Loans		Allowance for doubtful accounts	
		December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
There is objective evidence of impairment on individual asset	Individual assessment of impairment	\$ 34,275,894	20,824,187	4,492,298	6,805,533
	Combined assessment of impairment	14,129,188	15,170,898	4,482,129	3,463,378
There is no objective evidence of impairment on individual asset	Combined assessment of impairment	2,146,594,160	2,135,544,385	8,891,555	7,679,441
Net total		\$ 2,194,999,242	2,171,539,470	17,865,982	17,948,352

Receivables (including other financial assets)

Item		Total Loans		Allowance for doubtful accounts	
		December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
There is objective evidence of impairment on individual asset	Individual assessment of impairment	\$ 1,033,607	134,421	613,279	65,584
	Combined assessment of impairment	251,665	289,281	151,225	89,366
There is no objective evidence of impairment on individual asset	Combined assessment of impairment	287,541,835	215,799,441	223,021	120,356
Net total		\$ 288,827,107	216,223,143	987,525	275,306
Total				18,853,507	18,223,658

Changes of allowance for doubtful accounts of loans and receivables are as follows:

	December 31, 2012	December 31, 2011
Loan:		
Balance on January 1, 2012	\$ 17,948,351	11,541,983
Provision for (reversal of) doubtful accounts	2,827,167	4,765,626
Write-off	(5,949,262)	(2,518,860)
Recovery of written-off	3,192,635	4,074,223
Effects of exchange rate changes and others	(152,909)	85,380
Balance on December 31, 2012	\$ 17,865,982	17,948,352
Receivables:		
Balance on January 1, 2012	\$ 275,306	288,753
Provision for (reversal of) doubtful accounts	247,114	(30,105)
Write-off	(12,064)	(12,558)
Recovery of written-off	24,954	28,537
Effects of exchange rate changes and others	452,215	679
Balance on December 31, 2012	\$ 987,525	275,306

Details of allowance for doubtful accounts were as follows:

	December 31, 2012	December 31, 2011
Call loans to bank	\$ 30,400	4,978
Receivables	823,814	232,385
Discounts and loans	17,865,982	17,948,352
Other financial assets	133,311	37,943
Total	<u>\$ 18,853,507</u>	<u>18,223,658</u>

Details of bad debt expense were as follows:

	December 31, 2012	December 31, 2011
Bad debt	\$ 3,074,281	4,735,521
Reserve for guarantee liabilities	33,584	309,953
Total	<u>\$ 3,107,865</u>	<u>5,045,474</u>

As of December 31, 2012 and 2011, the amount of loans with non-accumulating interest revenues was \$10,140,673 and \$8,312,632, respectively, which was booked as other assets – nonperforming loans. As of December 31, 2012 and 2011, the estimation of non-accumulating interest revenues was \$1,385,986 and \$1,442,314, respectively.

For the years ended December 31, 2012 and 2011, the Bank did not write off any loan without legal proceedings having been initiated.

Effective January 1, 2011, the Bank adopted the third amendment of SFAS No. 34 “Financial Instruments: Recognition and Measurement” revised by the Financial Accounting Standards Committees. In accordance with SFAS No. 34, the recognition, subsequent valuation and impairment losses of loans and receivables shall comply with the new amendment. Corresponding to this amendment, the Financial Supervisory Commission amended the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” in which the minimum loan loss provision and reserves shall have the sum of 0.5% of the outstanding balance of Category One credit asset’s claim. The Bank evaluates the credit assets on and off the balance sheet in accordance to this regulation.

#### (10) Available-for-sale Financial Assets, Net

	December 31, 2012	December 31, 2011
Negotiable certificates of deposit	\$ 607,100,000	622,500,000
Government bonds	24,166,503	25,693,625
Foreign government bonds, treasury bills and corporate bonds and negotiable certificate of deposit	45,138,973	51,300,942
Financial bonds	1,510,636	1,514,800
Corporate bond	14,380,476	13,497,227
Real estate securitization	-	10,000
Financial asset securitization	995,505	995,505
TSEC and OTC stocks and certificates	23,943,118	26,941,461
Add: Adjustment valuation	18,776,460	16,216,337
Less: accumulated impairment	(1,140,920)	(1,296,432)
Total	<u>\$ 734,870,751</u>	<u>757,373,465</u>

1) Please see note 29, “Information on Financial Instruments”, for valuation of available-for-sale financial assets.

2) The Bank recognized impairment of individual asset amounting to \$1,156, accounted for as gain on reversal of asset impairment loss on March 17, 2011.

3) Details of realized profit or loss on available-for-sale financial assets were as follows:

	2012	2011
Cash dividend	\$ 793,326	789,855
Profit or loss on available-for-sale financial asset transactions	135,831	573,994
Total	<u>\$ 929,157</u>	<u>1,363,849</u>

**(11) Held-to-maturity Financial Assets, Net**

	December 31, 2012	December 31, 2011
Domestic:		
Financial bonds	\$ 6,103,338	4,004,339
Corporate bonds	6,028,871	6,288,696
Convertible deposit	7,218,753	8,720,453
Commercial paper	16,054,125	11,630,110
Government bonds	6,843,525	8,447,097
Real estate securitization	-	30,381
	<u>42,248,612</u>	<u>39,121,076</u>
Foreign:		
Corporate bonds, Financial bonds, Convertible deposit	18,664,012	10,694,536
Government bonds	1,086,422	1,126,977
	<u>19,750,434</u>	<u>11,821,513</u>
	<u>\$ 61,999,046</u>	<u>50,942,589</u>

Please see note 29, "Information on Financial Instruments", for valuation of held-to-maturity investment.

**(12) Investments under Equity Method, Net**

Name of Investee	December 31, 2012		December 31, 2011	
	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)	Amount
Hua Nan Financial Holdings Co., Ltd.	21.23	\$ 28,188,965	21.23	26,646,642
Taiwan Life Insurance Co., Ltd.	18.94	3,157,567	18.94	1,742,973
Kaohsiung Ammonium Sulfate Co., Ltd.	91.86	2,393,485	91.86	2,420,898
Tang Eng Iron Works Co., Ltd.	21.37	1,636,179	21.37	1,653,862
Tai Yi Real-Estate Management Co., Ltd.	30.00	17,686	30.00	15,223
		<u>\$ 35,393,882</u>		<u>32,479,598</u>

1) Details of the Bank's recognition of its unrealized gain on revaluation increments and cumulative transaction adjustments under stockholders' equity in 2012 and 2011 were as follows:

Name of investee	Unrealized gain on revaluation increments		Cumulative translation	
	2012	2011	2012	2011
Hua Nan Financial Holdings Co., Ltd.	\$ 763,120	374,141	(33,508)	30,136
Taiwan Life Insurance Co., Ltd.	25,823	21,880	(2,033)	3,979
Tang Eng Iron Works Co., Ltd.	83,762	-	-	-
	<u>\$ 872,705</u>	<u>396,021</u>	<u>(35,541)</u>	<u>34,115</u>

2) Details of the Bank's recognition of its capital surplus and unrealized losses or gains on financial instruments under stockholders' equity in 2012 and 2011 were as follows:

Name of investee	Capital surplus		Unrealized losses or gains on financial instruments	
	2012	2011	2012	2011
Hua Nan Financial Holdings Co., Ltd.	\$ (395,255)	395,254	389,256	(778,850)
Taiwan Life Insurance Co., Ltd.	253	101,178	1,012,593	(662,192)
Tang Eng Iron Works Co., Ltd.	-	-	(142)	434
	<u>\$ (395,002)</u>	<u>496,432</u>	<u>1,401,707</u>	<u>(1,440,608)</u>

3) Details of the net loss not recognized as pension costs in 2012 and 2011 were as follows:

Name of investee	2012	2011
Taiwan Life Insurance Co., Ltd.	\$ 5,718	65

4) Details of the special reserve recognized under equity method in 2012 and 2011 were as follows:

Name of investee	2012	2011
Hua Nan Financial Holdings Co., Ltd.	\$ -	56,430

5) Details of the Bank's cash dividends received from its long-term equity investments under the equity method in 2012 and 2011 were as follows:

Name of investee	2012	2011
Hua Nan Financial Holdings Co., Ltd.	\$ 872,001	493,585
Taiwan Life Insurance Co., Ltd.	-	154,553
	<u>\$ 872,001</u>	<u>648,138</u>

6) The initial costs of the Bank's long-term equity investments under the equity method were as follows:

Name of Investee	December 31, 2012	December 31, 2011
Hua Nan Financial Holdings Co., Ltd.	\$ 6,863,133	6,863,133
Taiwan Life Insurance Co., Ltd.	712,409	712,409
Kaohsiung Ammonium Sulfate Co., Ltd.	1,377,872	1,377,872
Tang Eng Iron Works Co., Ltd.	1,451,074	1,451,074
Tai Yi Real Estate Management Co., Ltd.	3,793	3,793
	<u>\$ 10,408,281</u>	<u>10,408,281</u>

7) The investment gain or loss on long-term investment under the equity method was as follows:

Name of investee	2012	2011
Hua Nan Financial Holdings Co., Ltd.	\$ 1,690,711	2,120,025
Taiwan Life Insurance Co., Ltd.	383,676	55,007
Kaohsiung Ammonium Sulfate Co., Ltd.	(27,413)	(28,212)
Tang-Eng Iron Works Co., Ltd.	(101,303)	103,479
Tai Yi Real-Estate Management Co., Ltd.	2,463	4,974
	<u>\$ 1,948,134</u>	<u>2,255,273</u>

1. The investment gain from the investees audited by other auditors was \$1,693,174 and \$2,124,999 in 2012 and 2011, respectively.
  2. The investment loss from the investees amounting to \$(27,413) and \$(28,212) in 2012 and 2011, respectively, was based on its unaudited financial statements.
- 8) Since Kaohsiung Ammonium Sulfate Co., Ltd. was in the process of liquidation and the liquidators and supervisors were appointed by the Ministry of Economic Affairs, the Bank had no power to control such investee.
- 9) The Bank's investee, Hua Nan Financial Holdings Co., Ltd. increased its share capital by cash on December 27, 2011. The Bank's shareholding percentage decreased from 24.86% to 21.23% as the Bank does not increase the shares of the investee by percentage.
- 10) The Bank's investee, Taiwan Life Insurance Co., Ltd. increased its share capital by cash on November 2, 2011 and June 11, 2010. The Bank's shareholding percentage decreased from 20.84% to 18.94% and from 21.01% to 20.84% as the Bank does not increase the shares of the investee by percentage.

**(13) Other Financial Assets, Net**

	December 31, 2012	December 31, 2011
Temporary advances	\$ 56,158,861	57,100,311
Less: allowance for doubtful accounts—Temporary advances	(42,249)	(10,688)
Hedging derivative financial assets	3,543	3,074
Debt investments without quoted price in active markets	2,405,986	4,269,035
Less: cumulative impairment – debt investment without quoted price in active market	-	(317,888)
Financial assets carried at cost	11,092,326	11,092,326
Less: cumulative impairment – financial assets carried at cost	(12,426)	(137)
Remittance purchased	20,252	21,789
Overdue receivables	114,083	49,458
Less: allowance for doubtful accounts – overdue receivables	(91,062)	(27,255)
Others	23,552	27,307
Total	<u>\$ 69,672,866</u>	<u>72,207,332</u>

- 1) Please see note 29, “Information on Financial Instruments”, for details of the valuation of hedging derivative financial assets and debt investments without quoted price in non-active markets for the year 2012 and 2011.
- 2) Concerning for the payment of excess interest for the government, booked under “short-term payment” for the financial year ended December 31, 2012 and 2011, please refer to note 8 for further descriptions.
- 3) The Bank held ProMos Technologies Inc. convertible bonds \$436,875, due on February 14, accumulated impairment \$305,813 were reclassified to other receivables and allowance for doubtful accounts.
- 4) The Bank recognized impairment of individual asset amounting to \$12,426, accounted for as loss on reversal of asset impairment loss on August 3, 2011.
- 5) Responsible by all levels of government, the Bank instead of the government to pay excess interest-nonreturn part were \$75,812,742 and \$81,737,714 for the financial year ended December 31, 2012 and 2011. Non overdue part amount were \$46,936,941 and \$46,916,493. (recorded in Temporary advances).

**(14) Fixed Assets, Net**

	December 31, 2012	December 31, 2011
Cost:		
Land (including revaluation increments)	\$ 85,833,372	86,002,456
Land improvements	14,964	14,964
Buildings (including revaluation increments)	14,673,931	14,348,456
Machinery and equipment	6,019,410	5,750,837
Transportation equipment	1,070,221	1,072,597
Miscellaneous equipment	1,003,207	1,013,078
Leasehold improvements	654,720	628,947
Construction in progress and prepayment for equipment	347,548	652,182
	<u>109,617,373</u>	<u>109,483,517</u>
Accumulated depreciation:		
Land improvement	13,337	12,975
Buildings	5,704,048	5,402,727
Machinery and equipment	4,359,264	4,055,340
Transportation equipment	861,640	834,883
Miscellaneous equipment	800,176	791,991
Leasehold improvements	558,491	520,697
	<u>12,296,956</u>	<u>11,618,613</u>
Accumulated impairment:		
Land	67,069	-
Fix assets, net	<u>\$ 97,253,348</u>	<u>97,864,904</u>

On May 31, 2012 and March 11, 2011, the Bank recognized loss on impairment by \$59,978 and \$4,036, gain on reversal by \$0 and \$23,282 and (reduced) increased unrealized gain on revaluation increments by \$(12,061) and \$119,733, respectively.

The Bank has conducted many revaluations of land and buildings over these years, and the latest time is in December, 2011. As of December 31, 2012 and 2011, the total revaluation increments for land were \$81,356,848 and \$81,525,920, respectively, and the estimated tax payables on land were \$18,201,296 and \$18,278,621, respectively (recorded in other liabilities).

Complying with government policy, the Bank sold a number of land, buildings and machinery and recognized gain on property transaction of \$812,794 and \$421,670 in 2012 and 2011, respectively.

As of December 31, 2012 and 2011, the Bank's fixed assets neither served as a guarantee or collateral, nor were they pledged.

Certain investment properties of the Bank were used for operating lease. As of December 31, 2012, the cost (including revaluation increments) of the rental land was \$35,741,711, while most of the rental buildings had been fully depreciated over their useful lives. According to the tenancy agreements, the estimated future rental revenue was as follows:

Fiscal Year	Amount
2013	\$ 126,155
2014	85,148
2015	37,737
2016	10,400
2017	8,775
	<u>\$ 268,215</u>



## (15) Intangible Assets

The details for the year ended December 31, 2012 and 2011, for intangible assets measured at costs and amortization are as follows:

	December 31, 2012	December 31, 2011
Initials cost:		
Computer software	\$ 821,057	969,574
Add: acquisition	1,260,369	290,519
Less: amortization for the year	917,321	439,036
Closing balance	<u>\$ 1,164,105</u>	<u>821,057</u>

## (16) Other Assets

	December 31, 2012	December 31, 2011
Non-operating assets, net	\$ 833,155	846,546
Collateral assumed, net	1,076,959	1,076,959
Advance payment	7,445,763	6,179,390
Operating guarantee deposits and settlement fund	10,000	10,000
Refundable deposits	122,054	113,358
Customer advance and accounts awaiting clearance	200,056	198,996
Deferred tax assets, net	173,537	338,993
Inventory	1,812,216	5,994,550
Others	277,915	360,317
Total	<u>\$ 11,951,655</u>	<u>15,119,109</u>

### 1) Non-operating assets

	December 31, 2012	December 31, 2011
Land (non-operating)	\$ 838,359	846,769
Buildings	2,353	2,353
Miscellaneous equipment	92	92
Accumulated depreciation – buildings	(2,196)	(2,186)
Accumulated impairment	(5,453)	(482)
	<u>\$ 833,155</u>	<u>846,546</u>

On March 11, 2011, the Bank recognized gain on reversal of \$16,762, increased unrealized revaluation of \$199.

### 2) Collateral assumed and residuals taken over, net

	December 31, 2012	December 31, 2011
Collateral assumed and residuals taken over	\$ 1,093,456	1,093,456
Less: allowance for impairment	(16,497)	(16,497)
	<u>\$ 1,076,959</u>	<u>1,076,959</u>

### 3) Advance payment

	December 31, 2012	December 31, 2011
Prepaid expense	\$ 684,243	720,670
Prepaid interest	55	-
Prepaid tax	31,395	34,817
Prepaid stock dividends and bonus	4,594,012	4,371,407
Other prepayment	2,136,058	1,052,496
	<u>\$ 7,445,763</u>	<u>6,179,390</u>

## 4) Inventory

	December 31, 2012	December 31, 2011
Inventory	\$ 1,837,838	6,244,475
Less: allowance for inventory devaluation	25,622	249,925
	<u>\$ 1,812,216</u>	<u>5,994,550</u>

Changes of allowances for inventory devaluation were as follows:

	December 31, 2012	December 31, 2011
Opening balance	\$ 249,925	3,575
Provision for the current period	(224,303)	246,350
Closing balance	<u>\$ 25,622</u>	<u>249,925</u>

The inventory expenses or losses recognized for the years ended December 31, 2012 and 2011 were \$(224,303) and \$246,350; write-down of inventories to realizable value in the amount \$246,350 in 2011. The increase in net realizable value recognized reduced operating costs amount to \$224,303, because previously caused inventories to net realizable value below cost factors have disappeared in 2012.

## (17) Impairment

For the years ended December 31, 2012 and 2011, the movements of the accumulated impairment were as follows:

	2012	2011
Beginning balance	\$ 1,631,436	3,719,348
Recognized impairment loss for the current period	72,267	4,173
Reversal of impairment loss for the current period	-	(41,200)
Unrealized gains on revaluation increments for the current period	12,061	(119,932)
Wrote off	(150,133)	(1,915,323)
Reclassification	(166,262)	-
Foreign exchange differences	(157,004)	(15,630)
Ending balance	<u>\$ 1,242,365</u>	<u>1,631,436</u>

The ending balance of accumulated impairment was composed of the following:

	December 31, 2012	December 31, 2011
Available-for-sale financial assets	\$ 1,140,920	1,296,432
Other financial assets	12,426	318,025
Fixed assets	67,069	-
Other assets	21,950	16,979
Ending balance	<u>\$ 1,242,365</u>	<u>1,631,436</u>

Gain(loss) on impairment was composed as the follows:

	December 31, 2012	December 31, 2011
Fixed assets	\$ (59,978)	4,036
Other assets	(12,289)	32,991
Ending balance	<u>\$ (72,267)</u>	<u>37,027</u>

**(18) Deposits of Central Bank and other banks**

	December 31, 2012	December 31, 2011
Deposits from Central Bank	\$ 9,676,169	12,005,704
Deposits from banks – others	27,351,993	25,282,765
Postal deposits transferred	3,205,362	3,404,645
Bank overdrafts	2,089,373	695,107
Call loans from bank	171,051,568	167,538,254
	<u>\$ 213,374,465</u>	<u>208,926,475</u>

**(19) Financial Liabilities Measured at Fair Value through Profit or Loss**

1) Details of financial liabilities measured at fair value through profit or loss as follows:

	December 31, 2012	December 31, 2011
Held-for-trading financial liabilities	\$ 115,445	19,429
Add: valuation adjustment	4,761,509	3,883,456
	<u>\$ 4,876,954</u>	<u>3,902,885</u>

2) For valuation of financial liabilities measured at fair value through profit or loss, please refer to note 29.

3) Held-for-trading financial liabilities

	December 31, 2012	December 31, 2011
Foreign exchange options premium	\$ 115,445	19,429
Valuation adjustment – foreign exchange options	(49,671)	(10,528)
Valuation adjustment – cross currency swaps	3,485,158	2,793,485
Valuation adjustment – interest rate swaps	754,810	906,650
Valuation adjustment – forward foreign exchange	518,989	193,849
Valuation adjustment – asset swaps	52,223	-
	<u>\$ 4,876,954</u>	<u>3,902,885</u>

4) Unmatured derivative financial instruments (stated at notional principal amount)

	December 31, 2012	December 31, 2011
Foreign exchange options premiums	\$ 10,128,057	4,949,172
Cross currency swaps	400,583,661	309,062,210
Interest rate swaps	15,073,803	15,668,237
Forward foreign exchange	55,670,522	21,877,127
Asset swaps	2,235,695	-
	<u>\$ 483,691,738</u>	<u>351,556,746</u>

**(20) Payables**

	December 31, 2012	December 31, 2011
Accounts payable	\$ 12,541,630	10,935,111
Receipts under custody	1,152,377	1,058,172
Accrued expense	2,600,616	2,569,836
Income tax payable	313,675	246,517
Interest payable	12,896,356	12,548,806
Banker's acceptance payable	3,080,210	2,724,821
Due from representative organization	177,069	249,071
Construction payable	1,713	757
Other payables – spot foreign exchange awaiting delivery	-	32
Other payables – collection bills	979,490	1,410,373
Other payables – payments awaiting transfer	5,066,383	4,545,731
Other payables – ATM temporary receipts, payments and inter-branch difference	1,476,089	1,259,252
Other payables – foreign exchange awaiting transfer	470,141	661,118
Other payables – factoring receivables-without recourse	464,073	359,069
Other payables – Others	936,240	902,914
	<u>\$ 42,156,062</u>	<u>39,471,580</u>

**(21) Deposits and Remittances**

	December 31, 2012	December 31, 2011
Checking account deposits	\$ 37,791,556	34,918,413
Government deposits	217,407,712	227,242,671
Demand deposits	284,650,276	256,758,436
Time deposits	457,899,593	473,562,243
Remittances	501,996	578,020
Savings account deposits:		
Demand savings deposits	653,688,067	608,719,709
Staff accounts	23,697,441	23,352,713
Club savings deposits	1,105,437	1,106,970
Non-interest-drawing time savings deposits	559,844,781	648,445,648
Interest-drawing savings deposits	604,361,801	494,125,407
Premium interest-drawing savings deposits	453,955,059	449,200,457
	<u>\$ 3,294,903,719</u>	<u>3,218,010,687</u>

As of December 31, 2012 and 2011, the above time deposits and savings account deposits, except for demand savings deposits, would mature in one month to three years.

**(22) Other Financial Liabilities**

	December 31, 2012	December 31, 2011
Hedging derivative financial liabilities	\$ 301,390	409,907
Appropriated loan funds	376,265	671,370
Principal from structured products	7,821,748	4,674,906
	<u>\$ 8,499,403</u>	<u>5,756,183</u>

Please refer to note 29 for details of hedging derivative financial liabilities on December 31, 2012 and 2011.

**(23) Other Liabilities**

	December 31, 2012	December 31, 2011
Reserve for guarantee liability	\$ 624,406	591,441
Reserve for labor insurance liability	194,662,096	178,024,493
Advance collections	1,770,819	1,193,587
Estimated tax payable on land increments	18,201,296	18,278,621
Guarantee deposits received	4,545,284	4,622,421
Temporary receipt awaiting transfer	80,415	43,485
Other liabilities to be settled	8,239	8,239
Others	1,266,345	1,266,345
	<u>\$ 221,158,900</u>	<u>204,028,632</u>

**(24) Pension**

The reconciliation of the plan's funded status and accrued pension liabilities was as follows:

	December 31, 2012		December 31, 2011	
	Regular Employees	Regular Labor / Contract Employees	Regular Employees	Regular Labor / Contract Employees
Benefit obligation:				
Vested benefit obligation	\$ (5,916,565)	(465,269)	(5,318,459)	(396,691)
Non-vested benefit obligation	(4,399,966)	(282,376)	(4,506,105)	(303,426)
Accumulated benefit obligation	(10,316,531)	(747,645)	(9,824,564)	(700,117)
Additional benefits based on future salaries	(2,664,505)	(166,906)	(2,775,581)	(194,311)
Projected benefit obligation (PBO)	(12,981,036)	(914,551)	(12,600,145)	(894,428)
Fair value of plan assets	5,388,078	992,874	5,300,184	965,539
Funding status	(7,592,958)	78,323	(7,299,961)	71,111
Unrecognized transitional net benefit obligation	142,882	43,351	203,281	68,882
Unrecognized prior service cost	133,116	(9,123)	153,595	(12,771)
Unrecognized pension loss (gain)	3,820,142	(144,068)	3,582,911	(169,594)
Accrued minimum pension (booked under other assets – deferred pension cost and unrealized investment net loss not recognized as pension cost)	(1,431,635)	-	(1,164,206)	-
Accrued pension liabilities	<u>\$ (4,928,453)</u>	<u>(31,517)</u>	<u>(4,524,380)</u>	<u>(42,372)</u>
Vested benefit	<u>\$ (6,230,372)</u>	<u>(496,169)</u>	<u>(6,271,675)</u>	<u>(425,102)</u>

The components of net pension costs for the year 2012 and 2011 were as follows:

	2012		2011	
	Regular Employees	Regular Labor / Contract Employees	Regular Employees	Regular Labor / Contract Employees
Service cost	\$ 546,301	34,043	823,187	34,191
Interest cost	195,476	14,057	208,052	15,663
Projected return on plan assets	(81,282)	(15,939)	(100,655)	(18,788)
Amortization and deferred cost	209,928	16,265	192,406	10,496
Net pension costs	<u>\$ 870,423</u>	<u>48,426</u>	<u>1,122,990</u>	<u>41,562</u>

Actuarial assumptions:

	2012	2011
Discount rate	1.65%	1.65%
Rate of increase in future compensation	2.00%	2.00%
Rate of expected return on plan assets	1.65%	1.65%

As of December 31, 2012 and 2011, retirement reserve fund balance were \$13,277,139 and \$14,277,882, deposited in the Department of Trusts, Department of Business and the Central Trust of China, Pension cost were \$1,023,191 and \$1,304,194. Accrued pension liabilities were \$4,959,970 and \$4,566,752.

## (25) Income Tax

The income tax expenses for 2012 and 2011 are summarized below:

	2012	2011
Current income tax expense	\$ 856,886	444,968
Deferred tax expense	4,226	340,192
Income tax expense	<u>\$ 861,112</u>	<u>785,160</u>

For the fiscal year ended December 31, 2012 and 2011, the income tax of the Bank is 17%. For the years ended December 31, 2012 and 2011, the differences between the “expected” income tax expense at the statutory income tax rate and the effective income tax expense in the accompanying financial statements were as follows:

	2012	2011
Expected income tax expenses	\$ 1,375,856	756,323
Loss (gain) on securities trading	7,197	19,394
(Gain) loss on financial assets evaluation	276,714	(48,894)
Accumulated impairment – available for sale	2,089	-
Tax-free earnings from OBU	(333,129)	(122,838)
Investment gains recognized under the equity method	(331,183)	(383,396)
Gain on disposal of land	(136,489)	(70,029)
(Gain) loss on provision for (reversal of) asset impairment – land	10,196	(6,121)
High speed railway and cost reversal	457,598	549,205
Tax-free reinvestment income (dividends and bonus)	(639,586)	(743,207)
Income tax expense of overseas branches	456,327	362,539
Provision for (reversal of) valuation allowance for deferred tax assets	(333,917)	426,091
Income basic tax	49,439	45,758
Others	-	335
Income tax expenses	<u>\$ 861,112</u>	<u>785,160</u>

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

	2012	2011
Pension costs disallowed per tax regulation	\$ -	510,445
Unrealized (loss) gain on foreign exchange	-	(197,454)
Income tax expense from overseas branches	4,226	27,201
Deferred income tax benefit	<u>\$ 4,226</u>	<u>340,192</u>



The temporary differences, loss carryforward, income tax credit, and certain tax effects relating to deferred income tax assets were as follows:

	December 31, 2012		December 31, 2011	
	Amount	Income tax effect	Amount	Income tax effect
Deferred income tax assets:				
Pension costs disallowed per tax regulation	\$ 3,528,335	599,817	3,402,558	578,433
Inventory devaluation	25,622	4,356	249,924	42,487
Accumulated impairment – collateral assumed	16,497	2,804	16,497	2,804
Valuation loss on financial assets	-	-	140,309	23,853
Accumulated impairment – available for sale – foreign	145,415	24,721	300,926	51,158
Unrealized gain on exchange	-	-	643,067	109,321
Foreign deferred income tax assets – carryforward	-	169,486	-	226,589
Unrealized gain or loss on financial instruments – foreign	-	-	-	68,733
Unrealized gain or loss on financial instruments – foreign – exchange rate differences	-	4,051	-	6,819
Cumulative translation adjustments	-	-	-	70,524
Subtotal		805,235		1,180,721
Allowance for deferred income tax assets		(474,139)		(808,056)
		<u>\$ 331,096</u>		<u>372,665</u>
Deferred income tax liabilities:				
Deferred income tax assets – foreign	\$ 196,464	33,399	-	33,672
Unrealized foreign exchange gain	730,355	124,160	-	-
		<u>\$ 157,559</u>		<u>33,672</u>
Deferred income tax assets, net		<u>\$ 173,537</u>		<u>338,993</u>

As of December 31, 2012 and 2011, the components of income tax refund receivable were as follows:

	December 31, 2012	December 31, 2011
Current income tax expense	\$ 856,886	444,968
Income tax expense paid by overseas branches	(452,101)	(335,338)
Withholding tax on bond interest	(3,367)	(4,316)
Withholding tax	(669,068)	(684,886)
Prior year's income tax refund receivable	(1,833,846)	(1,258,437)
Income tax refund receivable, net	<u>\$ (2,101,496)</u>	<u>(1,838,009)</u>

Starting from 2008, the Company and Taiwan Financial Holdings adopted a combined income tax declaration to report their tax. As of December 31, 2012 and 2011, the details of tax payable and receivable were as follows:

	The year ended December 31, 2012		
	Tax receivable from affiliated parties (recorded in miscellaneous account receivables)	Tax payable to affiliated parties (recorded in miscellaneous account payables)	Income tax payable to National Tax Administration (recorded in miscellaneous account receivables)
2008	\$ 740,542	-	-
2010	517,890	-	-
2011	575,261	-	-
2012	264,436	-	3,367
	<u>\$ 2,098,129</u>	<u>-</u>	<u>3,367</u>

	The year ended December 31, 2011		
	Tax receivable from affiliated parties (recorded in miscellaneous account receivables)	Tax payable to affiliated parties (recorded in miscellaneous account payables)	Income tax payable to National Tax Administration (recorded in miscellaneous account receivables)
2008	\$ 740,542	-	-
2010	517,890	-	-
2011	575,261	-	4,316
	<u>\$ 1,833,693</u>	<u>-</u>	<u>4,316</u>

The reconciliation of the balances of current income tax benefit, deferred income tax expense, deferred tax assets, and income tax payable under the provision of SFAS No. 22, "Income Taxes", and the related balances computed for filing combined corporate income tax returns with Taiwan Financial Holdings as the taxpayer was as follows:

	The year ended December 31, 2012			
	Current income tax expense	Deferred income tax expense	Deferred income tax asset, net	Affiliated company receivable
Amount computed under SFAS No. 22	\$ 856,886	4,226	173,537	2,098,129
Difference adjustments	-	-	-	-
Amount computed for filing combined corporate income tax return	<u>\$ 856,886</u>	<u>4,226</u>	<u>173,537</u>	<u>2,098,129</u>

	The year ended December 31, 2011			
	Current income tax expense	Deferred income tax expense	Deferred income tax asset, net	Affiliated company receivable
Amount computed under SFAS No. 22	\$ 444,968	340,193	338,993	1,833,693
Difference adjustments	-	-	-	-
Amount computed for filing combined corporate income tax return	<u>\$ 444,968</u>	<u>340,193</u>	<u>338,993</u>	<u>1,833,693</u>

Apart from 2008, the Bank's income tax returns up till 2011 have been audited by the MoA and examined by the National Tax Administration. The financial statements in 2008 has not been examined by the tax authorities.

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

Fiscal year	December 31, 2012 (expected)	December 31, 2011 (actual)
Balance of ICA	\$ 653,689	860,212

After the Bank's filing of the income tax return, the imputed tax creditable ratio for appropriating the net income for 2011 and 2010 is 13.73% and 6.50% (actual).

As of December 31, 2012 and 2011, the composition of unappropriated retained earnings was as follows:

Fiscal year	December 31, 2012	December 31, 2011
1998 and after	\$ 8,385,156	6,263,805

## (26) Stockholders' Equity

- 1) As of December 31, 2012 and 2011, the Bank's authorized capital and issued capital were \$70,000,000 thousands. The above mentioned common stock had a par value of \$10.

The board of directors agreed to issue 2,500,000 thousands shares through special reserve of \$20,500,000 thousands and capital reserve of \$4,500,000 thousands, approved by the authorities. The date of issuing new shares was set on November 8, 2010. Relevant legal procedures were completed year.

- 2) According to the ROC Company Act prior to the new amendment on January 4, 2012, capital surplus can only be used to offset accumulated deficit or to increase share capital by using the realized capital surplus. Capital surplus cannot be used for distribution of cash dividends. According to the new amendment of the ROC Company Act, company can declare dividend with capital surplus. The aforementioned realized capital surplus includes the income derived from the issuance of new shares at a premium and the income from endowments received by the company. The share capital capitalized in any one year may not exceed a certain percentage for the company's increasing share capital under the Regulations Governing the Offering and Issuance of Securities by Securities Issuers. The Company may only increase its capital reserve out of the share capital from cash premium on capital stock once a year. The additional capital reserve from the share capital may not be increased during the same fiscal year as the additional share capital from cash premium on capital stock.

The composition of capital surplus was as follows:

	December 31, 2012	December 31, 2011
Capital surplus – from equity premium	\$ 105,453,034	105,453,034
Capital surplus – from long-term equity investment under equity method	229,837	624,838
	<u>\$ 105,682,871</u>	<u>106,077,872</u>

- 3) Legal reserve

According to the ROC Company Act prior to the new amendment on January 4, 2012, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of the total capital. The Legal reserve can only be used to offset deficits, and cannot be distributed as cash dividends. Up to one-half of legal reserve can be converted to share capital when it reaches an amount equal to one-half of issued share capital. According to the new amendment of the ROC Company Act, when the Company incurs no loss, it may, in pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or cash. Only the portion of the legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

According to the Banking Law, the Company must retain 30% of its after-tax annual earnings as legal reserve. Legal reserve is less than the amount of the total capital, cash dividends shall not exceed 15% of the total capital. Bank legal reserve has reached its total capital, or financial business is sound and in accordance with the Companies Act set aside the legal reserve may be exempt from the restrictions of the preceding paragraph.

- 4) Special reserve

The Board of directors agreed to distribute unappropriated earnings using special reserve of \$1,153 billion and \$2.6 billion on November 14, 2012 and July 29, 2011, respectively.

- 5) Appropriation of earnings

The articles of incorporation of the Bank stipulate that net income should be distributed in the following order:

1. to pay income tax;
2. to offset prior years' deficit;
3. to appropriate 30% as legal reserve;
4. to appropriate 20~40% the equivalent of the unrealized losses on financial instruments recorded under stockholders' equity as special reserve;
5. to appropriate dividends.

The remaining balance would be appropriated, combining accumulated retained earnings, in accordance with related laws and regulations.

According to the Banking Law, before the legal reserve balance reaches the total amount of capital, cash dividend distributions cannot exceed 15% of total capital.

## 6) Cumulative translation by adjustments

	December 31, 2012	December 31, 2011
Opening balance	\$ (366,046)	(455,457)
Cumulative translation adjustment realized from investee company	(35,541)	34,115
Exchange difference from foreign financial statements	(398,713)	55,296
Closing balance	<u>\$ (800,300)</u>	<u>(366,046)</u>

## 7) Unrealized investment net loss net recognized as pension cost

	December 31, 2012	December 31, 2011
Opening balance	\$ (809,180)	(1,915)
Unrealized net loss not recognized as pension cost from investee under equity method	5,718	65
Unrealized net loss net recognized as pension cost-recognized by the Bank	(359,743)	(807,330)
Closing balance	<u>\$ (1,163,205)</u>	<u>(809,180)</u>

## 8) Unrealized gains or losses on financial instruments

	December 31, 2012	December 31, 2011
Opening balance	\$ 13,983,157	28,860,619
Unrealized gains or losses on financial instruments from investee under equity method	1,401,707	(1,440,608)
Unrealized gains or losses on available-for-sale financial assets	2,544,796	(13,436,854)
Closing balance	<u>\$ 17,929,660</u>	<u>13,983,157</u>

## 9) Unrealized gains on revaluation increments

	December 31, 2012	December 31, 2011
Opening balance	\$ 26,581,673	14,640,019
Unrealized gains on revaluation increments from investee under equity method	872,705	396,021
Recognized (reversed) from sale of land	(71,292)	11,545,633
Closing balance	<u>\$ 27,383,086</u>	<u>26,581,673</u>

## (27) Earnings per Share

	December 31, 2012		December 31, 2011	
	Pretax	After tax	Pretax	After tax
Net income	<u>\$ 8,093,269</u>	<u>7,232,157</u>	<u>4,448,965</u>	<u>3,663,805</u>
Weighted average outstanding shares (shares in thousands)	<u>7,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>
Basic earnings per share	<u>\$ 1.16</u>	<u>1.03</u>	<u>0.64</u>	<u>0.52</u>

## (28) Disclosure of Risk Management Policy

### 1) Risk management structure and protocols

#### 1. Risk management structure

The risk management organization of the Bank is composed of the Board of Directors, risk management committee, risk management department and every operational unit.

- (a) The Board of Director is the final decision maker for risk management and is responsible for the result of risk. The Board of Director should decide the entire risk management policies in view of operational strategies and business environment to monitor the risk management mechanism which understand the risk status and maintain the appropriate Capital Adequacy Ratio in response to all risk.
- (b) Risk management committee under the board of directors is responsible for executing risk management policies and coordinating interdepartmental management of risk.
- (c) Risk management department is responsible for monitoring, tracing the execution status of risk management policies and submitting reports to the board of directors or risk management committee. If a significant risk exposure is discovered, the risk management department has to make appropriate procedures and report them to the board of directors.
- (d) Every department should identify, evaluate, and control the risks of new products or business, set related risk management regulations as a guideline, and monitor the risk management to ensure the risk control of entire company.
- (e) All operational units shall comply with the regulations for risk management.

#### 2. Risk management protocols

The risks including credit risk, market risk, operational risk, interest rate risk, liquidity risk, national risk, legal risk and so forth resulted from the business no matter recorded in the financial statement or not should be managed. The principle of risk management is as follow:

- (a) Monitor the Capital Adequacy Ratio in response to operation scale, credit risk, market risk, operational risk and the operating trades in the future.
- (b) Establish a systematic risk measure and control mechanism to measure, monitor and control every risk.
- (c) Manage every business risk considering the risk capacity, capital reserve, nature of debts and performance.
- (d) Establish a valuation method for the quality and classification of assets, control the intensity of exposure and significant exposure, check periodically and recognize allowance for loss.
- (e) Establish information system protection mechanism and emergency plan for bank operation, transactions, and information. Build an independent and effective risk management mechanism and strengthen the risk management of business through appropriate policies, procedures, and systems.

#### 3. The management mechanism of risk is as follows:

- (a) Identify, measure, monitor and control the risks and make impact under endurable level to attain the target of risk management and reasonable return.
- (b) Establish risk indicators and warning mechanism and take appropriate risk monitor.
- (c) Establish a risk communication mechanism to transmit the entire risk information upward or downward timely, and to disclose the risk in public.
- (d) Evaluate the risk before developing new business or commodities, changing operating procedures, building or operating new information system, and prepare related handbook of procedures and control methods.
- (e) Strengthen the training of professional risk management staff, and offer risk training to general employees' about risk management to base on the Bank's risk management culture.

### 2) Method of measuring and controlling risk and exposure quantitative information

A financial instrument is defined as a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The major financial assets of the Bank are loans, receivables, and negotiable security investments. The related risk and management policies are as follows:

#### 1. Credit risk management:

##### (a) New Basel Capital Accord

According to the requirements of the New Basel Capital Accord, the Bank adopts standardized approach to calculate the risky assets and self-owned capital for the minimum capital requirement of the first pillar, then choose appropriate credit risk weight and deduction method by their exposure type to decide the demanded capital.

- (b) For the overall management of credit risk, the Bank conducts rules and regulations, operating manuals to identify, measure, monitor and control the credit risk of all policies, organizations, business, information and procedures effectively.
  - a) Policies and strategies: Establish policies such as the credit policy, credit risk management criteria, credit criteria and credit investigation.
  - b) Organization and structure: Set commissions with different authority and different function and build the authority and management mechanism for different risk level and risk amount.
  - c) Business and commodities: Provide operating rules such as “consumer loans”, “general working capital” and “corporate credit rating” for different business and commodities.
- (c) Implement hierarchical authority system  
Use hierarchical authority system for the authorizing credit and clearing non-performing loans and give different credit line for different level. Credit review committee and overdue review committee in every authority level conduct review under their authority limit to ensure the quality of credit assets.
- (d) Management of large exposure and excessive concentration
  - a) In accordance with the Banking Law, there is a credit limitation management for the Bank’s person in charge, employees, and any interested party. In respect to credit intensity, the bank provides credit and investment quota rules for same enterprise and the same group, and credit and investment risk quota rules for the same industry. The Bank also limits and manages the credit amount for enterprises, groups and every industry.
  - b) The Bank’s Treasury Department, OBU, and foreign branches provide different credit amount according to external credit evaluation and rankings when having a transaction in the money market or capital market, foreign exchange, new financial instruments trading and negotiable security trading.
  - c) To diversify the risk for countries, the Bank allocates different credit amount according to the ranking of the countries in Euromoney to the Financing Department, OBU, and foreign branches. The covered businesses are loan assets, transaction assets, and off-balance sheet positions.
- (e) In order to measure the quality of credit assets effectively, we conduct the credit procedure and insist on the management after credit. Therefore, we adopt the control and measure mechanism which are as follows.
  - a) Execute credit investigation including credit status, purpose, source of repayment, maintenance of creditor’s right and the operating prospect.
  - b) Set “Credit review and Follow-up evaluations provision” to reinforce the management after credit. Hence, we establish an independent team to review credit and monitor borrower’s operation, keep retrial during credit term, check significant credit case and report the result periodically.
  - c) Set “warning mechanism provision” to warn the credit risk, control borrower’s status and make necessary response to measure the quality of credit assets.
  - d) In accordance with “Provision of asset evaluate loss and bad debt of nonperforming loans approach”, the bank assesses and monitors the quality of various types of assets regularly to strengthen the management regarding of abnormal credit, and record the allowance for doubtful accounts. The Bank also establishes a management mechanism for loan cases and nonperforming loans cleaning to control risk.

## 2. Market risk management

Market risk (pricing risk) means volatilities of the future market price such as interest rates, exchange rates, and the prices of equity securities will change the valuation of financial instruments or investment portfolio and lead to losses on financial statement accounts and retained earnings.

The Bank manages the possible loss owing to unfavorable changes of market prices when engaging in financial instrument trading positions.

- (a) The related rules indicate permitted financial instrument, transaction range and the authority structure of each department and each level. Each department should identify, measure, monitor and control the risk in regular operation. Consider the risk appetite and cost-effectiveness for corresponding market risk, and adopt the appropriate market risk management including risk aversion, risk transference, risk control and risk undertaking.
- (b) In order to control the profit and loss of the holding proportion effectively, we should evaluate the part of trading book daily, and evaluate the part of banking book monthly. The reference prices come from exchanges, electronic screen, independent broker and custodian’s quotes, and counterparty’s price.
- (c) The Bank has complete risk monitor procedures and process in regular operating activities. The monitor target includes the general and particular transaction for each trading unit and every financial instrument. For example, the changes of portion, the change of profit or loss, trading pattern, object of transaction and so on should conform to the regulation of the limited amount, stop-limit and excess, and scope of authority.



The Bank use standard method to decide the capital of market risk. The market risk IMA system has been established, and the VaR data accumulated are still in progress. In the future, the bank will set the limited risk value according to the development of business, budgeted retained earnings and amend related policies to meet the requests of government.

### 3. Operational risk management

In order to reduce the operational risk, and confirm the management of operational risk, the Bank makes the relevant regulations and operating manuals, establishes SOP for every business, of which the contents are built in the Bank's website as references for employees. The Bank also set up regulations about the management of computer networking, information and internet security, internal audit, review, and information technology outsourcing, and review regularly to control operational risk.

Expecting to evaluate loss from operational risk effectively, the Bank requests all units should record in detail, report, keep tracing and treat every loss event until is closed the case, in order to build a loss event database for analyzing the frequency and the extent of severity.

### 4. Interest rate and liquidity risk management

(a) To optimize the structure of assets and liabilities, the bank set up an Assets and Liabilities Management Committee of which the chairperson is the general manager and the vice chairpersons are the vice general managers to decide the direction of assets and liabilities management, to manage the liquidity portion, interest rate risk, and review structure of deposits and loan and so on.

(b) To enforce the management of liquidity and interest rate risk and maintain suitable liquidity and interest sensitivity for higher effectiveness of capital and good operations, the Bank sets up policies for liquidity and interest rate risk. Assets and Liabilities Management Committee monitors, reports to the board of directors, formulate appropriate liquidity risk management procedures and amend related regulations corresponding to the requests from the government in the future.

a) Management of interest-rate sensitive gap: Maintain the ratio of New Taiwan Dollar interest-rate sensitive assets to liabilities between 80% and 140%. Maintain the ratio of New Taiwan Dollar capital gap to owner's equity between  $\pm 100\%$ . Make sure the difference in re-pricing the foreign interest rate under 35% of total assets of currencies.

b) Management of liquidity risk

a. Maintain liquid reserve ratio: According to "Liquidity Guidelines for Financial Institutions" published by the Center Bank, the Bank has to maintain the liquidity reserve ratio of deposit balances greater than 15%.

b. Management of loan-deposit ration: Set the loan-deposit ratio of NTD between 65% and 87% and the alarm range from 68% to 86% as a risk indicator.

c. Short-term gap analysis: Calculate 1-10 day and 11-30 day gaps which should be greater than zero.

d. Foreign currency gap management: Make sure the ratio of accumulated capital liquidity gap to each currency assets of the four major foreign currencies of the Bank (U.S. Dollar, HK Dollar, JP yen, and Euro) measured for every month and every term under one year between  $\pm 50\%$  or  $\pm 40\%$ .

e. Fund management: Utilize the assets and Liabilities Management Information System to analyze the gaps of assets and liabilities and the change of the structure. Allocate appropriate fund and adjust the fund structure according to financial status. For NTD fund management, the bank maintains appropriate cash and cashable securities on hand, draw up notice about NTD fund management and request every unit to notify significant cash transactions, analyze the gaps for maturity amount of purchased bills, bonds and call loans to control the fund trend and decrease the liquidity risk. For foreign currencies, manage the financial gap of actual amount received on due date and payment in a year by using the maturity method.

f. Establish "Bank of Taiwan operational crisis management plan" to prevent and response quickly to the crisis.

### 3) Risk Management system is as follows:

1. Identify, measure, monitor and control the risks and make the impact under endurable level to attain the target of risk management and reasonable return.

2. Establish risk indicators and warning mechanism and take appropriate risk monitor.

3. Establish a risk communication mechanism to transmit the entire risk information upward or downward timely and disclose the risk in public.

4. Evaluate the risk before developing new business or new commodities, changing the operating procedures, building or operating new information system, and preparing related handbook of the procedures and control the methods.

5. Train professional risk management employees and conduct risk management training for regular employee.

## 4) The policy of reduction of credit risk in terms of pledges and guarantees

Considering the credit control and business promotion, the Bank shall request a collateral or a guarantee to decrease the credit risk. The permitted collateral and guarantees include mortgages on real estate or property (i.e., land, building, machinery, car, ship, aircraft, etc.), pledges of securities or other rights (i.e., certificates of deposit; various bonds, stocks, or other securities), guarantees provided by the government agencies, banks, or credit-guarantee institutions authorized by the government, and any other guarantee or collateral approved by the Bank.

## (29) Information on Financial Instruments

## 1) Information on fair value of financial instruments

	December 31, 2012		December 31, 2011	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets:				
Financial assets measured at fair value through profit or loss	\$ 146,534,038	146,534,038	110,886,008	110,886,008
Available-for-sale financial assets	734,870,751	734,870,751	757,373,465	757,373,465
Loans and discounts	2,177,133,260	2,177,133,260	2,153,591,188	2,153,591,188
Held-to-maturity financial assets	61,999,046	62,946,717	50,942,589	43,529,068
Other financial assets	69,672,866	69,672,866	72,207,332	72,207,332
Financial Liabilities:				
Financial liabilities measured at fair value through profit or loss	4,876,954	4,876,954	3,902,885	3,902,885
Other financial liabilities	8,499,403	8,499,403	5,756,183	5,756,183

## 2) The methods and assumptions used by the Bank for calculation of the fair value of financial instruments are as follows:

1. The book value of financial instruments closed to the maturity date is a reasonable basis for fair value measurement. This method applies to cash and cash equivalents, placement with Central Bank and call loans to banks, resell bond transactions, loans and discounts, accounts receivable, other financial assets (except those recorded at cost if their fair value is not available and debt investments without quoted price in active markets recorded at amortized cost), deposits from Central Bank, deposits from other banks, repurchase bond transactions, accounts payable, deposits and remittances, and other liabilities.
2. When the financial assets have a public quotation from an active market, the market price is considered the fair value. If, however, there is no market price for reference, the value will be estimated by appraisal. The estimates and assumptions utilized are the same as those utilized by market traders to decide the value of financial instruments. The discount rate the Bank uses is the rate of return on financial instruments with equivalent conditions and quality.
3. Interest on loans is calculated by a floating rate; thus the book value is the present fair value.
4. Deposits and remittances are mostly due within one year. If the due date is longer than one year, the interest would be calculated by a floating rate; thus the book value is the present fair value.
5. The DCF (discounted cash flow) will be applied to calculate the fair value of each forward contract, whereas the Bank uses the Reuters foreign exchange rate upon maturity. For an IRS (interest rate swap) or a CCS (cross currency swap), quotations provided by both the trader and Bloomberg will be referenced to apply the DCF to calculate the fair value of the individual contract. In addition, the Black-Scholes model is applied to evaluate the fair value of options.

- 3) The fair values of the Bank's financial assets and liabilities evaluated under direct public quotation from an active market or under an assessment method as of December 31, 2012 and 2011, were as follows:

	December 31, 2012		December 31, 2011	
	Fair value per direct public quotation from active market	Fair value per assessment method	Fair value per direct public quotation from active market	Fair value per assessment method
Financial Assets:				
Financial assets measured at fair value through profit or loss	\$ 77,942,546	68,591,492	65,996,668	44,889,340
Available-for-sale financial assets	66,085,131	668,785,620	71,616,875	685,756,590
Discounted and loans	-	2,177,133,260	-	2,153,591,188
Held-to-maturity financial assets	7,151,215	55,795,502	8,808,758	34,720,310
Other financial assets	-	69,672,866	-	72,207,332
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss	-	4,876,954	-	3,902,885
Other financial liabilities	-	8,499,403	-	5,756,183

The Bank recognized current loss (gain) of \$(6,165,187) and \$15,416,361 due to variation in fair value under an assessment method in the years 2012 and 2011, respectively.

Financial assets and liabilities measured at fair value recognized through profit or loss under assessment method as of December 31, 2012 and 2011 were as follows:

	2012	2011
Financial Asset:		
Adjustment of assets held for trading purposes	\$ (7,058,825)	839,541
Adjustment of assets designated at fair value	1,200,424	(410,753)
Loss in adjustment of available – for – sale financial assets	155,512	129,463
Adjustment of valuation for derivatives held for hedging purposes	1,638	(1,718)
Gain (loss) in adjustment of bond investment in non-active market	317,888	(8,138)
Loss in adjustment of financial assets measured at cost	(12,289)	(137)
	(5,395,652)	548,258
Financial liability:		
Adjustment of liabilities held for trading purposes	878,052	(15,022,661)
Adjustment of valuation for derivatives held for hedging purpose	(108,517)	154,558
	769,535	(14,868,103)
Total	\$ (6,165,187)	15,416,361

- 4) Financial risk information

The financial risk which the Bank engages in, such as credit risk, liquidity risk, market risk, interest rate risk, is as follow. Addition to the above risk, such as operational risk, legal risk, the Bank not only uses improvement of business operations process, staff rotation, quota control, legal compliance, use of insurance (such as employees honest insurance, cash insurance, homeowners' insurance, and miscellaneous equipment insurance, etc.) and remote backup methods, but also set regulations for business processes and operations, and strengthen personnel training, in order to reduce or circumvent its risk. The Bank's financial risk information is as follows:

## 1. Credit risk

- (a) The possibility of a loss occurring due to the failure of a counterparty or third party to meet contractual debt obligations

Commodities owned and issued by the Bank may cause a loss when the contractual debt obligations are not met. Therefore, the Bank always conducts credit evaluations in accordance with the Credit Policy and Regulation in handling credit business such as loans, commitments and guarantees. The details were as follows:

Unit: Million NTD

December 31, 2012			
Item	Secured amount	Total amount	Percentage of total amount
Loan (note 1)	\$ 1,276,051	21,949,999	58.13
Acceptances	455	3,059	14.87
Guarantees on loans	11,410	73,600	15.50

December 31, 2011			
Item	Secured amount	Total amount	Percentage of total amount
Loan (note 1)	\$ 1,112,514	2,171,539	51.23
Acceptances	155	2,715	5.71
Guarantees on loans	9,967	71,487	13.94

Note 1: Amounts of loans exclude advances and off-balance-sheet items.

Collateral may include cash, inventories, marketable securities, and other property. If the customers default, the Bank will, as required by circumstances, foreclose the collateral or execute other rights arising out of the guarantees given. Since most of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash demands. The maximum potential amount of future payments represents the notional amounts that could be lost under the guarantees if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from collateral held or pledged.

- (b) Credit risk – disclosure of the maximum credit exposure

The book value and greatest credit exposure of various commodities owned by the Bank are disclosed below:

Unit: Million NTD

Item	December 31, 2012	
	Book Value	Maximum Credit Exposure (notes 2 and 3)
Financial assets measured at fair value through profit or loss	\$ 146,534	144,887
Available-for-sale financial assets	734,871	102,756
Held-to-maturity financial assets	61,999	61,343
Loans and advances (note 1)	2,251,158	1,996,151
Hedging derivatives	4	4
Debt investments without quoted price in active markets	2,406	2,406
Financial assets carried at cost	11,080	11,080

Note 1: The aforementioned "loans and advances" refer to the outstanding amounts of discounts; overdrafts; treasury overdrafts; guarantee overdrafts; short-term, medium-term and long-term secured/unsecured loans; import bill advances /export bill purchases; temporary advances; and nonperforming loans (excluding credit cards and guarantee, the amount was \$10,027 million).

Note 2: In the amounts of greatest credit exposure, held-for-trading financial assets exclude treasury bills \$995 million and government bonds amounting to \$652 million; available-for-sale financial assets exclude government bonds amounting to \$24,948 million and negotiable certificates of deposit amounting to \$607,167 million; held-to-maturity financial assets exclude government bonds amounting to \$656 million; loans and advances exclude Central Government loans amounting to \$223,338 million, Central Government short-term advance amounting to \$18,000 million, and Bureau of National Health Insurance amounting to \$13,669 million.

Note 3: The amount of greatest credit exposure is the fair value at the balance sheet date; the book value of hedging derivatives is the principal of the hedging instruments (IRS); and the amount of greatest credit exposure is the adjusted amount of hedging derivatives at fair value.

Note 4: This table's amount exclude government employee's insurance department.

Unit: Million NTD

Item	December 31, 2011	
	Book Value	Maximum Credit Exposure (notes 2 and 3)
Financial assets measured at fair value through profit or loss	\$ 110,886	110,004
Available-for-sale financial assets	757,373	108,268
Held-to-maturity financial assets	50,943	50,353
Loans and advances (note 1)	2,228,639	1,928,347
Hedging derivatives	3	3
Debt investments without quoted price in active markets	3,951	3,951
Financial assets carried at cost	11,092	11,092

Note 1: The aforementioned "loans and advances" refer to the outstanding amounts of discounts; overdrafts; treasury overdrafts; guarantee overdrafts; short-term, medium-term and long-term secured/unsecured loans; import bill advances /export bill purchases; temporary advances; and nonperforming loans (excluding credit cards and guarantee, the amount was \$8,263 million).

Note 2: In the amounts of greatest credit exposure, held-for-trading financial assets exclude government bonds amounting to \$882 million; available-for-sale financial assets exclude government bonds amounting to \$26,495 million and negotiable certificates of deposit amounting to \$622,610 million; held-to-maturity financial assets exclude government bonds amounting to \$590 million; loans and advances exclude Central Government loans amounting to \$258,642 million, Central Government short-term advance amounting to \$13,550 million, and Bureau of National Health Insurance amounting to \$28,100 million.

Note 3: The greatest credit exposure is positive at balance sheet date.

(c) Disclosure of obvious concentration of credit risk

When the trading of financial instruments is centered in a single industry or region, the ability to fulfill the contract would be affected by similar factors, thereby causing concentration of credit risk. Disclosure of the Bank's concentration of credit risk is as follows:

a) The details of loans to various industry types and the greatest credit exposure in 2012 and 2011 were as follows:

Unit: Million NTD

December 31, 2012			
Industry type	Book value (note 1)	%	Maximum credit exposure (note 2)
Individuals	\$ 722,698	32.92	722,698
Government agencies	423,364	19.29	200,026
Manufacturing	391,723	17.85	391,723
Shipping, warehousing and communications	128,875	5.87	128,875
Utilities	114,902	5.23	114,902
Others	413,437	18.84	395,437
Total	\$ 2,194,999	100.00	1,953,661

Note 1: The book value means the balances of discounts; overdrafts; treasury overdrafts; secured overdrafts; short-term, medium-term and long-term secured/unsecured loans; receivables from pecuniary finance; and acceptance under letter of credit for imports and exports (excluding credit cards and guarantee, the amount was \$10,027 million).

Note 2: The maximum credit exposure is the remaining amount after deducting loans to the Central Government amounting to \$223,338 million from book value and the loan to the Bureau of National Health Insurance of \$18,000 million.

Note 3: The table's amount exclude government employee's insurance department.

Unit: Million NTD

December 31, 2011			
Industry type	Book value (note 1)	%	Maximum credit exposure (note 2)
Individuals	\$ 684,213	31.51	684,213
Government agencies	458,287	21.10	171,545
Manufacturing	383,094	17.64	383,094
Shipping, warehousing and communications	127,593	5.88	127,593
Utilities	123,856	5.70	123,856
Others	394,496	18.17	394,496
Total	\$ 2,171,539	100.00	1,884,797

Note 1: The book value means the balances of discounts; overdrafts; treasury overdrafts; secured overdrafts; short-term, medium-term and long-term secured/unsecured loans; receivables from pecuniary finance; and acceptance under letter of credit for imports and exports (excluding credit cards and guarantee, the amount was \$8,263 million).

Note 2: The maximum credit exposure is the remaining amount when loans amounting to \$258,642 million to the Central Government and \$28,100 million to the Bureau of National Health Insurance loans are deducted from book value.

b) The details of loans to different industry regions in 2012 and 2011 were as follows:

Unit: Million NTD

December 31, 2012			
Areas type	Book value (note 1)	%	Maximum credit exposure (note 2)
Domestic	\$ 2,032,634	92.60	1,791,296
Foreign	162,365	7.40	162,365
Total	\$ 2,194,999	100.00	1,953,661

Note 1: The book value means the balances of discounts; overdrafts; treasury overdrafts; secured overdrafts; short-term, medium-term and long-term secured/unsecured loans; receivables from pecuniary finance; and acceptance under letter of credit for imports and exports (excluding credit cards and guarantee, the amount was \$10,027 million).

Note 2: The maximum credit exposure is the remaining amount after deducting loans to the Central Government amounting to \$223,338 million from book value and the loan to the Bureau of National Health Insurance of \$18,000 million.

Note 3: The table's amount exclude government employee's insurance department.

Unit: Million NTD

December 31, 2011			
Areas type	Book value (note 1)	%	Maximum credit exposure (note 2)
Domestic	\$ 2,024,215	93.22	1,737,473
Foreign	147,324	6.78	147,324
Total	\$ 2,171,539	100.00	1,884,797

Note 1: The book value means the balances of discounts; overdrafts; treasury overdrafts; secured overdrafts; short-term, medium-term and long-term secured/unsecured loans; receivables from pecuniary finance; and acceptance under letter of credit for imports and exports (excluding credit cards and guarantee, the amount was \$8,263 million).

Note 2: The maximum credit exposure is the remaining amount when loans amounting to \$258,642 million to the Central Government and \$28,100 million to the Bureau of National Health Insurance are deducted from book value.

(d) Off-balance sheet credit risk (including loan commitments, net settlement agreements, and offset rights)

While the Bank provides loan commitments and similar relevant services, the Bank evaluates credit very conservatively. The Bank reserves the utmost right in enforcing collaterals demanded from the counter-party when breach of the agreement is committed in order to control and mineralize our credit risk effectively. Fair value of the collaterals is not within the Bank's consideration when disclosing for maximum credit exposure.

Unit: Million NTD

Item	Maximum credit exposure	
	December 31, 2012	December 31, 2011
Irrevocable loan commitment (with credit agreement)	\$ 523,383	390,357
Letter of credit receivables	\$ 46,719	43,112
Deposits receivables	\$ 73,486	71,390
Acceptance receivable	\$ 3,059	2,715

Note: The table above solely includes the amount as at the end of the financial year and the off balance sheet commitment and deposits agreed as subject of measurement. The table does not consider the impact of different types of counter party.



## 2. Liquidity risk

Liquidity risk includes market liquidity risk and capital liquidity risk (financial risk). Market liquidity risk is the risk of facing market price movement in processing or offsetting owned assets caused by a low-volume market. Capital liquidity risk, on the other hand, is the risk of default at the maturity due to inability to cash in assets or obtain sufficient capital. The Bank has different policies in accordance with capital demands for different kinds of business, aiming to effectively monitor market liquidity risk. Moreover, the financial department is in charge of the overview of capital and conducts a daily review to respond to system risk and capital demand in abnormal conditions.

The Bank controls the trading risk of commodities by means of the aforementioned position limits, setting of stop loss points, and operation guidelines at the management level. In addition, the Bank utilizes financial tools of the money market and foreign exchange market, together with appropriate liquid assets, to plan for future cash demand.

The liquidity ratio on December 31, 2012 and 2011 were 37.54% and 42.94%, respectively. The capital and operating funds are sufficient to fulfill all contractual obligations. The Bank faced no liquidity risk due to insufficient funds.

The analysis of maturity for December 31, 2012 and 2011 is as follows:

	December 31, 2012				
	1~30 days	31~90 days	91 days~one year	Over one year	Total
<b>Asset</b>					
Cash and cash equivalents	\$ 29,179,310	-	-	-	29,179,310
Placement with Central Bank and call loans to banks	73,188,463	263,106,664	124,386,149	110,129,177	570,810,453
Financial assets measured at fair value through profit or loss, net	29,729,707	7,991,169	4,383,704	18,725,844	60,830,424
Bonds and bills purchased under resell agreements	4,980,621	-	-	-	4,980,621
Available-for-sale financial assets, net	456,701,305	111,463,724	70,127,883	96,577,839	734,870,751
Held-to-maturity financial assets, net	1,500,506	3,140,753	1,829,860	584,984	7,056,103
Hedging derivative assets	3,543	-	-	-	3,543
Financial assets carried at cost	-	-	-	11,079,900	11,079,900
Debt investments without quoted price in active markets	-	-	290,350	2,115,636	2,405,986
Investments under equity method, net	-	-	-	35,393,882	35,393,882
Receivables, net	17,711,691	1,145,081	382,798	21,387,480	40,627,050
Loans and discounts, net	140,232,617	171,976,142	519,326,707	1,347,950,933	2,179,486,399
Non-performing loans	669,591	-	-	9,471,083	10,140,674
<b>Total assets</b>	<b>\$ 753,897,354</b>	<b>558,823,533</b>	<b>720,727,451</b>	<b>1,653,416,758</b>	<b>3,686,865,096</b>
<b>Liabilities</b>					
Deposits of Central Bank and other banks	\$ 111,935,915	60,531,563	20,718,369	20,188,618	213,374,465
Payables	15,060,761	14,612	144,130	26,315,483	41,534,986
Financial liabilities measured at fair value through profit or loss	458,839	41,108	-	4,376,963	4,876,910
Bonds and bills sold under repurchase agreements	6,900,462	4,659,274	438,662	-	11,998,398
Hedging derivative liabilities	301,390	-	-	-	301,390
Other financial liabilities	-	-	-	376,265	376,265
Deposits and remittances	261,389,677	358,340,428	1,108,256,327	1,566,917,287	3,294,903,719
<b>Total liabilities</b>	<b>\$ 396,047,044</b>	<b>423,586,985</b>	<b>1,129,557,488</b>	<b>1,618,174,616</b>	<b>3,567,366,133</b>
<b>Gaps</b>	<b>\$ 357,850,310</b>	<b>135,236,548</b>	<b>(408,830,037)</b>	<b>35,242,142</b>	<b>119,498,963</b>

Note: The table contains the amounts for the departments of the Bank only.

	December 31, 2011				
	1~30 days	31~90 days	91 days~one year	Over one year	Total
<b>Asset</b>					
Cash and cash equivalents	\$ 25,233,775	-	-	-	25,233,775
Placement with Central Bank and call loans to banks	38,702,180	221,480,349	127,314,375	126,319,259	513,816,163
Financial assets measured at fair value through profit or loss, net	5,501,626	6,714,417	2,905,636	30,018,005	45,139,684
Bonds and bills purchased under resell agreements	3,231,949	-	-	-	3,231,949
Available-for-sale financial assets, net	315,920,821	266,954,423	77,090,954	97,407,267	757,373,465
Held-to-maturity financial assets, net	2,001	-	89,528	529,338	620,867
Hedging derivative assets	3,074	-	-	-	3,074
Financial assets carried at cost	-	-	-	11,092,189	11,092,189
Debt investments without quoted price in active markets	-	605,500	454,110	2,891,537	3,951,147
Investments under equity method, net	-	-	-	32,479,598	32,479,598
Receivables, net	9,990,771	1,108,127	646,911	16,547,065	28,292,874
Loans and discounts, net	202,617,269	175,031,865	412,495,247	1,368,715,956	2,158,860,337
Non-performing loans	253,196	-	-	8,059,436	8,312,632
<b>Total assets</b>	<b>\$601,456,662</b>	<b>671,894,681</b>	<b>620,996,761</b>	<b>1,694,059,650</b>	<b>3,588,407,754</b>
<b>Liabilities</b>					
Due to Central Bank and other banks	\$102,494,969	63,188,499	17,567,343	25,675,664	208,926,475
Payables	11,869,584	11,302	148,956	25,282,175	37,312,017
Financial liabilities measured at fair value through profit or loss	553,783	64,551	-	3,279,298	3,897,632
Bonds and bills sold under repurchase agreements	9,715,429	4,715,540	475,196	-	14,906,165
Hedging derivative liabilities	409,907	-	-	-	409,907
Other financial liabilities	-	-	-	671,369	671,369
Deposits and remittances	305,811,927	338,382,799	1,092,169,729	1,481,646,232	3,218,010,687
<b>Total liabilities</b>	<b>\$430,855,599</b>	<b>406,362,691</b>	<b>1,110,361,224</b>	<b>1,536,554,738</b>	<b>3,484,134,252</b>
<b>Gaps</b>	<b>\$170,601,063</b>	<b>265,531,990</b>	<b>(489,364,463)</b>	<b>157,504,912</b>	<b>104,273,502</b>

Note: The table contains the amounts for the departments of the Bank only.

## 3. Cash flow risk and fair value risk of interest rate change

Floating assets and floating liabilities of the Bank may change due to movement in future cash flow caused by market rate movement, and hence create risk. The evaluation showed the potential risk may be significant; thus the Bank signed an interest swap contract for the purpose of hedging risk.

## (a) Information on expected final maturity and expected repricing date

On December 31, 2012 and 2011, the expected re-pricing date and expected final maturity would not be affected by the contract effective date. The following table shows the interest risk of the Bank. Non-derivative assets and liabilities are listed at book value without deducting any allowance or adjustment. Derivative assets and liabilities are listed at book value. The book value is further categorized by the earlier of the maturity date or repricing date. The book value of commodities owned or issued by the Bank, categorized by different maturity or repricing date (the earlier date among the two), was as follows:

Unit: Million NTD

	December 31, 2012				
	1~30 days	31~90 days	91 days~one year	Over one year	Total
<b>Asset</b>					
Financial assets measured at fair value through profit or loss	\$ 29,729	7,991	4,384	18,726	60,830
Bonds and bills purchased under resell agreements	4,981	-	-	-	4,981
Available-for-sale financial assets	456,701	111,464	70,128	96,578	734,871
Held-to-maturity financial assets	1,501	3,141	1,830	585	7,057
Hedging through derivative assets	4	-	-	-	4
Financial assets carried at cost	-	-	-	11,080	11,080
Debt investments without quoted price in active market	-	-	290	2,116	2,406
Placement with Central Bank and call loans to banks	73,188	263,107	124,386	110,129	570,810
Loans and discounts	140,233	171,976	519,327	1,347,950	2,179,486
Investments under equity method	-	-	-	35,393	35,393
Other assets	27,904	11,623	1,178	214,576	255,281
<b>Total assets</b>	<b>\$ 734,241</b>	<b>569,302</b>	<b>721,523</b>	<b>1,837,133</b>	<b>3,862,199</b>
<b>Liabilities</b>					
Deposits of Central Bank and other banks	\$ 111,936	60,532	20,718	20,189	213,375
Financial liabilities measured at fair value through profit or loss	458	41	-	4,377	4,876
Bonds and bills sold under repurchase agreements	6,900	4,659	439	-	11,998
Hedging derivative liabilities	301	-	-	-	301
Other financial liabilities—appropriation for loans	-	-	-	376	376
Deposits	260,888	358,340	1,108,256	1,566,918	3,294,402
Long-term liabilities	-	-	-	24,428	24,428
Other liabilities	14,803	7	207	49,360	64,377
<b>Total liabilities</b>	<b>\$ 395,286</b>	<b>423,579</b>	<b>1,129,620</b>	<b>1,665,648</b>	<b>3,614,133</b>
<b>Stockholders' equity</b>	<b>\$ 338,955</b>	<b>145,723</b>	<b>(408,097)</b>	<b>171,485</b>	<b>248,066</b>

Note: The table contains the amounts for the departments of the Bank only.

Unit: Million NTD

	December 31, 2011				
	1~30 days	31~90 days	91 days~one year	Over one year	Total
<b>Asset</b>					
Financial assets measured at fair value through profit or loss	\$ 5,501	6,714	2,906	30,018	45,139
Bonds and bills purchased under resell agreements	3,232	-	-	-	3,232
Available-for-sale financial assets	315,921	266,954	77,091	97,407	757,373
Held-to-maturity financial assets	2	-	90	529	621
Hedging through derivative assets	3	-	-	-	3
Financial assets carried at cost	-	-	-	11,092	11,092
Debt investments without quoted price in active market	-	606	453	2,892	3,951
Placement with Central Bank and call loans to banks	38,702	221,480	127,314	126,320	513,816
Loans and discounts	202,608	175,032	412,495	1,368,716	2,158,851
Investments under equity method	-	-	-	32,479	32,479
Other assets	18,980	4,708	1,516	222,458	247,662
<b>Total assets</b>	<b>\$ 584,949</b>	<b>675,494</b>	<b>621,865</b>	<b>1,891,911</b>	<b>3,774,219</b>
<b>Liabilities</b>					
Deposits of Central Bank and other banks	\$ 102,495	63,188	17,567	25,676	208,926
Financial liabilities measured at fair value through profit or loss	603	65	-	3,279	3,947
Bonds and bills sold under repurchase agreements	9,715	4,716	475	-	14,906
Hedging derivative liabilities	410	-	-	-	410
Other financial liabilities—appropriation for loans	-	-	-	671	671
Deposits	305,244	338,383	1,092,170	1,481,646	3,217,443
Long-term liabilities	-	-	-	24,112	24,112
Other liabilities	8,207	26,945	2,416	20,789	58,357
<b>Total liabilities</b>	<b>\$ 426,674</b>	<b>433,297</b>	<b>1,112,628</b>	<b>1,556,173</b>	<b>3,528,772</b>
<b>Stockholders' equity</b>	<b>\$ 158,275</b>	<b>242,197</b>	<b>(490,763)</b>	<b>335,738</b>	<b>245,447</b>

Note: The table contains the amounts for the departments of BOT only.

## (b) Effective interest rate (excluding financial assets for trading purposes)

The effective interest rates, classified by currencies, of the commodities owned or issued by the BOT as of December 31, 2012 and 2011, were as follows:

December 31, 2012		
Item	NTD	USD
Available-for-sale financial assets:		
Government bonds	0.7800%~6.2602%	0.7500%~5.7500%
Financial bonds	1.2300%~2.3000%	0.4355%~7.3000%
Corporate bonds	1.2000%~3.0500%	1.0000%~6.5000%
Negotiable certificates of deposit of Central Bank	0.8700%~1.0500%	-
Taipei City Government bonds	1.2000%	-
Beneficiary certificates—financial assets securitization	2.4600%	-

December 31, 2012		
Item	NTD	USD
Held-to-maturity financial assets:		
Government bonds	0.95000%~4.08434%	-
Financial bonds	-	0.65125%~3.5000%
Corporate bonds	-	3.15900%
Debt investment without quoted price in active markets:		
Real estate securitization	-	0.44900%~1.25900%
Loans and discounts:		
Short-term loans	0.50211%~14.5000%	0.4500%~6.8100%
Medium-term loans	0.84200%~18.0000%	0.4045%~6.8500%
Long-term loans	0.84200%~10.0000%	0.66525%~3.56000%
Liabilities:		
Short-term loans	-	0.2600%~1.1400%
Hedging derivative instrument:		
IRS	-	0.75850%~3.72400%

December 31, 2011		
Item	NTD	USD
Available-for-sale financial assets:		
Government bonds	0.7909%~6.9000%	1.2200%~7.3750%
Financial bonds	1.2300%~2.3000%	0.5056%~7.3000%
Corporate bonds	1.0002%~3.0500%	0.5456%~6.5000%
Negotiable certificates of deposit of Central Bank	0.8700%~1.0500%	-
Taipei City Government bonds	1.2000%	-
Beneficiary certificates – financial assets securitization	2.4600%	-
Beneficiary certificates – real estate investment trust	2.6800%	5.7500%
Held-to-maturity financial assets:		
Government bonds	1.3930%~6.0664%	-
Real estate securitization	2.4000%	-
Debt investment without quoted price in active markets:		
Beneficiary certificates – real estate investment trust	-	0.51830%~1.79360%
Loans and discounts:		
Short-term loans	0.5021%~18.0000%	0.4500%~6.1500%
Medium-term loans	0.10530%~18.0000%	0.4411%~6.8500%
Long-term loans	0.10530%~10.0000%	0.69022%~2.25000%
Liabilities:		
Short-term loans	-	0.2000%~2.0000%
Hedging derivative instrument:		
IRS	-	0.77211%~4.57375%

#### 4. Fair-value hedge

The financial assets the Bank holds satisfies the hedging accounting policies and the fair value hedging accounting policy, and the treatment and disclosure is as follows:

##### (a) Fair value hedge

Profit or loss created by fair value re-measurement of a hedge instrument or book value change due to interest rate movement is immediately recognized as current income. Profit or loss created by hedged items is recognized as current income; the book value of the hedged items is adjusted.

##### (b) Fair value hedge, cash flow hedge, and hedge of a net investment in a foreign entity should disclose the following separately:

## a) Description of hedging:

Currently, Tokyo, and Singapore branches of the Bank adopt fair value hedge accounting and have IRSs as designated hedging instruments to hedge the interest risk exposure of investing in fixed-rate bonds.

## b) Description and balance sheet fair value of financial commodities designated as hedging instruments:

Hedged Item	December 31, 2012		
	Designated Hedging Instruments	Original Amount	Fair Value
Foreign bonds	Swap	\$ 290,909	3,137
Foreign bonds	Asset Swap	145,454	406
Foreign bonds	Swap	5,380,874	(290,849)
Foreign bonds	Asset Swap	378,181	(10,541)

Hedged Item	December 31, 2011		
	Designated Hedging Instruments	Original Amount	Fair Value
Foreign bonds	Swap	\$ 149,333	3,074
Foreign bonds	Swap	6,160,551	(409,907)

## c) Nature of hedged risk:

The hedged items of the hedge accounting adopted by the Bank are fixed-rate bond investments. Thus IRSs are used to hedge interest risk (adopting interest fair value hedging – swapping a fixed rate for a floating rate).

## 5. Levels of the fair value hierarchy of financial instruments

Financial instrument item measured at fair value	December 31, 2012			
	Total	Level 1(note 1)	Level 2(note 2)	Level 3(note 3)
Non-derivative financial instruments				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 135,008,288	81,778,388	52,083,511	1,146,389
Held-for-trading financial assets				
Investment in stocks	45,546,940	45,546,940	-	-
Investment in bonds	3,313,095	2,635,651	677,444	-
Others	64,848,141	31,743,156	33,104,985	-
Original recognized at fair value	21,300,112	1,852,641	18,301,082	1,146,389
Available-for-sale financial assets				
Investments in stocks	38,990,770	38,990,770	-	-
Investment in bonds	84,549,901	2,559,711	81,990,190	-
Others	611,330,080	2,146,383	608,980,797	202,900
Other financial assets				
Debt securities investment in non-active market	2,405,986	-	2,405,986	-
Derivative financial instruments				
Assets:				
Financial assets measured at fair value through profit or loss	11,525,750	-	11,525,750	-
Other financial assets				
Hedging derivative financial assets	3,543	-	3,543	-



Financial instrument item measured at fair value	December 31, 2012			
	Total	Level 1(note 1)	Level 2(note 2)	Level 3(note 3)
<b>Liabilities:</b>				
Financial liabilities measured at fair value through profit or loss	4,876,954	81,247	4,795,707	-
Other financial liabilities				
Hedging derivative financial liabilities	301,390	-	301,390	-
Financial instrument item measured at fair value	December 31, 2011			
	Total	Level 1(note 1)	Level 2(note 2)	Level 3(note 3)
<b>Non-derivative financial instruments</b>				
<b>Assets:</b>				
Financial assets measured at fair value through profit or loss	99,918,593	71,818,290	28,100,303	-
Held-for-trading financial assets				
Investment in stocks	42,161,922	42,161,922	-	-
Investment in bonds	3,562,402	3,549,713	12,689	-
Others	30,486,077	23,009,269	7,476,808	-
Original recognized at fair value	23,708,192	3,097,386	20,610,806	-
Available-for-sale financial assets				
Investments in stocks	42,765,150	42,765,150	-	-
Investment in bonds	90,451,188	26,135,374	64,315,814	-
Others	624,157,127	1,509,476	622,647,651	-
Other financial assets				
Debt securities investment in non-active market	3,951,147	-	3,951,147	-
<b>Derivative financial instruments</b>				
<b>Assets:</b>				
Financial assets measured at fair value through profit or loss	10,967,414	-	10,967,414	-
Other financial assets				
Hedging derivative financial assets	3,074	-	3,074	-
<b>Liabilities:</b>				
Financial liabilities measured at fair value through profit or loss	3,902,885	-	3,902,885	-
Other financial liabilities				
Hedging derivative financial liabilities	409,907	-	409,907	-

Note1: Level 1 means fair value of the financial instruments which are quoted market prices of same financial instruments in active market. In accordance with section 5, of SFAS No.34 "Financial Instruments: Recognition and Measurement", an active market with all of the following conditions:

- (a) The products traded in the market are homogeneous.
- (b) Willing parties are available anytime in the market.
- (c) Price information is available for the public.

Note2: Level 2 means fair value of the financial instruments which are observable price other than quotes prices in active market, including the observable input parameters that are obtained directly (i.e., prices) or indirectly (i.e., derived from prices) from an active market. For instance,

- (a) The quoted prices of similar financial instruments in active market. The fair value of financial instruments owned by the Company is inferred from the recent trading price of similar financial instruments. The similar financial instrument is judged according to the characteristic and trading conditions. Fair value of financial instruments should be priced using observable trading prices adjusted over time, trading conditions and the impact of related parties and its observable trading prices and associated nature of the product.
- (b) Quoted prices of similar financial instruments in non-active markets.
- (c) Fair value price using valuation models. The input parameters of the valuation models (i.e., interest rates, yield curve, volatility...etc), is based on available data in the market, such as input parameters, which is an estimated figure derived from public data. The price of financial instruments is estimated by using the parameters which could reflect the expectation from market participants.
- (d) The majority of the input parameters are derived from observable market data or its relevance can be validated by observable market data.

Note 3: Level 3 means input parameters are not based on observable market data (unobservable inputs such as: option pricing model using historical volatility index, as historical volatility does not represent the expected future volatility from market participants).

Change table for financial assets measured at fair value classified to the third level

Name	Balance on January 1, 2012	Evaluation of gains and losses included in profit or loss or the amount of equity	Increase		Decrease		Effect of exchange rate change	Balance on December 31, 2012
			Buy, issue or discount	Transferred to level 3	Sale, disposal or settle at premium	Transferred from level 3		
Financial assets measured at fair value through profit or loss								
Original recognized at fair value	\$ -	(15,011)	-	1,533,508	372,108	-	-	1,146,389
Available-for sale financial assets	-	16	211,553	-	-	-	(8,669)	202,900
Total	\$ -	(14,995)	211,553	1,533,508	372,108	-	(8,669)	1,349,289

**(30) Related-Party Transactions**

## 1) Name of related party and relationship

Name	Relationship
Taiwan Financial Holding Co., Ltd.	Parent company of the Bank
BankTaiwan Life Insurance Co., Ltd.	Subsidiary held completely by the same parent company
BankTaiwan Securities Co., Ltd.	Subsidiary held completely by the same parent company
Hua Nan Financial Holdings Co., Ltd. and its subsidiaries	Investee company of the Bank under the equity method
Taiwan Life Insurance Co., Ltd.	Investee company of the Bank under the equity method
Tang-Eng Iron Works Co., Ltd.	Investee company of the Bank under the equity method
Kaohsiung Ammonium Sulfate Co., Ltd.	Investee company of the Bank under the equity method
Tai Yi Real-Estate Management Co., Ltd.	Investee company of the Bank under the equity method
Directors, supervisors, general manager and vice general manger	The major management of the Bank
Others	The relatives of major management

## 2) Significant related-party transactions

## 1. Placement with banks

Name	December 31, 2012		December 31, 2011	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Hua Nan Financial Holdings Co., Ltd.	\$ 30,217	0.06	23,301	0.05

## 2. Account receivables

Name	December 31, 2012		December 31, 2011	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holdings	\$ 668	-	632	-
BankTaiwan Life Insurance	67,759	0.09	94,867	0.11
	\$ 68,427	0.09	95,499	0.11

## 3. Other assets

Name	December 31, 2012		December 31, 2011	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holdings	\$ 4,594,012	20.85	4,371,752	28.92
BankTaiwan Life Insurance	7,492	0.07	8,373	0.06
BankTaiwan Securities	14	-	14	-
	<u>\$ 4,601,518</u>	<u>20.92</u>	<u>4,380,139</u>	<u>28.98</u>

## 4. Deposits of banks

Name	December 31, 2012		December 31, 2011	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Hua Nan Financial Holdings Co., Ltd.	\$ 268,592	0.52	728,860	2.88

Interest rates of related-party transactions are the same as those with other non-related parties.

## 5. Call loans to banks

Name	2012			
	Highest balance	Ending balance	Annual interest rate(%)	Interest expense
Hua Nan Financial Holdings Co., Ltd.	\$ 6,574,565	391,973	0.15~0.75	739

Name	2011			
	Highest balance	Ending balance	Annual interest rate(%)	Interest expense
Hua Nan Financial Holdings Co., Ltd.	\$ 8,572,450	-	0.200~0.800	2,035

Interest rates of related-party transactions are the same as those with non-related parties.

## 6. Deposits

Name	December 31, 2012		December 31, 2011	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holdings	\$ 309,735	0.01	171,328	0.01
BankTaiwan Life Insurance	16,504,966	0.50	14,707,240	0.46
BankTaiwan Securities	319,947	0.01	300,697	0.01
Hua Nan Financial Holdings Co., Ltd.	44,535	-	47,659	-
Taiwan Life Insurance Co., Ltd.	6,223	-	11,168	-
Kaohsiung Ammonium Sulfate Co., Ltd.	141,462	-	101,734	0.01
Tang-Eng Iron Works Co., Ltd.	21	-	357	-
	<u>\$ 17,326,889</u>	<u>0.52</u>	<u>15,340,183</u>	<u>0.49</u>

## 7. Account payables

Name	December 31, 2012		December 31, 2011	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holdings	\$ 17	-	9	-
BankTaiwan Life Insurance	3,343	0.01	2,668	0.01
BankTaiwan Securities	360	-	298	-
	<u>\$ 3,720</u>	<u>0.01</u>	<u>2,975</u>	<u>0.01</u>

## 8. Other liabilities

Name	December 31, 2012		December 31, 2011	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holdings	\$ 2,901	-	2,737	-
BankTaiwan Securities	1,968	-	1,631	-
	<u>\$ 4,869</u>	<u>-</u>	<u>4,368</u>	<u>-</u>

## 9. Interest income

Name	December 31, 2012		December 31, 2011	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holdings	\$ 59,412	0.10	48,227	0.09
BankTaiwan Securities	-	-	95	-
	<u>\$ 59,412</u>	<u>0.10</u>	<u>48,322</u>	<u>0.09</u>

## 10. Interest expenses

Name	December 31, 2012		December 31, 2011	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holdings	\$ 209	-	191	-
BankTaiwan Life Insurance	70,827	0.21	88,454	0.29
BankTaiwan Securities	3,875	0.01	4,089	0.01
	<u>\$ 74,911</u>	<u>0.22</u>	<u>92,734</u>	<u>0.30</u>

## 11. Transaction fee income

Name	December 31, 2012		December 31, 2011	
	Amount	Percentage of account balance	Amount	Percentage of account balance
BankTaiwan Life Insurance	\$ 1,054,299	20.65	842,883	15.12
BankTaiwan Securities	2,284	0.03	3,116	0.06
	<u>\$ 1,056,583</u>	<u>20.68</u>	<u>845,999</u>	<u>15.18</u>

## 12. Transaction fee expense

Name	December 31, 2012		December 31, 2011	
	Amount	Percentage of account balance	Amount	Percentage of account balance
BankTaiwan Securities	\$ 10,954	2.01	20,256	3.30

## 13. Other non-interest gain or losses, net

Name	December 31, 2012		December 31, 2011	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holdings	\$ 26,555	0.14	23,890	0.91
BankTaiwan Life Insurance	42,929	0.23	45,341	1.73
BankTaiwan Securities	53,723	0.29	63,276	2.42
	<u>\$ 123,207</u>	<u>0.66</u>	<u>132,507</u>	<u>5.06</u>

## 14. Other business and management expenses

Name	December 31, 2012		December 31, 2011	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holdings	\$ 956	0.02	1,061	0.02
BankTaiwan Life Insurance	38,875	0.84	39,489	0.83
BankTaiwan Securities	86	-	86	-
	<u>\$ 39,917</u>	<u>0.86</u>	<u>40,636</u>	<u>0.85</u>

## 15. Loans

December 31, 2012							
Category	House holder amount or name of related party	Highest balance in current period	Ending balance	Status of performance		Type of collateral	Differences in transaction terms between related and non-related parties
				Performing loans	Non performing loans		
Consumer loans	40	19,348	12,584	-	-	None	None
House mortgages	103	521,012	41,317	-	-	Lands and buildings	None
Call loans to banks	Hua Nan Financial Holdings Co., Ltd.	5,500,000	-	-	-	None	None
Call loans to banks	Taiwan Business Bank Co., Ltd.	6,000,000	-	-	-	None	None
Short-term secured loans	Taiwan Financial Holdings Co., Ltd.	5,800,000	5,800,000	5,800,000	-	Government (or financial institutions) guarantee	None
Secured overdrafts loans	Tang-Eng Iron Works Co., Ltd.	608,315	84,270	84,270	-	Land and factory	None
Short-term secured loans	Tang-Eng Iron Works Co., Ltd.	121,569	95,028	95,028	-	Land and factory	None
Long-term secured loans	Tang-Eng Iron Works Co., Ltd.	900,000	741,000	741,000	-	Land and factory	None
Short-term secured loans	BankTaiwan Securities Co., Ltd.	2,441,000	-	-	-	None	None
Short-term secured loans	BankTaiwan Securities Co., Ltd.	930,000	-	-	-	Government (or financial institutions) guarantee	None

December 31, 2011							
Category	House holder amount or name of related party	Highest balance in current period	Ending balance	Status of performance		Type of collateral	Differences in transaction terms between related and non-related parties
				Performing loans	Non performing loans		
Consumer loans	36	19,559	12,857	12,857	-	None	None
Mortgage loans	99	545,136	442,658	442,658	-	Land and building	None
Other loans	Tang-Eng Iron Works Co., Ltd.	104,566	-	-	-	Land and building	None
	Tang-Eng Iron Works Co., Ltd.	266,141	266,141	266,141	-	Land and building	None
	Tang-Eng Iron Works Co., Ltd.	1,500,000	900,000	900,000	-	Land and building	None
	BankTaiwan Securities Co., Ltd.	83,899	-	-	-	Letter of guarantee	None
	BankTaiwan Securities Co., Ltd.	521,000	-	-	-	Letter of guarantee	None
	BankTaiwan Securities Co., Ltd.	3,869,756	-	-	-	Letter of guarantee	None
Call loans to banks	Taiwan Financial Holding Co., Ltd	5,700,000	5,700,000	700,000	-	Letter of guarantee	None
	Hua Nan Financial Holdings Co., Ltd.	23,711,368	1,060	1,060	-	None	None

Note 1: The consumer loans to staff and mortgage loans to staff can be lumped together for disclosure. The disclosure of other loans is sorted by interested parties.

Note 2: Collateral is classified by real estate, short-term notes, government bonds, secured or non-secured bonds, TSEC and GTSM stocks, non-TSEC and non-GTSM stocks, and others.

#### 16. Derivative instruments:

December 31, 2012						
Related party	Name of derivative	Contract period	Original amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
Taiwan Life Insurance Co., Ltd.	AEBH410927 forward	2004.11.30~2013.01.28	136,967	(1,194)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –forward	(1,194)
Taiwan Life Insurance Co., Ltd.	AEBH411027 forward	2004.12.31~2013.01.28	135,502	(1,181)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – forward	(1,181)
Taiwan Life Insurance Co., Ltd.	AEBH510877 forward	2005.11.25~2013.01.28	140,375	(1,224)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –forward	(1,224)
Taiwan Life Insurance Co., Ltd.	BHSW010121 swap	2010.05.07~2013.01.16	145,100	68	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	68
Taiwan Life Insurance Co., Ltd.	BHSW010122 swap	2010.05.07~2013.01.16	435,300	203	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	203
Taiwan Life Insurance Co., Ltd.	BHSW010141 swap	2010.06.25~2013.03.18	2,617,821	(5,477)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –swap	(5,477)
Taiwan Life Insurance Co., Ltd.	BHSW010205 swap	2010.10.15~2013.01.09	583,882	(3,199)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –swap	(3,199)
Taiwan Life Insurance Co., Ltd.	BHSW110252 swap	2011.09.22~2013.02.22	436,290	(843)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –swap	(843)
Taiwan Life Insurance Co., Ltd.	BHSW210038 swap	2012.02.03~2013.02.07	293,180	(2,861)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –swap	(2,861)



December 31, 2012						
Related party	Name of derivative	Contract period	Original amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
Taiwan Life Insurance Co., Ltd.	BHSW210095 swap	2012.03.21~2013.02.26	872,610	(1,730)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(1,730)
Taiwan Life Insurance Co., Ltd.	BHSW210118 swap	2012.05.17~2013.01.22	583,840	(3,178)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(3,178)
Taiwan Life Insurance Co., Ltd.	BHSW21021 swap	2012.05.21~2013.01.23	292,685	(2,354)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(2,354)
Taiwan Life Insurance Co., Ltd.	BHSW210158 swap	2012.08.09~2013.02.21	579,726	870	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	870
Taiwan Life Insurance Co., Ltd.	BHSW210273 swap	2012.12.11~2013.03.20	290,870	(613)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(613)
Taiwan Life Insurance Co., Ltd.	BHSW810239 swap	2008.11.06~2013.02.22	145,430	(281)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(281)
Taiwan Life Insurance Co., Ltd.	BHSW910020 swap	2009.02.09~2013.02.22	136,369	(263)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(263)
Taiwan Life Insurance Co., Ltd.	BHSW910022 swap	2009.02.18~2013.02.22	232,688	(449)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(449)
Taiwan Life Insurance Co., Ltd.	BHSW910064 swap	2009.04.09~2013.02.22	290,860	(562)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(562)
Taiwan Life Insurance Co., Ltd.	BHSW910339 swap	2009.12.17~2013.01.16	1,160,800	541	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	541
BankTaiwan Life Insurance Co., Ltd.	CLSW010081 swap	2010.03.11~2013.05.20	1,161,080	(787)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(787)
BankTaiwan Life Insurance Co., Ltd.	CLSW010111 swap	2010.04.19~2013.06.24	1,160,100	(278)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(278)
BankTaiwan Life Insurance Co., Ltd.	CLSW010117 swap	2010.05.04~2013.02.19	894,780	(23,850)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(23,850)
BankTaiwan Life Insurance Co., Ltd.	CLSW010168 swap	2010.08.20~2013.01.30	1,954,615	(67,469)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(67,469)
BankTaiwan Life Insurance Co., Ltd.	CLSW010181 swap	2010.09.13~2013.05.20	580,540	(394)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(394)
BankTaiwan Life Insurance Co., Ltd.	CLSW010184 swap	2010.09.17~2013.06.24	870,075	(209)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(209)
BankTaiwan Life Insurance Co., Ltd.	CLSW010235 swap	2010.11.22~2013.02.27	1,192,040	(30,835)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(30,835)
BankTaiwan Life Insurance Co., Ltd.	CLSW010238 swap	2010.12.06~2013.03.11	1,487,300	(35,881)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(35,881)
BankTaiwan Life Insurance Co., Ltd.	CLSW110005 swap	2011.01.10~2013.06.13	1,160,000	(32)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(32)
BankTaiwan Life Insurance Co., Ltd.	CLSW110028 swap	2011.01.20~2013.01.30	1,804,260	(62,279)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(62,279)
BankTaiwan Life Insurance Co., Ltd.	CLSW110068 swap	2011.02.22~2013.02.27	1,490,050	(38,543)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(38,543)

December 31, 2012						
Related party	Name of derivative	Contract period	Original amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
BankTaiwan Life Insurance Co., Ltd.	CLSW110179 swap	2011.05.27~2013.03.29	19,872	(10,968)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –swap	(10,968)
BankTaiwan Life Insurance Co., Ltd.	CLSW810104 swap	2008.04.30~2013.02.25	596,500	(15,893)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –swap	(15,893)
BankTaiwan Life Insurance Co., Ltd.	CLSW810225 swap	2008.10.16~2013.02.25	2,684,250	(71,516)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –swap	(71,516)
BankTaiwan Life Insurance Co., Ltd.	CLSW810247 swap	2008.11.20~2013.04.24	1,169,440	(8,777)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –swap	(8,777)
BankTaiwan Life Insurance Co., Ltd.	CLSW810273 swap	2008.12.22~2013.04.24	146,180	(1,097)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –swap	(1,097)
BankTaiwan Life Insurance Co., Ltd.	CLSW910009 swap	2009.01.23~2013.07.31	291,658	(1,857)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –swap	(1,857)
BankTaiwan Life Insurance Co., Ltd.	CLSW910010 swap	2009.01.23~2013.07.31	291,658	(1,857)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –swap	(1,857)
BankTaiwan Life Insurance Co., Ltd.	CLSW910011 swap	2009.01.23~2013.07.31	291,658	(1,857)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –swap	(1,857)
BankTaiwan Life Insurance Co., Ltd.	CLSW910012 swap	2009.01.23~2013.07.31	291,658	(1,857)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –swap	(1,857)
BankTaiwan Life Insurance Co., Ltd.	CLSW910014 swap	2009.01.23~2013.07.31	583,316	(3,715)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –swap	(3,715)
BankTaiwan Life Insurance Co., Ltd.	CLSW910017 swap	2009.02.04~2013.03.11	475,936	(11,482)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –swap	(11,482)
BankTaiwan Life Insurance Co., Ltd.	CLSW910033 swap	2009.03.18~2013.04.24	292,360	(2,194)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –swap	(2,194)
BankTaiwan Life Insurance Co., Ltd.	CLSW910117 swap	2009.05.14~2013.02.25	596,500	(15,893)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –swap	(15,893)
BankTaiwan Life Insurance Co., Ltd.	CLSW910155 swap	2009.06.08~2013.01.16	2,321,800	881	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	881
BankTaiwan Life Insurance Co., Ltd.	CLSW910158 swap	2009.06.11~2013.05.20	1,741,620	(1,181)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –swap	(1,181)
BankTaiwan Life Insurance Co., Ltd.	CLSW910201 swap	2009.07.29~2013.07.31	174,995	(1,114)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –swap	(1,114)
BankTaiwan Life Insurance Co., Ltd.	CLSW910228 swap	2009.08.26~2013.09.30	1,447,550	(77)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –swap	(77)
BankTaiwan Life Insurance Co., Ltd.	CLSW910259 swap	2009.09.28~2013.09.30	1,158,040	(61)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –swap	(61)
BankTaiwan Life Insurance Co., Ltd.	CLSW910267 swap	2009.10.13~2013.05.20	290,270	(197)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –swap	(197)
BankTaiwan Life Insurance Co., Ltd.	CLSW910287 swap	2009.10.19~2013.06.24	290,025	(70)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –swap	(70)
BankTaiwan Life Insurance Co., Ltd.	CLSW910315 swap	2009.11.05~2013.05.13	583,190	(2,988)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading –swap	(2,988)

December 31, 2011						
Related party	Name of derivative	Contract period	Original amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
Taiwan Life Insurance Co., Ltd.	AEBH410927 forward	2004.11.30~2012.01.12	141,326	237	Valuation adjustment of financial assets at fair value through profit or loss – held for trading –forward	237
Taiwan Life Insurance Co., Ltd.	AEBH411027 forward	2004.12.31~2012.01.12	139,814	234	Valuation adjustment of financial assets at fair value through profit or loss – held for trading –forward	234
Taiwan Life Insurance Co., Ltd.	AEBH510877 forward	2005.11.25~2012.01.12	144,842	243	Valuation adjustment of financial assets at fair value through profit or loss – held for trading –forward	243
Taiwan Life Insurance Co., Ltd.	BHSW010121 swap	2010.05.07~2012.02.16	150,148	1,085	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	1,085
Taiwan Life Insurance Co., Ltd.	BHSW010122 swap	2010.05.07~2012.02.16	450,443	3,256	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	3,256
Taiwan Life Insurance Co., Ltd.	BHSW010141 swap	2010.06.25~2011.02.14	2,714,535	7,733	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	7,733
Taiwan Life Insurance Co., Ltd.	BHSW010205 swap	2010.10.15~2012.02.07	603,310	1,691	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	1,691
Taiwan Life Insurance Co., Ltd.	BHSW110252 swap	2011.09.22~2012.01.13	453,447	601	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	601
Taiwan Life Insurance Co., Ltd.	BHSW810239 swap	2008.11.06~2012.01.13	151,149	200	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	200
Taiwan Life Insurance Co., Ltd.	BHSW910020 swap	2009.02.09~2012.01.13	141,732	188	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	188
Taiwan Life Insurance Co., Ltd.	BHSW910022 swap	2009.02.18~2012.01.13	241,838	321	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	321
Taiwan Life Insurance Co., Ltd.	BHSW910064 swap	2009.04.09~2012.01.13	302,298	401	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	401
Taiwan Life Insurance Co., Ltd.	BHSW910339 swap	2009.12.17~2012.02.16	110,080	8,682	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	8,682
BankTaiwan Life Insurance Co., Ltd.	CLSW010067 swap	2010.03.04~2012.03.08	603,060	1,668	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	1,668
BankTaiwan Life Insurance Co., Ltd.	CLSW010081 swap	2010.03.11~2012.02.17	1,207,040	2,812	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	2,812
BankTaiwan Life Insurance Co., Ltd.	CLSW010111 swap	2010.04.19~2012.03.22	1,211,040	(2,226)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(2,226)
BankTaiwan Life Insurance Co., Ltd.	CLSW010117 swap	2010.05.04~2012.02.09	1,051,085	7,637	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	7,637
BankTaiwan Life Insurance Co., Ltd.	CLSW010164 swap	2010.08.16~2012.01.18	1,440,325	72,943	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	72,943
BankTaiwan Life Insurance Co., Ltd.	CLSW010168 swap	2010.08.20~2012.01.30	1,871,870	94,724	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	94,724
BankTaiwan Life Insurance Co., Ltd.	CLSW010181 swap	2010.09.13~2012.02.17	603,520	1,406	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	1,406

December 31, 2011						
Related party	Name of derivative	Contract period	Original amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
BankTaiwan Life Insurance Co., Ltd.	CLSW010184 swap	2010.09.17~2012.03.22	908,280	(1,669)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(1,669)
BankTaiwan Life Insurance Co., Ltd.	CLSW010196 swap	2010.09.28~2012.06.29	603,540	(1,210)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(1,210)
BankTaiwan Life Insurance Co., Ltd.	CLSW010223 swap	2010.11.10~2012.06.15	1,202,680	2,535	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	2,535
BankTaiwan Life Insurance Co., Ltd.	CLSW010235 swap	2010.11.22~2012.02.29	1,204,960	4,709	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	4,709
BankTaiwan Life Insurance Co., Ltd.	CLSW010238 swap	2010.12.06~2012.03.08	1,507,650	4,170	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	4,170
BankTaiwan Life Insurance Co., Ltd.	CLSW110005 swap	2011.01.10~2012.01.12	1,149,920	60,895	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	60,895
BankTaiwan Life Insurance Co., Ltd.	CLSW110028 swap	2011.01.20~2012.01.30	1,727,880	87,438	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	87,438
BankTaiwan Life Insurance Co., Ltd.	CLSW110068 swap	2011.02.22~2012.02.29	1,506,200	5,886	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	5,886
BankTaiwan Life Insurance Co., Ltd.	CLSW110079 swap	2011.05.27~2012.03.30	1,848,056	(5,176)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(5,176)
BankTaiwan Life Insurance Co., Ltd.	CLSW810104 swap	2008.04.30~2012.02.23	603,500	1,381	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	1,381
BankTaiwan Life Insurance Co., Ltd.	CLSW810225 swap	2008.10.16~2012.02.23	2,715,750	6,214	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	6,214
BankTaiwan Life Insurance Co., Ltd.	CLSW810247 swap	2008.11.20~2012.04.24	1,198,480	8,871	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	8,871
BankTaiwan Life Insurance Co., Ltd.	CLSW810273 swap	2008.12.22~2012.04.24	149,810	1,109	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	1,109
BankTaiwan Life Insurance Co., Ltd.	CLSW910009 swap	2009.01.23~2012.01.31	287,260	15,284	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	15,284
BankTaiwan Life Insurance Co., Ltd.	CLSW910010 swap	2009.01.23~2012.01.31	287,260	15,284	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	15,284
BankTaiwan Life Insurance Co., Ltd.	CLSW910011 swap	2009.01.23~2012.01.31	287,260	15,284	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	15,284
BankTaiwan Life Insurance Co., Ltd.	CLSW910012 swap	2009.01.23~2012.01.31	287,260	15,284	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	15,284
BankTaiwan Life Insurance Co., Ltd.	CLSW910014 swap	2009.01.23~2012.01.31	574,520	30,568	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	30,568
BankTaiwan Life Insurance Co., Ltd.	CLSW910017 swap	2009.02.04~2012.03.08	482,448	1,334	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	1,334
BankTaiwan Life Insurance Co., Ltd.	CLSW910033 swap	2009.03.18~2012.04.24	299,620	2,218	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	2,218

December 31, 2011						
Related party	Name of derivative	Contract period	Original amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
BankTaiwan Life Insurance Co., Ltd.	CLSW910101 swap	2009.05.04~2012.02.09	150,155	1,091	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	1,091
BankTaiwan Life Insurance Co., Ltd.	CLSW910117 swap	2009.05.14~2012.02.23	603,500	1,381	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	1,381
BankTaiwan Life Insurance Co., Ltd.	CLSW910155 swap	2009.06.08~2012.02.13	2,438,440	(18,593)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(18,593)
BankTaiwan Life Insurance Co., Ltd.	CLSW910158 swap	2009.06.11~2012.02.17	1,810,560	4,218	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	4,218
BankTaiwan Life Insurance Co., Ltd.	CLSW910201 swap	2009.07.29~2012.01.31	172,356	9,170	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	9,170
BankTaiwan Life Insurance Co., Ltd.	CLSW910207 swap	2009.08.04~2012.02.09	300,310	2,182	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	2,182
BankTaiwan Life Insurance Co., Ltd.	CLSW910228 swap	2009.08.26~2012.06.29	1,508,850	(3,025)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(3,025)
BankTaiwan Life Insurance Co., Ltd.	CLSW910259 swap	2009.09.28~2012.06.29	1,207,080	(2,420)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(2,420)
BankTaiwan Life Insurance Co., Ltd.	CLSW910267 swap	2009.10.13~2012.02.17	301,760	703	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	703
BankTaiwan Life Insurance Co., Ltd.	CLSW910287 swap	2009.10.19~2012.03.22	302,760	(556)	Valuation adjustment of financial liabilities at fair value through profit or loss – held for trading – swap	(556)
BankTaiwan Life Insurance Co., Ltd.	CLSW910313 swap	2009.11.04~2012.02.09	300,310	2,182	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	2,182
BankTaiwan Life Insurance Co., Ltd.	CLSW910315 swap	2009.11.05~2012.02.10	577,060	27,897	Valuation adjustment of financial assets at fair value through profit or loss – held for trading – swap	27,897

Note 1: The disclosure of the derivative instruments is by related party.

Note 2: Derivative financial instruments are assessed by the fair value method. Any relevant net present value created shall be recognized as current valuation adjustment.

Note 3: The ending balances of financial assets / liabilities at fair value through profit or loss and hedging derivative assets / liabilities are shown in the balance sheet item amount column.

17. The expense of shared assets was allocated to Taiwan Financial Holdings, BankTaiwan Life Insurance, BankTaiwan Securities, and the Bank, as follows:

Name	December 31, 2012		December 31, 2011	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holdings	\$ 9,395	0.05	7,468	-
BankTaiwan Life Insurance	42,929	0.23	45,341	0.02
BankTaiwan Securities	42,222	0.23	53,394	0.03
	<u>\$ 94,546</u>	<u>0.51</u>	<u>106,203</u>	<u>0.05</u>

## 3) Total amount of the major management's salaries and bonus

The related information about the salaries and bonus for the Bank's major management in 2012 and 2011 is as follows:

	2012	2011
Salaries	\$ 21,790	21,689
Bonus	11,621	11,471
Business expenses	2,375	2,455

The salaries and bonus given in 2011 were expressed as an actual figure, while 2012 is the estimated amount.

## (31) Pledged Assets

Pledged assets	Purpose of pledge	Book value	
		December 31, 2012	December 31, 2011
Available-for-sale financial assets – bonds	Guarantee deposit for provisional seizure against defaulted loans and others	\$ 225,000	224,000
Held-to-maturity financial assets – government bonds	Guarantee deposit for provisional seizure against defaulted loans and others	10,200	12,200
Available-for-sale financial assets – bonds	Operating deposit for securities investment trust and consulting	150,000	150,000
Available-for-sale financial assets – bonds	Guarantee deposits for trust business compensation reserve	100,000	100,000
Held-to-maturity financial assets – bonds	Guarantee deposits for trust business compensation reserve	300,000	300,000
Available-for-sale financial assets – negotiable certificate of deposit	Payment and settlement systems of Central Bank	25,000,000	25,000,000
Total		\$ 25,785,200	25,786,200

## (32) Commitments

## 1) 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	\$ 336,308
2014	197,489
2015	101,892
2016	65,617
2017	31,899
	\$ 733,205

## 2) Commitments and contingencies

	December 31, 2012	December 31, 2011
Consignment collection	\$ 43,825,073	48,803,965
Contract guarantee on behalf of counter-parties	3,780,562	5,393,061
Traveler's checks held on consignment	1,173,028	1,087,707
Marketable securities held as custodian	1,552,788,585	1,612,616,773
Letters of credit	46,718,813	43,112,360
Goods held in custody	12,696,949	10,797,009
Issuance of New Taiwan Dollars	1,439,592,396	1,322,680,282
Trustee of behalf of Lenders	863,881,944	816,438,869
Guarantee notes payable	214,900	240,200
Registered government bonds for sale	400,317,500	331,884,300



	December 31, 2012	December 31, 2011
Registered short-term bills for sale	220,823,700	265,095,673
Consigned sales of goods	2,316,501	1,947,495
Trust liabilities	512,856,940	505,848,030
Guarantees	73,486,171	71,389,619
	<u>\$ 5,174,473,062</u>	<u>5,037,335,343</u>

## 3) Balance sheet, income statement and details of assets under trust

Trust assets	December 31, 2012	December 31, 2011
Deposits		
Deposits in the BOT	\$ 31,552,700	26,596,608
Deposits in other banks	3,197,294	3,029,334
Short-term investment		
Investment in funds	176,166,500	163,596,031
Investment in bonds	181,509,311	196,046,874
Common stock investment–marketable securities	49,740,466	51,158,626
Receivables		
Interest receivable	1,244,485	1,434,094
Cash dividend receivable	1,190	1,604
Receivables from trading securities	368,435	402,087
Receivables from forward contracts	6,340,990	9,558,813
Prepaid expense	1,785	677
Real estate		
Land	8,667,018	1,992,865
Buildings	147,154	151,797
Construction in progress	3,809,955	621,565
Other assets	50,109,657	51,257,055
Total of trust assets	<u>\$ 512,856,940</u>	<u>505,848,030</u>

Trust liabilities	December 31, 2012	December 31, 2011
Payables		
Payables from trading securities	\$ 138,736	271,267
Payables from forward contracts	6,326,250	9,535,900
Other payables	227	168
Payables from management fee	1,998	1,964
Payables from supervision fee	323	100
Tax payable	285	280
Securities held in custody payable	50,109,657	51,257,055
Trust capital		
Money trust	380,068,690	372,183,932
Marketable securities trust	6,589,900	8,280,795
Real estate investment trust	23,172,998	4,763,696
Other reserve and accumulated income		
Accumulated loss	28,412,668	31,085,015
Foreign currency translation	(6,161,908)	1,410,786
Deferred unrealized income	9,200,613	10,002,421
Current income	14,996,503	17,054,651
Total of trust liabilities	<u>\$ 512,856,940</u>	<u>505,848,030</u>



Details of trust	December 31, 2012	December 31, 2011
Deposits		
Deposits in the Bank	\$ 31,552,700	26,596,608
Deposits in other banks	3,197,294	3,029,334
Short-term investment		
Investment in funds	176,166,500	163,596,031
Investment in bonds	181,509,311	196,046,874
Common stock investment-marketable securities	49,740,466	51,158,626
Real estate		
Land	8,667,018	1,992,865
Buildings	147,154	151,797
Construction in progress	3,809,955	621,565
Other assets	50,109,657	51,257,055
Trust capital	<u>\$ 504,900,055</u>	<u>494,450,755</u>

Income statement for assets under trust	December 31, 2012	December 31, 2011
Trust revenue:		
Capital interest revenue	\$ 9,345,735	9,530,178
Cash dividend revenue	2,833,571	3,594,932
Realized capital gain-shares	895,543	97,050
Realized capital gain-fund	328,887	2,112,553
Realized exchange gain – bond	2,894,220	2,063,344
Realized gain on property exchange	-	101,545
Income from beneficiary certificates	-	96,075
Other revenue	86,051	-
	<u>16,384,007</u>	<u>17,595,677</u>
Trust expense:		
Capital management fee	339,453	458,981
Tax expense	113,691	3,904
Supervisory fee	459	112
Storage fee	11,155	9,473
Commission fee	13	54
Realized foreign exchange loss	432,610	40,532
Realized loss on property exchange	457,324	-
Other expense	32,799	27,970
	<u>1,387,504</u>	<u>541,026</u>
Trust capital	<u>\$ 14,996,503</u>	<u>17,054,651</u>

(33) Significant Disaster Loss: None.

(34) Significant Subsequent Events:

On January 23, 2013, the Bank is apprised to establish BankTaiwan Insurance Broker, and holding one hundred percent of shares.

## (35) Others

## 1) Personnel, depreciation, depletion, and amortization expenses

A summary of personnel costs, and depreciation and amortization expenses categorized by cost of goods sold and operating expenses is as follows:

Accounts	2012	2011
	Operating expenses	Operating expenses
Personnel costs:		
Salaries (Note)	\$ 10,107,734	10,042,592
Labor and health insurance (Note)	447,244	429,894
Pension (Note)	1,020,386	1,301,347
Other employment	167,486	151,512
	11,742,850	11,925,345
Depreciation (Note)	942,682	970,884
Amortization	349,340	441,317
	\$ 13,034,872	13,337,546

Note: Exclude other non-interest (net) salaries cost of \$46,579 thousands and \$475,540 thousands; labor and health insurance of \$117,995 thousands and \$117,090 thousands; pension costs of \$2,805 thousands and \$2,847 thousands; Depreciation of \$3,170 thousands and \$2,854 thousands.

## 2) Disclosure of SFAS No. 28 "Disclosures in the Financial Statements of Banks":

## 1. Asset quality, concentration of credit risk, and policies on allowance for bad debts from loans and advances to customers

## (a) Asset quality

Type / Item			December 31, 2012				
			Amount of overdue loans	Total amount of loans	Ratio	Allowance for bad debt	Coverage ratio
Enterprise	Secured		5,290,816	530,827,381	1.00%	6,278,407	118.67%
	Non-secured		2,076,615	994,440,253	0.21%	6,537,303	314.81%
Consumer finance	House mortgage		2,393,503	436,301,977	0.55%	2,742,327	114.57%
	Cash card		-	-	-	-	-
	Micro credit		83,822	6,576,139	1.27%	122,993	146.73%
	Others	Secured	417,130	72,704,772	0.57%	443,303	106.27%
		Non-secured	1,229,017	154,148,720	0.80%	1,741,649	141.71%
Total			11,490,903	2,194,999,242	0.52%	17,865,982	155.48%
			Overdue receivables	Account receivable	Ratio	Allowance for bad debt	Cover ratio
Credit card business			4,222	969,820	0.44%	12,447	294.81%
Factoring receivables – non-recourse			-	17,657,859	-	152,286	

Type / Item		December 31, 2011					
		Amount of overdue loans	Total amount of loans	Ratio	Allowance for bad debt	Coverage ratio	
Enterprise	Secured	3,063,664	529,151,229	0.58%	9,553,203	311.82%	
	Non-secured	1,792,161	1,006,480,293	0.18%	4,104,641	229.03%	
Consumer finance	House mortgage	2,883,236	408,856,119	0.71%	2,385,189	82.73%	
	Cash card	-	-	-	-	-	
	Micro credit	114,067	8,860,282	1.29%	87,705	76.89%	
	Others	Secured	491,008	68,705,528	0.71%	305,373	62.19%
		Non-secured	1,316,419	149,486,023	0.88%	1,458,131	110.76%
Total		9,660,555	2,171,539,474	0.44%	17,894,242	185.23%	

	Overdue receivables	Account receivable	Ratio	Allowance bad debt	Cover ratio
Credit card business	4,273	1,039,246	0.41%	12,012	281.11%
Factoring receivables – non-recourse	-	10,054,670	-	86,714	-

Note 1: For loan business: Overdue loans represent the amounts of reported overdue loans pursuant to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the MoF.

For credit card business: Overdue receivables are regulated by the Banking Bureau letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For loan business: NPL Ratio = NPL/Total Loans.

For credit card business: Delinquency Ratio = Overdue receivables / Account receivables.

Note 3: For loan business: Coverage Ratio = LLR/NPL

For credit card business: Coverage Ratio = Allowance for credit losses/Overdue receivables.

Note 4: Household mortgage means the purpose of financing is to purchase, build, or fix up a dwelling, and the dwelling owned by the borrower, spouse, or children fully secures the loan.

Note 5: Micro credit is regulated by the Banking Bureau letter dated December 19, 2005 (Ref. No. 09440010950)

Note 6: Others in consumer finance refer to secured or non-secured loans excluding mortgage, cash card, micro credit, and credit card.

Note 7: Account receivables – factoring with no recourse: As required by the Banking Bureau letter dated July 19, 2005 (Ref. No. 094000494), provision for bad debt is recognized once no compensation is received from the factoring or insurance company.

Note 8: Account receivable – credit cards contains overdue receivable, accounts receivable, and others.

(b) The amounts of excluded NPL and excluded overdue receivables

(Expressed in thousands of New Taiwan Dollars)

	December 31, 2012		December 31, 2011	
	Excluded NPL	Excluded overdue receivables	Excluded NPL	Excluded overdue receivables
As a result of debt consultation and loans agreement	3,065	-	5,309	-
As a result of debt solvency and restart plan	101,433	20,232	121,013	18,902
Total	104,498	20,232	126,322	18,902

(c) Concentration of credit extensions

Unit: Million NTD,%

December 31, 2012			
Rank (Note 1)	Group Name (Note 2)	Credit Extensions Balance (Note 3)	% of Net Asset Value
1	A Company – electricity and gas supply	136,693	54.09
2	B Company – transportation and storage	72,425	28.66
3	C Company – plastic products manufacturing	60,425	23.91
4	D Company – basic metal manufacturing	34,270	13.56
5	E Company – optoelectronic materials and components manufacturing	22,246	8.80
6	F Company – optoelectronic materials and components manufacturing	22,571	8.54
7	G Company – transportation and storage	19,694	7.79
8	H Company – transportation and storage	15,786	6.25
9	I Company – financial holdings and insurance	11,570	4.58
10	J Company – textiles mills	9,733	3.85

Unit: Million NTD, %

December 31, 2011			
Rank (Note 1)	Group Name (Note 2)	Credit Extensions Balance (Note 3)	% of Net Asset Value
1	A Company—transportation and storage	72,181	29.30
2	B Company—plastic products manufacturing	49,320	20.02
3	C Company—basic metal manufacturing	37,224	15.11
4	D Company—optoelectronic materials and components manufacturing	23,166	9.40
5	E Company—optoelectronic materials and components manufacturing	22,704	9.22
6	F Company—transportation and storage	21,353	8.67
7	G Company—optoelectronic materials and components manufacturing	10,400	4.22
8	H Company—other financial intermediation	9,848	4.00
9	I Company—monitor and terminal manufacturing	9,461	3.84
10	J Company—financial holdings	9,060	3.68

Note 1: Top ten borrowers (excluding government or state-owned utilities) according to total credit extensions. Arrange according to the total amt of credit extensions, please list the name of top ten corporations, not belong to government or public ones. If the creditor belongs to a group corporation, show the subtotaled amount of the group corporation, and disclose by using "Code" plus "Industry category"; if the creditor is a group corporation, disclose the category that expose most. The rule of disclosing industry category should follow Directorate-General of Budget, Accounting and Statistics' standard.

Note 2: Groups are regulated in the Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings, Article 6.

Note 3: Total credit extensions comprise loans (including import bills negotiated, export bills negotiated, overdrafts, short-term loans, short-term secured loans, receivables from pecuniary finance, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, and overdue receivables), exchange bills negotiated, factoring receivable without recourse, acceptances receivable, and guarantees issued.

2. Information on concentration for credit risk of assets, liabilities, and off-balance-sheet items Please see note 27.

3. The average amount of assets and liabilities, as well as the current rate, was disclosed as follows:

	December 31, 2012(Bank of Taiwan)		December 31, 2011	
	Average	Average interest rate (%)	Average	Average interest rate (%)
Interest-earnings assets:				
Call loans and placement with banks	\$ 136,317,368	0.84	79,446,442	0.89
Placement with Central Bank	440,315,997	0.93	427,424,964	0.88
Financial assets	707,049,105	1.26	760,840,638	1.23
Negotiation, discounts and total loans	2,188,000,987	1.87	2,104,126,925	1.77
Interest-bearing liabilities:				
Deposit of Central Bank	13,892,548	-	14,907,629	-
Deposits and call loans from banks	199,105,438	0.62	169,216,584	0.66
Demand deposit	267,612,590	0.14	249,427,075	0.12
Demand savings	644,720,774	0.74	619,970,857	0.72
Time savings	1,604,141,748	1.86	1,577,427,974	1.78
Time deposits	456,604,102	1.12	459,641,375	1.02
Government deposits	213,139,982	0.35	216,911,936	0.32
Structured products	7,084,433	0.90	13,159,542	0.62

Note1: Average is calculated by daily average of interest-earning assets and interest-bearing liabilities from January to current month.

Note2: The table contains the amounts for the departments of the Bank only.

Note3: Interest for current and timed savings including excess interest.

## 4. Ratios of interest-rate-sensitive assets to liabilities and of interest-rate-sensitive spreads to net equity

## Interest rate-sensitive balance sheet – for NTD

December 31, 2012

	1-90 Days	91-180 Days	181 Days to One Year	Over One year	Total
Interest rate-sensitive assets	\$ 1,584,552,712	1,323,790,947	57,238,684	117,818,450	3,083,400,793
Interest rate-sensitive liabilities	648,671,866	2,054,125,689	279,726,015	90,395,107	3,072,918,677
Interest rate-sensitive gap	935,880,846	(730,334,742)	(222,487,331)	27,423,343	10,482,116
Net worth					249,708,732
Ratio of interest rate-sensitive assets to liabilities					100.34
Ratio of interest rate-sensitive gap to net worth					4.20

December 31, 2011

	1-90 Days	91-180 Days	181 Days to One Year	Total
Interest rate-sensitive assets	\$ 1,485,212,568	1,282,755,366	290,047,314	3,058,015,248
Interest rate-sensitive liabilities	192,636,073	2,433,759,573	425,650,104	3,052,045,750
Interest rate-sensitive gap	1,292,576,495	(1,151,004,207)	(135,602,790)	5,969,498
Net worth				246,679,631
Ratio of interest rate-sensitive assets to liabilities				100.20
Ratio of interest rate-sensitive gap to net worth				2.42

Note 1: The above amounts include only New Taiwan Dollar amounts held by the Bank's onshore branches (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities refer to the revenues or costs of interest-earning assets and interest-bearing liabilities, which are affected by interest rate changes.

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

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets / Interest rate-sensitive liabilities (only interest rate-sensitive assets and liabilities within one year, in New Taiwan Dollars).

Note 5: Ratio of interest rate-sensitive gap to net value = Interest rate-sensitive gap / Net value.

## Interest-rate-sensitive balance sheet – for USD

December 31, 2012

	1-90 Days	91-180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 22,111,962	4,156,013	1,880,869	1,272,292	29,421,136
Interest rate-sensitive liabilities	22,510,858	5,229,725	1,495,166	143,912	29,379,661
Interest rate-sensitive gap	(398,896)	(1,073,712)	385,703	1,128,380	41,475
Net worth					(58,931)
Ratio of interest rate-sensitive assets to liabilities					100.14
Ratio of interest rate-sensitive gap to net worth					(70.38)

December 31, 2011

	1-90 Days	91-180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 20,320,716	4,229,999	1,778,879	1,116,053	27,445,647
Interest rate-sensitive liabilities	21,722,210	3,934,428	1,364,888	206,973	27,228,499
Interest rate-sensitive gap	(1,401,494)	295,571	413,991	909,080	217,148
Net worth					(41,843)
Ratio of interest rate-sensitive assets to liabilities					100.80
Ratio of interest rate-sensitive gap to net worth					(518.96)

Note 1: The above amounts include only U.S. dollar amounts held by the onshore branches, OBU, and offshore branches of the Bank and exclude contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities refer to the revenues or costs of interest-earning assets and interest-bearing liabilities which are affected by interest rate changes.

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

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate sensitive assets / Interest rate-sensitive liabilities (only interest rate-sensitive assets and liabilities within 180 days, in U.S. Dollars).

Note 5: Ratio of interest rate-sensitive gap to net value = interest rate-sensitive gap / Net value.

## 5. Major foreign currency position, net

(Units: thousands of stated currencies)

December 31, 2012			December 31, 2011		
Currency	Amount in functional currency	Amount in New Taiwan dollars	Currency	Amount in functional currency	Amount in New Taiwan dollars
USD	86,291	2,505,459	USD	28,276	1,319,924
GBP	29,834	1,395,635	JPY	9,406	284,767
SGD	12,143	288,275	GBP	11,289	263,034
CNY	31,093	144,831	CNY	35,211	168,907
HKD	10,313	38,632	SGD	6,270	23,262

Note 1: The major foreign currencies were the top 5 currencies by position expressed in New Taiwan Dollars after exchange rate conversion.

Note 2: Net position represented the absolute value of each currency.

## 6. Profitability

- (a) For the years ended December 31, 2012 and 2011, information on return on assets, return on net equity, and net income to operating revenue was as follows:

Item		December 31, 2012		December 31, 2011	
		Before adjusting	After adjusting	Before adjusting	After adjusting
Return on total assets (%) Note 6	Before income tax	0.20	0.43	0.11	0.33
	After income tax	0.18	0.40	0.09	0.31
Return on net worth (%) Note 7	Before income tax	3.24	6.45	1.79	4.96
	After income tax	2.90	6.10	1.47	4.65
Profit margin (%)		24.77		18.94	

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

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

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

Note 4: Income before (after) income tax is the income of the year ended December 31, 2012 and 2011.

Note 5: The above profitability ratios are at annual rates.

Note 6: Return on total assets—after adjusting means assets excludes on behalf of the government advance short-term advances and the assets of government employees insurance department; Income before (after) tax adds on behalf of the government advance premium saving account interest.

Note 7: Return on net worth—after adjusting means income before (after) tax adds on behalf of the government advance premium saving.

## (b) Duration analysis of assets and liabilities

Term Structure Analysis of NTD  
December 31, 2012

	Total	Amount for each remaining period to maturity				
		Less than 30 days	31-90 days	91-180 days	181-365 days	Over 1 year
Major matured capital inflow	\$3,998,398,279	1,035,701,188	519,430,197	425,992,939	439,593,611	1,577,680,344
Major matured capital outflow	4,362,009,529	466,517,604	587,441,948	511,283,536	1,013,987,589	1,782,778,852
Capital gap	(363,611,250)	569,183,584	(68,011,751)	(85,290,597)	(574,393,978)	(205,098,508)

## December 31, 2011

	Total	Amount for each remaining period to maturity				
		Less than 30 days	31-90 days	91-180 days	181-365 days	Over 1 year
Major matured capital inflow	\$3,822,254,738	802,311,389	678,469,732	385,900,252	373,328,997	1,582,244,368
Major matured capital outflow	4,176,475,777	478,582,783	556,460,135	508,071,726	915,866,757	1,717,494,376
Capital gap	(354,221,039)	323,728,606	122,009,597	(122,171,474)	(542,537,760)	(135,250,008)

Note: The table includes only assets and liabilities denominated in NTD held in head office and domestic and overseas branches; assets and liabilities denominated in foreign currencies are excluded.

Term Structure Analysis of USD  
December 31, 2012

	Total	Amount for each remaining period to maturity				
		Less than 30 days	31-90 days	91-180 days	181-365 days	Over 1 year
Major matured capital inflow	\$ 25,739,974	8,960,164	9,730,974	3,798,624	1,551,565	1,698,647
Major matured capital outflow	25,075,322	13,179,430	7,096,890	2,636,286	1,421,480	741,236
Capital gap	664,652	(4,219,266)	2,634,084	1,162,338	130,085	957,411

## December 31, 2011

	Total	Amount for each remaining period to maturity				
		Less than 30 days	31-90 days	91-180 days	181-365 days	Over 1 year
Major matured capital inflow	\$ 23,314,824	6,889,263	9,450,063	3,625,532	1,574,075	1,775,891
Major matured capital outflow	22,818,079	11,880,343	6,980,792	2,006,354	1,343,291	607,299
Capital gap	496,745	(4,991,080)	2,469,271	1,619,178	230,784	1,168,592

Note 1: The above amounts are book values of the assets and liabilities of the onshore branches and offshore banking unit of the Bank in U.S. Dollar, without off-balance-sheet amounts (for example, the issuance of negotiable certificates of deposits, bonds or stocks).

Note 2: If the overseas assets are at least 10% of the total assets, there should be additional disclosures.



## 3) Capital adequacy

			December 31, 2012	December 31, 2011
Eligible capital	Tier 1 capital		\$ 175,892,703	172,881,294
	Tier 2 capital		15,946,768	14,484,521
	Tier 3 capital		-	-
	Eligible capital		191,839,471	187,365,815
Risk-weighted assets	Credit risk	Standardized approach	1,631,099,532	1,525,347,746
		Internal rating-based approach	-	-
		Securitization	3,646,593	2,125,603
	Operational risk	Basic indicator approach	49,219,638	47,184,300
		Standardized approach/Alternative standardized approach	-	-
		Advance measurement approach	-	-
	Market risk	Standardized approach	72,726,088	71,441,638
		Internal models approach	-	-
	Total risk-weighted assets		1,756,691,851	1,646,099,287
Capital adequacy ratio			10.92%	11.38%
Tier 1 risk-based capital ratio			10.01%	10.50%
Tier 2 risk-based capital ratio			0.91%	0.88%
Tier 3 risk-based capital ratio			-	-
Ratio of common stockholders' equity to total assets			1.73%	1.77%
Leverage ratio			4.40%	4.45%

Note 1: These tables were prepared according to the "Regulations Governing the Capital Adequacy Ratio of Banks" and related calculation tables.

Note 2: Financial reports for the year ended should disclose the Capital adequacy of 2 periods; and financial reports for the month ended June 30 should additionally disclose the capital adequacy of the end of last year.

Note 3: The formula:

(1) Eligible capital = Tier 1 capital + Tier 2 capital + Tier 3 capital.

(2) Risk-weighted assets = Credit risk-weighted assets + (operations risk + market risk) × 12.5.

(3) Capital adequacy ratio = eligible capital / risk-weighted assets.

(4) Tier 1 risk – based capital ratio = tier 1 capital / risk-weighted assets.

(5) Tier 2 risk – based capital ratio = tier 2 capital / risk-weighted assets.

(6) Tier 3 risk – based capital ratio = tier 3 capital / risk-weighted assets.

(7) Ratio of common stockholders' equity to total assets = common stockholders' equity / total assets.

Note 4: The disclosure for the formula will only be calculated for the financial reports for the month ended in June and the annual report.

## 4) Supplementary information for government employees insurance department:

## 1. Balance sheet

	Government employees insurance department	
	December 31, 2012	December 31, 2011
Cash and cash equivalents	\$ 21,373,048	24,911,164
Financial assets at fair value through profit or loss	85,703,614	65,802,579
Receivables, net	22,497,581	23,330,050
Held-to-maturity financial assets, net	54,942,943	50,321,722
Fixed assets, net	13,902	6,832
Intangible assets, net	4,791	442
Other assets, net	10,162,144	13,690,111
Total assets	\$ 194,698,023	178,062,900
Financial liabilities at fair value through profit or loss	\$ 43	5,254
Payables	35,883	33,146
Other liabilities	194,662,097	178,024,500
Total liabilities	194,698,023	178,062,900
Total Liabilities and Stockholders' Equity	\$ 194,698,023	178,062,900

## 2. Income statement

	Government employees insurance department	
	2012	2011
Net interest income	\$ 1,444,841	1,396,332
Non-interest income, net		
Service fee expenses	88,678	114,692
Gain (loss) on financial assets and liabilities at fair value through profit or loss	8,636,730	(8,021,468)
Foreign exchange gain (loss)	(1,651,528)	838,664
Other non-interest income		
Premium income	17,992,149	17,695,580
Government subsidy	18,525,118	18,619,038
Insurance payments	(28,267,159)	(26,971,342)
Provision for insurance premium reserve	(16,637,602)	(3,526,880)
Miscellaneous expense	(597,034)	(7,221)
Miscellaneous revenue	596,899	-
Net revenue	131,092	137,395
Bad debt expense	-	566
Operating expense		
Personnel expense	114,866	120,411
Depreciation and amortization expense	2,340	3,295
Other business and administrative expense	13,886	13,123
	131,092	136,829
Net income	\$ -	-

Note: According to Government Employees and School Staff Insurance Act, if GESSI experiences a loss, the loss before May 31, 1999, would be covered by the Ministry of Finance; and the loss after that date would be covered by an adjustment of the insurance premium.

## 5) The statements except government employees insurance department was disclosed as follows:

## 1. Balance sheet

	December 31, 2012	December 31, 2011
Cash and cash equivalents	\$ 51,439,356	51,515,012
Placement with Central Bank and call loans to banks	549,627,869	488,555,403
Financial assets measured at fair value through profit or loss, net	60,830,424	45,083,429
Bonds and bills purchased under resell agreements	4,980,621	3,231,949
Receivables, net	68,770,463	63,109,730
Loans and discounts, net	2,177,133,260	2,153,591,118
Available-for-sale financial assets, net	734,870,751	757,373,465
Held-to-maturity financial assets, net	7,056,103	620,867
Investment under equity method, net	35,393,882	32,479,598
Other financial assets, net	69,672,866	72,207,332
Fixed assets, net	97,239,446	97,858,072
Intangible assets, net	1,159,314	820,615
Other assets, net	11,895,292	15,048,178
Total assets	\$ 3,870,069,647	3,781,494,768

	December 31, 2012	December 31, 2011
Deposits of Central Bank and other banks	\$ 213,374,465	208,926,475
Financial liabilities measured at fair value through profit or loss	4,876,911	3,897,631
Bonds and bills sold under repurchase agreements	11,998,399	14,906,165
Payables	42,120,179	39,438,434
Deposits and remittances	3,294,903,719	3,218,010,687
Accrued pension liability	4,959,970	4,566,752
Other financial liabilities	8,499,403	5,756,183
Other liabilities	36,602,583	39,623,312
Total liabilities	3,617,335,629	3,535,125,639
Common stock	70,000,000	70,000,000
Capital surplus	105,682,871	106,077,872
Retained earnings:		
Legal reserve	25,218,428	24,119,287
Special reserve	98,322	518,561
Unappropriated retained earnings	8,385,156	6,263,805
Equity adjustments:		
Unrealized gain on revaluation increments	27,383,086	26,581,673
Cumulative translation adjustments	(800,300)	(366,046)
Net loss not recognized as pension cost	(1,163,205)	(809,180)
Unrealized gain (loss) on financial instruments	17,929,660	13,983,157
Total shareholders' equity	252,734,018	246,369,129
Total Liabilities and Shareholders' Equity	\$ 3,870,069,647	3,781,494,768

## 2. Statement of income

	2012	2011
Interest income	\$ 56,218,240	52,367,857
Less: interest expense	(32,987,442)	(30,577,630)
Net interest income	23,230,798	21,790,227
Net non-interest income		
Fee and commission income	5,159,311	5,438,046
Fee and commission expense	(547,978)	(592,442)
Gain on financial assets and liabilities measured at fair value	3,471,105	3,892,395
Realized gain (losses) on available-for-sale financial assets	929,157	1,363,849
Gain on investments under equity method	1,948,134	2,255,273
Foreign exchange gains, net	3,331,282	1,757,717
Losses on asset impairment	(72,267)	37,027
Other non-interest income	(9,198,365)	(8,893,539)
Gain on property transaction	812,794	421,670
Net revenues	29,063,971	27,470,223
Bad debt expenses	3,107,865	5,043,912
Operating costs		
Personnel expense	11,627,984	11,804,934
Depreciation and amortization expense	1,289,682	1,408,906
Other business and administrative expense	4,945,171	4,763,506
	17,862,837	17,977,346
Income before income tax	8,093,269	4,448,965
Income tax expense	861,112	785,160
Net income	\$ 7,232,157	3,663,805

## 6) Government audit adjustments for fiscal year ended December 31, 2011 and 2010

The accounting records as of and for the year ended December 31, 2011 and 2010, have been audited and examined by the MoA, and the resulting adjustments are summarized as follows:

	As Previously Reported December 31, 2011	Adjustments – Increase (Decrease)	As Audited by the MoA December 31, 2011
Balance Sheet			
Assets			
Receivables, net	\$ 86,422,934	16,846	86,439,780
Loans and discounts, net	2,153,645,231	(54,113)	2,153,591,118
Liabilities			
Payables	39,471,578	2	39,471,580
Accrued pension liability	4,566,754	(2)	4,566,752
Stockholders' equity			
Unappropriated retained earnings	6,301,072	(37,267)	6,263,805
Income statement			
Other non-interest gain (losses)	(3,092,639)	9,271	(3,083,368)
Bad debt expense	4,991,365	54,109	5,045,474
Personnel expense	11,928,775	(3,430)	11,925,345
Income tax expense	789,301	(4,141)	785,160
Net income	3,701,072	(37,267)	3,663,805

Revised entries by the MoA in 2011 were as follows:

Item	Adjustment accounts	Amount revised by the MoA	Explanation of revision by the MoA
1	Accrued pension liability Personnel expense	\$ 2 2	Adjust resignation pay of 2011
2	Provision for credit Allowance for bad debt	\$ 54,109 54,109	The borrowers, Ding-Chou Co., Ltd., Rung-Yuan Co., Ltd. and Chen-Tzuan Co., Ltd. of Chienkuo, Chunhsien and Muzha Branch increase allowance for bad debt in 2011.
3	Other receivable Other non-interest gain (losses)	\$ 9,271 9,271	The 2011 receivable excess interest from favorable interest rate in staff deposits.
4	Refundable income tax Long term secured loans	\$ 4 4	The branch of Tainan Innovation and Research Park has received \$4,660 thousand dollars of Housing Mortgage Loan Customers' death insurance and \$34 thousand dollars of net delay interest which has been deducted 10% income interest tax, \$4 thousand dollars, from BankTaiwan Life Insurance. The total amount was used to reduce the customers' account in arrears. If the tax return was not sent to the Bank headquarters, the bank had to add an entry of deducted tax.
5	Refundable income tax Other payable	\$ 1 1	The Wenshan branch has received \$1,960 thousand dollars of Housing Mortgage Loan Customers' death insurance and \$5 thousand dollars of net delay interest which has been deducted 10% income interest tax, \$1 thousand dollars, from BankTaiwan Life Insurance. The total amount, \$1,965 thousand dollars, was used to reduce the customers' account in arrears. If the tax return was not sent to the Bank headquarters, the bank had to add an entry of deducted tax.

Item	Adjustment accounts	Amount revised by the MoA		Explanation of revision by the MoA
6	Refundable income tax Other payable	\$ 1	1	The Lingya branch has received \$1,500 thousand dollars of Housing Mortgage Loan Customers' death insurance and \$5 thousand dollars of net delay interest which has been deducted 10% income interest tax, \$1 thousand dollars, from BankTaiwan Life Insurance. The total amount, \$1,505 thousand dollars, was used to reduce the customers' account in arrears. If the tax return was not sent to the Bank headquarters, the bank had to add an entry of deducted tax.
7	Other receivable Personnel expense	\$ 3,428	3,428	The Bank executed downsizing preferential retirement plan and gave seven months compensation to the managers of Peitou, Chianjin, Pingtung and Chungshan branch according to "Downsizing directions of Financial and insurance entities under the Ministry of Finance." If the managers didn't meet the requirement, the Bank had to reduce the operational expense and increase the profit before tax.
8	Refundable income tax Allowance for deferred income tax assets Deferred income tax assets Income tax expense	\$ 1,387 2	2 1,387	Adjustment of income tax

	As Previously Reported December 31, 2010	Adjustments – Increase (Decrease)	As Audited by the MoA December 31, 2010
Balance Sheet			
Assets			
Receivables, net	\$ 84,272,586	185	84,272,771
Liabilities			
Payables	38,951,861	143	38,952,004
Stockholders' equity			
Unappropriated retained earnings	9,284,925	43	9,284,968
Income statement			
Other non-interest gain (losses)	(12,788,249)	43	(12,788,206)
Net income	7,084,925	43	7,084,968

Revised entries by the MoA in 2010 were as follows:

Item	Adjustment accounts	Amount revised by the MoA		Explanation of revision by the MoA
1	Refundable income tax	\$ 43		Disclosed in net total
	Operating assets rental revenue		43	
2	Refundable income tax			Payment of basketball team of the Bank adjusted for tax for the year 2010.
	Other payables	143	143	

Note: Another income tax entry is "debit: deferred income tax assets 16, credit: allowance for deferred income tax assets 16", such adjustment did not impact the financial report.

## 7) Significant effect of foreign currency assets and liabilities is summarized as follows:

	December 31, 2012			December 31, 2011		
	Currency (thousand)	Exchange rate	NT (thousand)	Currency (thousand)	Exchange rate	NT (thousand)
Financial assets:						
Monetary items						
USD	9,601,837	29.0350	278,789,337	9,019,870	30.2750	273,076,564
HKD	13,339,674	3.7460	49,970,419	12,422,465	3.8970	48,410,346
MYR	4,311	9.4850	40,890	3,989	9.5360	38,039
GBP	483,945	46.7800	22,638,947	429,575	46.6800	20,052,561
AUD	736,859	30.1250	22,197,877	580,397	30.7450	17,844,306
CAD	34,933	29.1900	1,019,694	42,915	29.6700	1,273,288
SGD	1,499,681	23.7400	35,602,427	1,569,290	23.3000	36,564,457
CHF	4,090	31.8050	130,082	5,017	32.1850	161,472
JPY	149,668,877	0.3360	50,288,743	111,121,496	0.3897	43,304,047
ZAR	2,102,973	3.4300	7,213,197	1,617,914	3.7100	6,002,461
SEK	4,629	4.4700	20,692	6,255	4.3900	27,459
NZD	7,176	23.8100	170,861	6,725	23.4100	157,432
THB	222,762	0.9526	212,203	218,376	0.9583	209,270
PHP	29,701	0.7063	20,978	32,161	0.6906	22,210
IDR	3,449,610	0.0030	10,349	3,491,497	0.0034	11,871
EUR	342,287	38.4500	13,160,935	364,612	39.2200	14,300,083
KRW	6,697,963	0.0271	181,515	7,128,657	0.0262	186,771
CNY	791,922	4.6580	3,688,773	366,597	4.7970	1,758,566
VND	7,999,070	0.0014	11,199	8,005,820	0.0015	12,009
Non-monetary items						
USD	783,178	29.0350	22,739,573	486,948	30.2750	14,742,351
GBP	14,682	46.7800	686,824	11,870	46.6800	554,092
JPY	10,546	0.3360	3,543	7,889	0.3897	3,074
EUR	115,615	38.4500	4,445,397	116,978	39.2200	4,587,877
Financial liabilities:						
Monetary items						
USD	12,492,792	29.0350	362,728,216	11,446,050	30.2750	346,529,164
HKD	12,918,450	3.7460	48,392,514	12,187,584	3.8970	47,495,015
MYR	5	9.4850	47	6	9.5360	57
GBP	521,897	46.7800	24,414,342	492,548	46.6800	22,992,141
AUD	711,520	30.1250	21,434,540	654,621	30.7450	20,126,323
CAD	120,814	29.1900	3,526,561	123,792	29.6700	3,672,909
SGD	1,406,782	23.7400	33,397,005	1,334,091	23.3000	31,084,320
CHF	15,584	31.8050	495,649	19,240	32.1850	619,239
JPY	54,186,395	0.3360	18,206,629	87,527,135	0.3897	34,109,325
ZAR	11,359,551	3.4300	38,963,260	9,577,014	3.7100	35,530,722

	December 31, 2012			December 31, 2011		
	Currency (thousand)	Exchange rate	NT (thousand)	Currency (thousand)	Exchange rate	NT (thousand)
SEK	19,825	4.4700	88,618	34,305	4.3900	150,599
NZD	273,340	23.8100	6,508,225	364,478	23.4100	8,532,430
THB	3,013	0.9526	2,870	254	0.9583	243
EUR	301,366	38.4500	11,587,523	320,918	39.2200	12,586,404
CNY	578,023	4.6580	2,692,431	145,223	4.7970	696,635
Non-monetary items						
USD	13,578	29.0350	394,237	11,193	30.2750	338,868
HKD	55,395	3.7460	207,510	54,490	3.8970	212,348
GBP	1,737	46.7800	81,257	2,397	46.6800	111,892
SGD	11,072	23.7400	262,849	13,041	23.3000	303,855
JPY	946,097	0.3360	31,889	962,268	0.3897	374,996
ZAR	1,315	3.4300	4,510	15,892	3.7100	58,959

## 8) Disclosure on adopting IFRSs for the year ended 2011:

1. Under the order No. 10000073410 issued by the Financial Supervisory Commission Executive Yuan on May 14, 2009, starting 2013, the Bank is required to disclose the financial report in conformity with the International Financial Reporting Standard (IFRSs), interpreted and issued by Accounting Research and Development Foundation. To assist the adjustment, the Company has formed a special task force and established an IFRS adoption plan. General Manager, Ming-Dao Chang is responsible for the conversion plan. Significant plan contents, expected schedules and completion status are summarized as follows:

Plan Content	Responsible Department (or Responsible Person)	Status
Phase 1 - Evaluation: (2009.09.30 ~ 2010.06.30):		
◎Form a special task force for IFRS conversion	All operational units and accounting Department	Completed
◎Initial understanding towards IFRS	Accounting Department	Completed
◎Establish a conversion plan and timeline and report to the Board of Directors	Accounting Department	Completed
◎Evaluate the need for assistance from external expert	Accounting Department	Completed
◎Establish task team for IFRS conversion	All operational units and accounting Department	Completed
◎Establish IFRS site in the Bank's intranet	I.T, legal and accounting department	Completed
◎Compare and analyze the differences between the current Accounting Policies and IFRS	All operational units, I.T and accounting Department	Completed
◎Evaluate all units' daily potential operational influence	All operational units, I.T and accounting Department	Completed
◎Evaluate the adoption of IFRS 1 - "First-time Adoption of IFRS"	All operational units, I.T and accounting Department	Completed
◎Perform internal training for employees	Human Resources ( the support of all units)	Completed
◎Establish book reading group	All operational units, I.T and accounting Department	Completed
Phase 2 - Preparation: (2010.09.30 ~ 2011.12.31)		
◎Devise a complete conversion plan	All operational units and accounting Department	Completed
◎Complete the comparison and evaluation between the ROC GAAP and IFRS	All operational units and accounting Department	Completed
◎Determine relevant IFRS policies	All operational units and accounting Department	Completed



Plan Content	Responsible Department (or Responsible Person)	Status
◎ Determine how to revise the current Accounting Policies to comply with IFRS	All operational units and accounting Department	Completed
◎ Book reading group	All operational units, IT and accounting Department	In Progress
◎ Adjust and review the standard operational procedure , information technology and financial reporting of all units	All operational units, IT and accounting Department	Completed
◎ Perform simulated system test, identify the area requiring revised SOP and system	All operational units, IT and accounting Department	Completed
◎ Complete paperwork and relevant controls for IFRS	All operational units, IT and accounting Department	Completed
◎ Continue internal training for employees	Human Resources (support from all units)	Completed
◎ Prepare balance sheet on IFRS conversion date (2012.01.01) in accordance with IFRS 1	All operational units, IT and accounting Department	Completed
Phase 3 - Implementation: (2012.01.01 ~ 2012.12.31)		
◎ Prepare balance sheet on IFRS conversion date in accordance with IFRS 1 in parallel with the ROC GAAP	All operational units, IT and accounting Department	Completed
◎ Internal controls adjustment	All operational units	Completed
◎ Prepare the first IFRS financial statement for the three-month periods ended March 31, 2012	All operational units, IT and accounting Department	Completed
◎ Identify and prepare process analysis for areas of improvement regarding the preparation of first IFRS financial report	All operational units, IT and accounting Department	Completed
◎ Establishment for performance evaluation standard	International, domestic operations and planning Department	In Progress
◎ Awareness towards the continuous impact of IFRS on preparation of financial statements	All operational units, and accounting Department	Completed
◎ Continue internal training for employees	Human Resources (support from all units)	Completed
◎ Prepare the IFRS financial compared information for the year ended Dec. 31, 2012	All operational units, and accounting Department	In Progress
Phase 4 – Implementation and adjustment: (2013.01.01 ~ 2013.12.31)		
◎ Consolidate management information	All operational units, IT and accounting Department	In Progress
◎ Process analysis and improvement procedures for IFRS conversion	All operational units, IT and accounting Department	In Progress
◎ Ensure the disclosure and preparation of financial statements in compliance with the requirements of IFRS and formulate necessary response to changes	All operational units, IT and accounting Department	In Progress

2. The significant differences of preparing financial statements which the Company evaluated between current GAAP and IFRSs are listed below:

(a) Reconciliation of statements of Financial Position January 1, 2012

Unit: In Thousand of New Taiwan Dollars

GAAP		IFRS Conversion Impact	IFRS		Note
Item	Amount		IFRSs Amount	Item	
Assets				Assets	
Cash and cash equivalents	\$ 76,426,176	-	76,426,176	Cash and cash equivalents	
Placement with Central Bank and call loans to banks	488,555,403	-	488,555,403	Placement with Central Bank and call loans to banks	
Financial assets measured at fair value through profit or loss, net	110,886,007	-	110,886,007	Financial assets measured at fair value through profit or loss, net	
Available-for-sale financial assets, net	757,373,465	-	757,373,465	Available-for-sale financial assets, net	A,G

GAAP		IFRS Conversion Impact	IFRS		Note
Item	Amount		IFRSs Amount	Item	
	-	3,074	3,074	Derivative financial assets-hedging	J
Bonds and bills purchased under resell agreements	3,231,949	-	3,231,949	Bonds and bills purchased under re-sell agreements	
Receivables, net	86,439,780	(1,838,009)	84,601,771	Receivables, net	D
	-	1,872,826	1,872,826	Current income tax assets	D
Loans and discounts, net	2,153,591,118	-	2,153,591,118	Loans and Discounts, net	
Held-to-maturity financial assets, net	50,942,589	15,196	50,957,785	Held-to-maturity financial assets, net	A
Investments under equity method, net	32,479,598	(151,877)	32,327,721	Investments under equity method, net	G
Other financial assets, net	72,207,332	(5,243)	72,202,089	Other financial assets, net	A,J
Fix assets, net	97,864,904	846,455	98,711,359	Property and equipment, net	F
Intangible assets	821,057	-	821,057	Intangible assets	
	-	267,915	267,915	Deferred income tax assets, net	A,D,H
Other assets, net	10,747,703	(1,577,142)	9,170,561	Other assets, net	B,D,F
Total assets	<u>\$ 3,941,567,081</u>	<u>( 566,805)</u>	<u>3,941,000,276</u>	Total assets	
Liabilities				Liabilities	
Deposits of Central Bank and other banks	\$ 208,926,475	-	208,926,475	Deposits of Central Bank and other banks	
Financial liabilities measured at fair value through profit or loss	3,902,885	-	3,902,885	Financial liabilities measured at fair value through profit or loss	
	-	409,907	409,907	Derivative financial liabilities-hedging	J
Bonds and bills sold under repurchase agreements	14,906,165	-	14,906,165	Bonds and bills sold under repurchase agreements	
Payables	39,532,075	(41,960)	39,490,115	Payables	D,I
	-	33,893	33,893	Current income tax liabilities	D
Deposits and remittances	3,218,010,687	-	3,218,010,687	Deposits and remittances	
Accrued pension liabilities	4,566,752	(4,566,752)	-	Preferred stocks liabilities	B, I
Other financial liabilities	5,756,183	(409,907)	5,346,276	Other financial liabilities	J
	-	192,806,677	192,806,677	Provisions	A,B, C, I
	-	18,278,673	18,278,673	Deferred income tax liabilities	A,D
Other liabilities	204,028,633	(196,894,556)	7,134,077	Other liabilities	D,I
Total liabilities	<u>\$ 3,699,629,855</u>	<u>9,615,975</u>	<u>3,709,245,830</u>	Total liabilities	
Stockholder's Equity				Stockholder's Equity	
Equity	\$ 70,000,000	-	70,000,000	Equity	

GAAP		IFRS Conversion Impact	IFRS		Note
Item	Amount		IFRSs Amount	Item	
Common stock	70,000,000	-	70,000,000	Common stock	
Capital surplus	106,077,872	(624,839)	105,453,033	Capital surplus	G
Retained earning	26,469,750	15,732,360	42,202,110	Retained earning	
Legal reserve	25,218,428	-	25,218,428	Legal reserve	
Special reserve	1,251,322	15,732,360	16,983,682	Special reserve	G,L
Other equities	39,389,604	(25,290,301)	14,099,303	Other equities	A,B, E,G, H
Total Stockholder's Equity	241,937,226	(10,182,780)	231,754,446	Total Stockholder's Equity	
Total liabilities and stockholders' equity	\$ 3,941,567,081	(566,805)	3,941,000,276	Total liabilities and stockholders' equity	

## (b) Reconciliation of statements of Financial Position December 31, 2012

Unit: In Thousand of New Taiwan Dollars

GAAP		IFRS Conversion Impact	IFRS		Note
Item	Amount		IFRSs Amount	Item	
Assets				Assets	
Cash and cash equivalents	\$ 72,812,404	-	72,812,404	Cash and cash equivalents	
Placement with Central Bank and call loans to banks	549,627,869	-	549,627,869	Placement with Central Bank and call loans to banks	
Financial assets measured at fair value through profit or loss, net	146,534,038	-	146,534,038	Financial assets measured at fair value through profit or loss, net	
Available-for-sale financial assets, net	734,870,751	-	734,870,751	Available-for-sale financial assets, net	
	-	3,543	3,543	Derivative financial assets-hedging	J
Bonds and bills purchased under resell agreements	4,980,621	-	4,980,621	Bonds and bills purchased under re-sell agreements	
Receivables, net	91,268,044	(2,101,496)	89,166,548	Receivables, net	D
	-	2,128,074	2,128,074	Current income tax assets	D
Loans and Discounts, net	2,177,133,260	-	2,177,133,260	Loans and discounts, net	
Held-to-maturity financial assets, net	61,999,046	10,040	62,009,086	Held-to-maturity financial assets, net	A
Investments under equity method, net	35,393,882	(714,796)	34,679,086	Investments under equity method, net	G
Other financial assets, net	69,672,866	(4,662)	69,668,204	Other financial assets, net	A, J
Fixed assets, net	97,253,348	833,063	98,086,411	Property and equipment, net	F
Intangible assets	1,164,105	-	1,164,105	Intangible assets	
	-	331,084	331,084	Deferred income tax assets, net	A, D, H
Other assets, net	11,951,655	(1,313,993)	10,637,662	Other assets, net	B, D, F
Total assets	\$ 4,054,661,889	(829,143)	4,053,832,746	Total assets	

GAAP		IFRS Conversion Impact	IFRS		Note
Item	Amount		IFRSs Amount	Item	
Liabilities				Liabilities	
Deposits of Central Bank and other banks	\$ 213,374,465	-	213,374,465	Deposits of Central Bank and other banks	
Financial liabilities measured at fair value through profit or loss	4,876,954	-	4,876,954	Financial liabilities measured at fair value through profit or loss	
	-	301,390	301,390	Derivative financial liabilities-hedging	J
Bonds and bills sold under repurchase agreements	11,998,398	-	11,998,398	Bonds and bills sold under repurchase agreements	
Payables	42,156,062	(157,064)	41,998,998	Payables	C, D, I
	-	95,696	95,696	Current income tax liabilities	D
Deposits and remittances	3,294,903,719	-	3,294,903,719	Deposits and remittances	
Accrued pension liabilities	4,959,970	(4,959,970)	-		B, I
Other financial liabilities	8,499,403	(301,390)	8,198,013	Other financial liabilities	J
	-	210,201,483	210,201,483	Provisions	A, B, C, I
	-	18,358,844	18,358,844	Deferred income tax liabilities	A, D
Other liabilities	221,158,900	(213,487,798)	7,671,102	Other liabilities	D
Total liabilities	<u>\$ 3,801,927,871</u>	<u>10,051,191</u>	<u>3,811,979,062</u>	Total liabilities	
Stockholder's Equity				Stockholder's Equity	
Equity	\$ 70,000,000	-	70,000,000	Equity	
Common stock	70,000,000	-	70,000,000	Common stock	
Capital surplus	105,682,871	(229,837)	105,453,034	Capital surplus	G
Retained earning	33,701,906	15,288,517	48,990,423	Retained earning	
Legal reserve	25,218,428	-	25,218,428	Legal reserve	
Special reserve	98,322	15,339,494	15,437,816	Special reserve	G, L
Unappropriated surplus	8,385,156	(50,977)	8,334,179	Unappropriated surplus	
Other equities	43,349,241	(25,939,014)	17,410,227	Other equities	A, B, E, G, H
Total Stockholder's Equity	<u>\$ 252,734,018</u>	<u>(10,880,334)</u>	<u>241,853,684</u>	Total Stockholder's Equity	
Total liabilities and stockholders' equity	<u>\$ 4,054,661,889</u>	<u>(829,143)</u>	<u>4,053,832,746</u>	Total liabilities and stockholders' equity	

## (c) Reconciliation of statements of Comprehensive Income in 2012

Unit: In Thousand of New Taiwan Dollars

GAAP		IFRS Conversion Impact	IFRS		Note
Item	Amount		IFRSs Amount	Account Item	
Interest income	\$ 57,663,081	(1,623,365)	56,039,716	Interest income	A, K
Less: interest expenses	(32,987,442)	1,035,297	(31,952,145)	Less: interest expenses	K
Net interest income	24,675,639	(588,068)	24,087,571	Net interest income	
Non-interest income, net	-	-	-	Non-interest income, net	
Fee and commission income, net	4,700,011	-	4,700,011	Fee and commission income, net	
Gains (losses) on financial assets and liabilities measured at fair value through profit or loss	12,107,835	763,714	12,871,549	Gains (losses) on financial assets and liabilities measured at fair value through profit or loss	A, L
Realized gains on available-for-sale financial assets	929,157	1	929,158	Realized gains on available-for-sale financial assets	A, B
Foreign exchange gains and losses, net	1,679,754	(182)	1,679,572	Foreign exchange gains and losses, net	A
Income on Investments under equity method	1,948,134	187,929	2,136,063	Share of profits or losses from associates and joint ventures	G
Reversal gains (losses) on asset impairment	(72,267)	(12,061)	(84,328)	Reversal gains (losses) on asset impairment	E
Gain(losses) on property exchange	812,794	(59,230)	753,564	Gain (losses) on disposal of property, factory and equipment	E
Other non-interest income	(17,585,995)	(599,410)	(18,185,405)	Other non-interest income	A, D, F, G, L
Net revenues	29,195,062	(307,307)	28,887,755	Net revenues	
Bad debt expenses	3,107,865	-	3,107,865	Bad debt expenses and reserve for guarantees	
Operating costs	-	-	-	Operating costs	
Personnel expenses	11,742,850	(226,130)	11,516,720	Employee benefits expenses	C, D
Depreciation and amortization expenses	1,292,022	(35,017)	1,257,005	Depreciation and amortization expenses	G
Other business and administrative expense	4,959,056	-	4,959,056	Other business and administrative expense	
Continuing operating income before income tax	8,093,269	(46,160)	8,047,109	Continuing operating income before income tax	
Income tax expenses	861,112	4,817	865,929	Income tax expense	
Continuing operating income after income tax	7,232,157	(50,977)	7,181,180	Continuing operating income after income tax	
Discontinued operations gains or losses	-	-	-	Discontinued operations gains or losses	
Extraordinary gains or losses	-	-	-		
Cumulative effect of change in accounting	-	-	-		
Net income	\$ 7,232,157	(50,977)	7,181,180	Net income	

## (d) Notes to the above reconciliation reports

## a) Effective interest rate method

According to IAS No. 39 accepted by FSC, the amortization of financial assets will be calculated by using the effective interest rate method rather than straight-line method.

On January 1 and December 31, 2012, the effect of this adjustment on related accounts is as follows: for available-for-sale financial assets, a decrease of \$7,394 and \$4,534, respectively; for held-to-maturity financial assets, an increase of \$15,196 and \$10,040, respectively; for other financial assets, a decrease of \$2,170 and \$1,119, respectively; for provision, an increase of \$15,220 and \$10,327, respectively; for retained earnings, a decrease of \$9,588 and \$6,265, respectively; for available-for-sale financial assets adjustment valuation, an increase of \$7,394 and \$4,534, respectively; for deferred income tax assets, a decrease of \$554 and an increase \$157,581, respectively; for deferred income tax liabilities, an increase of \$52 and \$157,549, respectively; for other equities, an increase of \$6,788 and \$4,891, respectively. Also, for the consolidated comprehensive income statement for the year 2012, this adjustment reduces the interest income by \$1,377, the foreign exchange gains and losses by \$182, the gains or losses on financial assets and liabilities measured at fair value through profit or loss by \$12, and increases the realized gains on available-for-sale financial assets by \$1, and the other interest income by \$4,893.

## b) Employee benefits - adjustments to pension actuarial gains and losses and pension obligations

Elect to adopt the exemption related to employee benefits in IFRS 1, on January 1 and December 31, 2012, the effect of this adjustment on related accounts is as follows: for provisions, an increase of \$3,413,317 on both dates; for retained earnings, a decrease of \$3,413,317 on both dates.

The Bank applied the retroactive application of IAS19, and adjust the related balances of net unrecognized transitional benefit obligation and pension liability under the ROC GAAP. On January 1 and December 31, 2012, the effect of this adjustment on related accounts is as follows: for retained earnings, a decrease of \$272,163 and \$656,084, respectively; for provisions, an increase of \$272,163 and \$656,084, respectively; for other assets, a decrease of \$356,876 and \$275,998, respectively; for accrued pension liability, a decrease of \$1,164,206 and \$1,431,635, respectively; and for other equities, an increase of \$807,330 and \$1,155,637, respectively.

On December 31, 2012, the effect of the above two paragraphs on related accounts is as follows: for retained earnings, a increase of \$213,631; for provisions, decrease of \$213,631. Also, for the consolidated comprehensive income statement for the year 2012, this adjustment reduces the employee benefits expense by \$213,631.

## c) Employee benefits-retiree deposits with favorable rates and bonus, special care fund

According to IAS 19 and the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks, effective 2013, retiree deposits with favorable rates should be recognized as post-employment benefits with actuarial amount. On January 1 and December 31, 2012, the effect of this adjustment on related accounts is as follows: for provisions, an increase of \$6,858,510 and \$7,305,174, respectively; for retained earnings, a decrease of \$6,858,510 and \$7,250,761, respectively and for payable, a decrease of \$54,413. Also, for the consolidated comprehensive income statement for the year 2012, this adjustment reduces a non-interest income by \$392,251.

Also, the bonus and special care fund should be recognized as post-employment benefits with actuarial amount. On January 1 and December 31, 2012, the effect of this adjustment on related accounts is as follows: for provisions, an increase of \$220,919 and \$208,420, respectively and for retained earnings, a decrease of \$220,919 and \$208,420, respectively. Also, for the consolidated comprehensive income statement for the year 2012, this adjustment reduces the employee benefits expense by \$12,499.

## d) Income tax

Following IAS 12 and SIC 21, the temporary difference of the land revaluation increments tax payable under taxable should be reclassified to deferred tax liabilities. On January 1 and December 31, 2012, the effect of this adjustment on related accounts is as follows: for other liabilities, a decrease of \$18,278,621 and \$18,201,055, respectively and for deferred income tax liabilities, an increase of \$18,278,621 and \$18,201,055, respectively.

In accordance with IAS 1, current tax assets, current tax liabilities and deferred tax assets should be recorded separately in financial statement. On January 1 and December 31, 2012, the effect of this adjustment on related accounts is as follows: for current income tax assets, an increase of \$1,872,826 and \$2,128,074, respectively; for receivables, a decrease of \$1,838,009 and \$2,101,496, respectively; for other assets, a decrease of \$34,817 and \$31,395, respectively; for retained earnings, a decrease of 4,817; for deferred tax assets, an increase \$338,994 and \$173,535, respectively; for other asset , a decrease

of \$338,994 and \$173,535 , respectively;for current income tax liabilities, an increase of \$33,893 and \$95,696, respectively and for payable, a decrease of \$33,893 and \$95,696, respectively.

Following IAS 12, the Bank must consider the statutory tax set-off rights of deferred tax assets and liability. In September 30, 2012, the bank records the deferred tax assets and liabilities respectively. Both deferred tax assets and liabilities were increased by \$100,353. Because of the differences between the ROC GAAP and IFRS for assets, liabilities, equity, revenue and losses, the tax expense in 2012 increased by \$4,817.

e) Deemed costs of property and equipment

According to the exemption about deem cost of property and equipment, the revaluation of land in accordance with the ROC GAAP was transferred to retained earnings. On January 1 and December 31, 2012, the effect of this adjustment on related accounts is as follows: for other equities, a decrease of \$24,225,103 and \$24,153,812, respectively and an increase of \$24,225,103 and \$24,153,812, respectively. Also, for the consolidated comprehensive income statement for the year 2012, this adjustment increases a reversal loss by \$12,061 and reduces gain (loss) on diposal of property,factory and equipment by \$59,230.

f) The depreciation of property and equipment

Other assets were reclassified to property and equipment. On January 1 and December 31, 2012, the effect of this adjustment on related accounts is as follows: for other assets, a decrease of \$846,455 and \$833,063, respectively; for property and equipment, an increase of \$846,455 and \$833,063, respectively. Also, for the consolidated comprehensive income statement for the year 2012, this adjustment reduces the depreciation expense by \$35,017 and the non-interest income by \$35,017.

g) Investments under equity method, net

The Bank retrospectively applies IAS 28 to adjust items related to invest in related enterprises. On January 1 and December 31, 2012, the effect of this adjustment on related accounts is as follows: for investments under equity method, a decrease of \$151,877 and \$714,796, respectively; for available-for-sale financial assets, a decrease of \$128,551 on both dates; for available-for-sale financial assets evaluation, an increase of \$128,551 on both dates; for other equities, a decrease of \$2,223,516 and \$3,360,790, respectively; for retained earnings, a decrease of \$5,719; for capital surplus , a decrease of \$624,839 and \$229,837, respectively; for special reserve, a decrease of \$56,430 on both dates; for retained earnings, an increase of \$2,749,809 and \$2,937,738, respectively and for other equities, an increase of \$242. Also, for the consolidated comprehensive income statement for the year 2012, this adjustment increases the gains on investments under equity method by \$187,930.

h) Translation of financial statements of the foreign operation

According to the exemption of IFRS 1 about cumulative translation differences of foreign branches, on January 1 and December 31, 2012, the effect of this adjustment on related accounts is as follows: for retained earnings, a decrease of \$414,852 on both dates; for other equities, an increase of \$344,327 and \$414,820, respectively and for deferred income tax assets, a decrease of \$70,525 and \$32, respectively.

i) Provisions

According to IFRS 1, provisions should be recognized separately and accrued pension liabilities would be eliminated. On January 1 and December 31, 2012, the effect of this adjustment on related accounts is as follows: for accrued pension liabilities, a decreased of \$3,402,546 and \$3,528,335, respectively, and for provisions, an increase of \$3,402,546 and \$3,528,335, respectively.

In response to the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks, effective 2013, the provision of decommissioning liabilities under payables was reclassified to provisions. On January 1 and December 31, 2012, the effect of this adjustment on related accounts is as follows: for payable, a decreased of \$8,067 and \$6,955, respectively, and for provisions, an increase of \$8,067 and \$6,955, respectively.

In conformity with the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks, effective 2013, the provisions should be recorded respectively. Therefore, on January 1 and December 31, 2012, the effect of this adjustment on related accounts is as follows: for other liabilities, a decrease of \$178,615,935 and \$195,286,502, respectively, and for provisions, an increase of \$178,615,935 and \$195,286,502, respectively.

j) Hedging derivative financial assets and liabilities

In conformity with Regulations Governing the Preparation of Financial Reports by Publicly Held Banks, effective 2013, the hedging derivative financial assets and the hedging derivative financial liabilities should be recognized out of other financial assets and other financial liabilities, respectively. On January



1 and December 31, 2012, the effect of this adjustment on related accounts is as follows: for other financial assets, a decrease of \$3,074 and \$3,543, respectively; for hedging derivative financial assets, an increase of \$3,074 and \$3,543, respectively; for other financial liabilities, a decrease of \$409,907 and \$301,390, respectively; for hedging derivative financial liabilities, an increase of \$409,907 and \$301,390, respectively.

- k) Gains and losses on financial assets or liabilities measured at fair value through profit or loss, gains and losses on fair value of the hedging instrument

In accordance with the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks, effective 2013, the interest revenue and expense resulting from the financial assets and liabilities at fair value through profit or loss were reclassified to gain or loss on financial assets and liabilities at fair value through profit or loss. For the consolidated comprehensive income statement for the year 2012, this adjustment reduces an interest income by \$ 1,479,239, an interest expense by \$ 715,512, increases gains and losses on financial assets or liabilities measured at fair value through profit or loss by \$ 763,727. Reclassified gains and losses on fair value of the hedging instrument to non-interest income, for the consolidated comprehensive income statement for the year 2012, this adjustment reduces an interest income by \$142,749, an interest expense by \$319,784 and a non-interest income by \$177,035.

- l) Special reserve

In accordance with Permit No. 1010012865 (see note 2) issued by FSC on April 6, 2012, when adopting IFRS at the first time, special reserves should be recorded as the same amount as that of the unrealized revaluation surplus, and the cumulative translation differences are transferred to retained earnings while applying the exemption of IFRS 1. However, special reserve could be recognized as the increment of retained earnings due to IFRS adoption. The special reserves should be reversed in proportion to using, disposing or reclassifying the related accounts subsequently. On January 1 and December 31, 2012, the effect of this adjustment on special reserve is \$15,785,563 and \$15,395,924, respectively.

3. According to IFRS 1 First-time Adoption of International Financial Reporting Standards, except for adopting optional exemptions or mandatory exceptions, the company should prepare the financial statements following the effective accounting standards, and it should also make retroactive application to past years.

The instructions of adopted optional exemptions are as follow:

- (a) Not apply IFRS3 for enterprise mergers conducted before the adoption date of IFRS. Therefore, we didn't take any retroactive application for related accounts.
- (b) Use the revaluated amount of fixed asset according to the ROC GAAP to be deemed at cost on adoption date.
- (c) Transfer all cumulative actuarial gains and losses to retained earnings on adoption date.
- (d) Transfer the cumulative translation differences as zero and not to take any retroactive application to past years.

4. The company adjusted the financial statement in accordance with the IFRS accepted by FSC. The significant differences and effected amounts between the ROC GAAP and IFRS and the selected policies according to IFRS 1 First-time Adoption of International Financial Reporting Standards were decided by current regulations, accounting principles, and business environment, which might be changed in the future.

## (36) Notes to Disclosure Items

- 1) Information on significant transactions:

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

## 2) Information on long term investments:

## 1. Information on investees' names, locations, etc.:

Name of the investee	Investee location	Investee's main operations	% of shares	Original investment amount	Gain (loss) recognized during the period	Held by the bank and related party at year-end (Note 1)				Remarks
						Shares	Pro-forma shares	Subtotal		
								Shares	% of shares	
Hua Nan Financial Holdings Co., Ltd.	No.38, Sec.1, Chongching S. Rd. Taipei City, Taiwan	Financial Holdings	21.23	28,188,965	1,690,711	1,831,201,815	-	2,162,628,958	25.07	-
Taiwan Life Insurance Co., Ltd.	No.17, Syuchang St., Taipei City, Taiwan	Life Insurance	18.94	3,157,567	383,676	162,280,143	-	185,040,012	21.59	-
Tang-Eng Iron Works Co., Ltd.	5F., No. 53, Tonghua 4th Rd., Kaohsiung, Taiwan	Iron Industry	21.37	1,636,179	(101,303)	74,802,414	-	74,802,414	21.37	-
Kaohsiung Ammonium Sulfate Co., Ltd.	No.4, Yanhai 2nd Rd., Xiaogang Dist., Kaohsiung, Taiwan	Liquidation	91.86	2,393,485	(27,413)	303,131,576	-	303,131,576	91.86	-
Tai Yi Real-Estate Management Co., Ltd.	3F., No.56, Dunhua N. Rd., Taipei City, Taiwan	Real Estate Service	30.00	17,686	2,463	1,500,000	-	1,500,000	30.00	-

Note 1: The investees' shares or pro-forma shares held by the Company's board of directors, supervisor, CEO, vice CEO and affiliates conforming to the Company Act should be included.

Note 2: (1) Pro-forma shares are the "securities having equity property" or "derivative instrument contracts (have not been converted into stock)" that can be converted into shares of the investee company under Article 74 of the "Company Act" for investment purposes.

(2) The above "securities having equity property" means the securities that conform to the regulation in Article 11, Paragraph 1 of the Securities and Exchange Act Enforcement Rules, for example, convertible bonds and stock warrants.

(3) The above mentioned "derivative instrument contracts" conformed to the definition of derivative instrument in SFAS No. 34 "Financial Instruments: Recognition and Measurement", for example, stock options.

Note 3: The statement can be omitted in the 1st and 3rd quarters.

2. Lending to other parties: none.

3. Guarantees and endorsements for other parties: none.

4. Securities held as of December 31, 2012: none.

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 on 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 financial instruments: none.

11. Information regarding selling non-performing loans for which the amount exceeded NT\$5 billion: none.

12. Approved securitization instrument types and related information according to "asset-backed securitization" or "mortgage-backed securitization": none.

13. Other significant transaction items having influence on the decisions of these financial statements' users: none.

## 3) Information regarding investment in China

In order to accelerate the investment speed in China approved by the Board of Directors, the Bank has agreed to upgrade the representative office in Shanghai as branch approved by the Financial Supervisory Commission and Ministry of Economy on February 10, 2011 and March 31, 2011, respectively. On July 2, 2012, the Bank has obtained the license which authorized to establish a branch and opened the office on July 10, 2012.

## (37) Operational Department:

## 1) Segment Information

	December 31, 2012					
	Bank department	Department of Government Employees Insurance	Department of Procurement	Department of Precious Metals	Offset amount	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 50,331,493	21,373,048	562,759	545,104	-	72,812,404
Placement with Central Bank and call loans to banks	549,627,869	-	-	-	-	549,627,869
Financial assets at fair value through profit or loss	60,830,424	85,703,614	-	-	-	146,534,038
Bonds and bills purchased under resell agreements	4,980,621	-	-	-	-	4,980,621
Receivables, net	68,680,333	22,497,581	5,557	84,573	-	91,268,044
Loans and discounts, net	2,177,133,260	-	-	-	-	2,177,133,260
Available-for-sale financial assets, net	734,870,751	-	-	-	-	734,870,751
Held-to-maturity financial assets, net	7,056,103	54,942,943	-	-	-	61,999,046
Long-term investment under equity method, net	35,393,882	-	-	-	-	35,393,882
Other financial assets, net	69,672,866	-	-	-	-	69,672,866
Fixed assets, net	97,227,369	13,902	8,261	3,816	-	97,253,348
Intangible assets, net	1,153,781	4,791	5,372	161	-	1,164,105
Other assets, net	10,051,630	10,162,144	3,208,240	1,836,731	13,307,090	11,951,655
<b>Total assets</b>	<b>\$3,867,010,382</b>	<b>194,698,023</b>	<b>3,790,189</b>	<b>2,470,385</b>	<b>13,307,090</b>	<b>4,054,661,889</b>
<b>Liabilities</b>						
Deposit of Central Bank and other banks	\$ 213,374,465	-	-	-	-	213,374,465
Financial liabilities at fair value through profit or loss	4,876,911	43	-	-	-	4,876,954
Bonds and bills sold under repurchase agreements	11,998,398	-	-	-	-	11,998,398
Payables	41,334,550	35,883	69,238	716,391	-	42,156,062
Deposits and remittances	3,294,903,719	-	-	-	-	3,294,903,719
Accrued pension liability	4,959,970	-	-	-	-	4,959,970
Other financial liabilities	8,499,403	-	-	-	-	8,499,403
Other liabilities	35,252,589	194,662,097	3,346,772	1,204,532	13,307,090	221,158,900
<b>Total liabilities</b>	<b>3,615,200,005</b>	<b>194,698,023</b>	<b>3,416,010</b>	<b>1,920,923</b>	<b>13,307,090</b>	<b>3,801,927,871</b>

	December 31, 2012					
	Bank department	Department of Government Employees Insurance	Department of Procurement	Department of Precious Metals	Offset amount	Total
Stockholders' equity						
Common stock	70,000,000	-	-	-	-	70,000,000
Capital surplus	105,682,871	-	-	-	-	105,682,871
Retained earnings						
Legal reserve	25,218,428	-	-	-	-	25,218,428
Special reserve	98,322	-	-	-	-	98,322
Unappropriated retained earnings	7,461,515	-	374,179	549,462	-	8,385,156
Equity adjustment						
Unrealized increment on revaluation	27,383,086	-	-	-	-	27,383,086
Cumulative foreign currency translation	(800,300)	-	-	-	-	(800,300)
Net loss not recognized as pension cost	(1,163,205)	-	-	-	-	(1,163,205)
Unrealized gain (loss) on financial instruments	17,929,660	-	-	-	-	17,929,660
Total stockholders' equity	251,810,377	-	374,179	549,462	-	252,734,018
Total liabilities and stockholders' equity	<u>\$3,867,010,382</u>	<u>194,698,023</u>	<u>3,790,189</u>	<u>2,470,385</u>	<u>13,307,090</u>	<u>4,054,661,889</u>

	2012					
	Bank department	Department of Government Employees Insurance	Department of Procurement	Department of Precious Metals	Offset amount	Total
Interest revenue	\$ 56,218,164	1,444,841	67	9	-	57,663,081
Less: interest expense	(32,987,442)	-	-	-	-	(32,987,442)
Interest income, net	23,230,722	1,444,841	67	9	-	24,675,639
Non-interest income, net						
Service fee income	4,568,799	108,895	542,246	48,266	-	5,268,206
Service fee expense	(488,427)	(20,217)	(38,325)	(21,226)	-	(568,195)
Gain (loss) on financial assets and liabilities at fair value through profit or loss	3,471,105	8,636,730	-	-	-	12,107,835
Realized gain on available-for-sale financial assets	929,157	-	-	-	-	929,157
Gain on long-term investment under equity method	1,948,134	-	-	-	-	1,948,134
Foreign exchange gain (loss)	3,332,492	(1,651,528)	-	(1,210)	-	1,679,754
Gain on asset revaluation (impairment loss)	(72,267)	-	-	-	-	(72,267)
Other non-interest income	(9,798,517)	(8,387,629)	(6,751)	606,903	-	(17,585,994)
Income from property transaction	812,794	-	-	-	-	812,794
Net revenue	<u>27,933,992</u>	<u>131,092</u>	<u>497,237</u>	<u>632,742</u>	<u>-</u>	<u>29,195,063</u>

	2012					
	Bank department	Department of Government Employees Insurance	Department of Procurement	Department of Precious Metals	Offset amount	Total
Bad debt expense	3,107,865	-	-	-	-	3,107,865
Operating expense	17,656,501	131,092	123,057	83,279	-	17,993,929
Net income before tax	7,169,626	-	374,180	549,463	-	8,093,269
Income tax expense	861,112	-	-	-	-	861,112
Net income	<u>\$ 6,308,514</u>	<u>-</u>	<u>374,180</u>	<u>549,463</u>	<u>-</u>	<u>7,232,157</u>

	December 31, 2011					
	Bank department	Department of Government Employees Insurance	Department of Procurement	Department of Precious Metals	Offset amount	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 50,489,558	24,911,164	624,645	400,809	-	76,426,176
Placement with Central Bank and call loans to banks	488,555,403	-	-	-	-	488,555,403
Financial assets at fair value through profit or loss	45,083,429	65,802,579	-	-	-	110,886,008
Bonds and bills purchased under resell agreements	3,231,949	-	-	-	-	3,231,949
Receivables, net	62,899,885	23,330,050	9,076	200,769	-	86,439,780
Loans and discounts, net	2,153,591,118	-	-	-	-	2,153,591,118
Available-for-sale financial assets, net	757,373,465	-	-	-	-	757,373,465
Held-to-maturity financial assets, net	620,867	50,321,722	-	-	-	50,942,589
Long-term investment under equity method, net	32,479,598	-	-	-	-	32,479,598
Other financial assets, net	72,207,332	-	-	-	-	72,207,332
Fixed assets, net	97,845,861	6,832	7,875	4,336	-	97,864,904
Intangible assets, net	815,019	442	3,375	2,221	-	821,057
Other assets, net	9,020,337	13,690,111	3,384,358	6,020,484	(16,996,181)	15,119,110
Total assets	<u>\$3,774,213,821</u>	<u>178,062,900</u>	<u>4,029,329</u>	<u>6,628,619</u>	<u>(16,996,181)</u>	<u>3,945,938,488</u>

	December 31, 2011					
	Bank department	Department of Government Employees Insurance	Department of Procurement	Department of Precious Metals	Offset amount	Total
<b>Liabilities</b>						
Deposit of Central Bank and other banks	\$ 208,926,475	-	-	-	-	208,926,475
Financial liabilities at fair value through profit or loss	3,897,631	5,254	-	-	-	3,902,885
Bonds and bills sold under repurchase agreements	14,906,165	-	-	-	-	14,906,165
Payables	37,312,051	33,146	121,551	2,004,832	-	39,471,580
Deposits and remittances	3,218,010,687	-	-	-	-	3,218,010,687
Accrued pension liability	4,566,752	-	-	-	-	4,566,752
Other financial liabilities	5,756,183	-	-	-	-	5,756,183
Other liabilities	35,260,126	178,024,500	3,488,963	4,251,224	(16,996,181)	204,028,632
<b>Total liabilities</b>	<b>3,528,636,070</b>	<b>178,062,900</b>	<b>3,610,514</b>	<b>6,256,056</b>	<b>(16,996,181)</b>	<b>3,699,569,359</b>
<b>Stockholders' equity</b>						
Common stock	\$ 70,000,000	-	-	-	-	70,000,000
Capital surplus	106,077,872	-	-	-	-	106,077,872
Retained earnings						
Legal reserve	24,119,287	-	-	-	-	24,119,287
Special reserve	518,561	-	-	-	-	518,561
Unappropriated retained earnings	5,472,427	-	418,815	372,563	-	6,263,805
Equity adjustment						
Unrealized increment on revaluation	26,581,673	-	-	-	-	26,581,673
Cumulative foreign currency translation	(366,046)	-	-	-	-	(366,046)
Net loss not recognized as pension cost	(809,180)	-	-	-	-	(809,180)
Unrealized gain (loss) on financial instruments	13,983,157	-	-	-	-	13,983,157
<b>Total stockholders' equity</b>	<b>245,577,751</b>	<b>-</b>	<b>418,815</b>	<b>372,563</b>	<b>-</b>	<b>246,369,129</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$3,774,213,821</b>	<b>178,062,900</b>	<b>4,029,329</b>	<b>6,628,619</b>	<b>(16,996,181)</b>	<b>3,945,938,488</b>

	2011					
	Bank department	Department of Government Employees Insurance	Department of Procurement	Department of Precious Metals	Offset amount	Total
Interest revenue	\$ 52,367,793	1,396,332	63	1	-	53,764,189
Less: interest expense	(30,577,630)	-	-	-	-	(30,577,630)
Interest income, net	21,790,163	1,396,332	63	1	-	23,186,559
Non-interest income, net						
Service fee income	4,821,824	135,279	573,025	43,197	-	5,573,325
Service fee expense	(490,844)	(20,587)	(37,156)	(64,442)	-	(613,029)
Gain (loss) on financial assets and liabilities at fair value through profit or loss	3,892,395	(8,021,468)	-	-	-	(4,129,073)
Realized gain on available-for-sale financial assets	1,363,849	-	-	-	-	1,363,849
Gain on long-term investment under equity method	2,255,273	-	-	-	-	2,255,273
Foreign exchange gain (loss)	1,757,424	838,664	-	293	-	2,596,381
Gain on asset revaluation (impairment loss)	37,027	-	-	-	-	37,027
Other non-interest income	(9,370,939)	5,809,175	6,856	471,610	(70)	(3,083,368)
Income from property transaction	421,670	-	-	-	-	421,670
Net revenue	26,477,842	137,395	542,788	450,659	(70)	27,608,614
Bad debt expense	5,044,978	566	-	-	(70)	5,045,474
Operating expense	17,775,278	136,829	123,973	78,095	-	18,114,175
Net income before tax	3,657,586	-	418,815	372,564	-	4,448,965
Income tax expense	785,160	-	-	-	-	785,160
Net income	\$ 2,872,426	-	418,815	372,564	-	3,663,805

## 2) Geographical information:

The Bank categorizes overseas operational department in accordance with their location. As the income and non-current assets do not meet the substantial material amount, the Bank will not disclose the information.

## 3) Information of important clients

As the Bank does not contain any clients of more than 10% of income, the information will not be disclosed.

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

None

## VI. Effect of Financial Difficulties Experienced by the Bank and Related Enterprises on the Bank's Financial Status in Most Recent Year and to the Annual Report Publication Date

None



# Review of Financial Conditions, Operating Results, and Risk Management

## I. Analysis of Financial Status

Unit: NT\$1,000

Items \ Year	Dec. 31, 2012	Dec. 31, 2011 (restated)	change	
			Amount	%
Total Assets	4,054,661,889	3,945,938,488	108,723,401	2.76
Total Liabilities	3,801,927,871	3,699,569,359	102,358,512	2.77
Total Shareholders' Equities	252,734,018	246,369,129	6,364,889	2.58

## II. Analysis of Operating Results

Unit: NT\$1,000

Items \ Year	2012	2011 (restated)	Amount Change	% Change
Net interest income	24,675,639	23,186,559	1,489,080	6.42
Non-interest income (net)	4,519,424	4,422,055	97,369	2.20
Net revenues	29,195,063	27,608,614	1,586,449	5.75
Bad debt expenses	3,107,865	5,045,474	(1,937,609)	(38.40)
Operating expenses	17,993,929	18,114,175	(120,246)	(0.66)
Net income-before tax	8,093,269	4,448,965	3,644,304	81.91
Income tax expense	861,112	785,160	75,952	9.67
Net income-after tax	7,232,157	3,663,805	3,568,352	97.39

Analysis of changes in increase / decrease ratios:

1. The increase in net income before-tax in 2012 compared with 2011 was due mainly to reduced in provision for bad loans and increased net interest income and profit from property transactions.
2. The increase in net interest income in 2012 compared with 2011 was due to the fact that the increase in interest income was larger than the increase in interest expense.
3. The increase in non-interest net income in 2012 was due mainly to a increase in income from property transaction.
4. The decrease in provision for loan losses in 2012 as compared with 2011 was caused mainly by the previous year's added allocation in provision against bad debts as a result of Bulletin 34's third revision.
5. The increase in income tax expense in 2012 as compared with 2011 was due mainly to an increase in net income before-tax ; calculation by actual profit structure led to an increase in income tax.

## III. Analysis of Cash Flow

### 1. Liquidity Analysis for the Past Year

#### (1) Cash Flow Analysis

Unit: NT\$1,000

Item	2012	2011 (restated)	Amount Change	% Change
Net cash inflow (outflow)	57,737,348	(41,064,481)	98,801,829	240.60

The main reasons for the net change were as follows:

Unit: NT\$1,000

Items	Amount
Increase in net cash inflow from operating activities	20,323,222
Increase in net cash inflow from placement with Central Bank	(1,857,357)
Increase in net cash outflow from acquisition of available-for-sale financial assets	(233,496,431)
Increase in net cash inflow from proceeds of available-for-sale financial assets at maturity	274,907,981
Increase in net cash outflow from acquisition of held-to-maturity financial assets	1,033,307
Increase in net cash inflow from Proceeds of held-to-maturity financial assets at maturity	(5,699,961)
Decrease in net cash outflow from loans and discounts	62,447,336
Decrease in net cash inflow from deposits of banks	4,991,811
Decrease in net cash inflow from deposits and remittances	44,813,356
Others	(68,661,435)
Amount Change	98,801,829

(2) Remedy for Estimated Shortage of Liquidity : Not applicable.

## 2. Cash Flow Analysis for the Coming Year

Unit: NT\$1,000

Beginning Cash Balance (a)	Annual Net Cash Flow from Business Activities (b)	Annual Net Cash Flow from Other Activities (c)	Cash Balance (Shortage) (a) + (b) - (c)	Remedy for Estimated Cash Shortage	
				Investment Plan	Financial Management Plan
903,691,938	6,095,159	(1,291,034)	911,078,131	-	-

### (1) Cash Flow Analysis

- Business activities: Due primarily to a net cash inflow of NT\$6,095,159,000 produced by business activities.
- Investment activities: A net cash inflow of NT\$2,816,685,000 was realized from investment activities mainly due to a net increase in the collection of interest and dividends, together with a net increase of the current financial assets, fund, long-term investment, and long-term receivables.
- Financing activities: Primarily a net cash outflow of NT\$4,107,719,000 produced by financing activities as a result of decreases in non-current financial liabilities, other liabilities together with paying interest and cash dividends released.

(2) Remedial action to make up for cash inadequacy, and liquidity analysis: Not applicable.

## IV. Major Capital Expenditure Items

None

## V. Investment Policy in Last Year

The Bank actively plans for the disposal of reinvested enterprises that are performing poorly, for which the original purpose of investment has been achieved, or which are unrelated to the Bank's business in order to heighten the overall performance of investment. Owing to the impact of the European debt turmoil on the global financial market in 2012, the overall profitability of the BOT's reinvested companies, as calculated by the equity method, slightly declined. Although investment income as recognized under the equity method declined from the previous year, when stock dividends received are added investment income for the year amounted to approximately NT\$2.7 billion, reflecting a good investment performance. To assure the quality of investment and to heighten return on investment, the Bank actively implements share-release plans to release the weak and keep the strong, and participates in meetings of the boards of directors and supervisors of invested enterprises so as to remain aware of their business conditions and protect the Bank's investment interests.

To provide customers with a greater diversity of insurance products and professional insurance consultation and planning services, on Feb. 6, 2013 the BOT established a 100% reinvested subsidiary, the BankTaiwan Insurance Brokers Co., Ltd. with a capitalization of NT\$20 million.

## VI. Risk Management

### 1. Qualitative & Quantitative Information on Different Types of Risk

#### (1) Credit Risk Management and Accrued Capital

##### A. Credit Risk Management System

Year 2012

Items	Contents
Credit Risk Strategies, Goals, Policies, and Procedures	<ol style="list-style-type: none"> <li>Credit Risk Strategies, Goals, Policies               <ol style="list-style-type: none"> <li>In accordance with the loan, investment strategies and operating directions approved by the Board of Directors, and in compliance with the New Basel Capital Accord and the regulatory provisions of the competent authority, the Bank has established a credit risk management system and policy and, in response to changes in the macroeconomic market, loan portfolio risk, and asset quality, and to coordinate with government policy, the Bank readjusts its risk management policy according to internal procedures whenever necessary.</li> <li>The Bank will establish and effectively implement a healthy credit risk management mechanism, lower credit risk, and achieve operating and management targets.</li> <li>When the Bank engages in business and management procedures related to credit risk, it evaluates the probability and severity of losses from the investment or loan and adopts appropriate credit risk management countermeasures in consideration of the Bank's risk appetite and cost effectiveness. Risk management countermeasures include risk hedging, risk transfer or mitigation, risk control, and assumption of risk.</li> </ol> </li> <li>Credit Risk Management Procedures               <ol style="list-style-type: none"> <li>Credit risk assessment and monitoring are carried out in accordance with the relevant regulations of the competent authority and the BOT, and reports are submitted to the BOT's Board of Directors and Risk Management Committee.</li> <li>Risk quotas and early-warning indexes are established by industry, country, conglomerate, financial institution, and trading partner in order to control the concentration of risk and large exposure, and monitoring and reporting are carried out.</li> <li>To effectively measure the quality of loan assets, the Bank has established pre-loan investigation and screening rules and procedures. It has also strengthened post-loan management, and has adopted the following control and measurement mechanisms: a loan review and follow-up evaluation system, and loan early-warning mechanism; monitoring of asset quality; strengthened early warning and management for abnormal loans; full allocation of loss provisions; and adequate capital provision.</li> <li>The Bank has developed and established various risk rating models, rating systems, and management systems related to credit risk, and is gradually introducing them into the Bank's credit analysis and loan processes to help the Bank identify and weigh credit risk and strengthen its credit risk management capability.</li> </ol> </li> </ol>
Organizational Framework of Credit Risk Management	<p>The BOT's organizational framework of credit risk management includes the Board of Directors, Risk Management Committee, Department of Risk Management, units in charge of business, and other business units.</p> <p>The Board of Directors is the Bank's supreme policymaking unit and has final responsibility for the Bank's overall risk management. The Risk Management Committee is responsible for the Bank's risk management policy, system, rules, organization, overall risk assessment, supervise, and examining revision affairs.</p>
Scope and Characteristics of the Credit Risk Reporting and Measuring System	<ol style="list-style-type: none"> <li>Credit Risk Reporting               <p>Scope: Includes the standard system-produced credit risk reports that are submitted to the competent authority, and monthly credit risk monitoring reports.</p> <p>Characteristics: The Bank's Department of Risk Management produces credit risk monitoring reports and submits them to the chief executive on a monthly basis, and also makes regular reports to the Board of Directors and Risk Management Committee. The contents of these reports include risk-control conditions such as the status of bank-wide exposure to credit risk, the status of utilization of total amounts and quota limits, analysis of the management of credit risk concentration, analysis of overseas branch (including the OBU) loan asset portfolios and anonymous loan participants, and asset quality and off-book items. Dynamic monitoring of credit risk is also carried out as necessary, and if major changes are found they are reported, according to established procedure, to the relevant superior unit and then to the chief executive in order to control credit risk effectively.</p> </li> </ol>

Items	Contents
	<p>2. Credit Risk Measuring System</p> <p>Scope: The Bank currently uses the risk standardized approach to calculate capital allocation. The Risk Management Information System automatically produces various reports each month, including reports to the competent authority, management-related reports, and information-disclosure reports. These reports are used to compile monitoring reports for ranking executives, the Risk Management Committee, and the Board of Directors. The Bank is currently installing a risk-management mechanism with an internal ratings-based approach that is compliant with the New Basel Capital Accord. Corporate banking information is being collected bank-wide for the establishment of a credit risk databank, data mart, and credit-rating system, and models are being set up for default probability in corporate banking and consumer banking, loss given default, and exposure at default. After these systems are in place they will be introduced into the Bank's credit analysis and loan processes, and the advance measurement approach will be used to measure and manage credit risk.</p> <p>Characteristics: The risk measurement and mechanisms are used together with consideration of credit characteristics, changes in the market and economic environment, collateral or guarantees, individual transaction risk, and investment portfolio in carrying out general business and risk cost performance consolidation so as to enhance the Bank's credit risk management capability and strengthen its credit risk management mechanism.</p>
Credit Risk Hedging and Mitigation Policy, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments	<p>1. Credit Risk Hedging and Mitigation Policy</p> <ol style="list-style-type: none"> <li>(1) The Bank has established quotas for the concentration of various items of risk—by industry, conglomerate, and country, among others.</li> <li>(2) The Bank has established a loan review and follow-up auditing system to strengthen post-loan management, and continuous monitoring of the condition of borrowers. Loan review is carried out within the term of loans in accordance with the review rating, and follow-up auditing is carried out for important loan cases.</li> <li>(3) The Bank operates in accordance with its loan policy and rules for the handling of collateral to seek the provision of collateral or guarantees to augment the creditworthiness of borrowers and lower credit risk.</li> <li>(4) Credit risk mitigation methods (such as offset against net, and eligible collateral and guarantees) are included in related information systems in accordance with the rules of the New Basel Capital Accord and the competent authority in order to calculate the results of the Bank's risk mitigation accurately.</li> </ol> <p>2. Strategy and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments</p> <ol style="list-style-type: none"> <li>(1) The Bank monitors the status of and changes in credit risk-concentration quotas, distribution of risk exposure, asset quality, and types of collateral exposure on a scheduled basis, reviews trigger ratios and limit ratios whenever necessary, and assure the integrity and effectiveness of collateral and guarantees. Scheduled reports are submitted to the Risk Management Committee for use in compiling statements on effective strategies and procedures, and in studying countermeasures.</li> <li>(2) The Bank has set up a collateral management system that can effectively handle its collateral. Analysis and policy readjustments are carried out when necessary in response to market and economic changes. In the future, a collateral reappraisal system and mechanism will be established for the accurate calculation of the results of collateral mitigation and the effective use of the early-warning system.</li> </ol>
Method of Legal Capital Allocation	Standardized Credit Risk Approach

## B. Exposure and Accrued Capital Following Risk Mitigation Using the Standardized Credit Risk Approach

Dec. 31, 2012

Unit: NT\$1,000

Type of Exposure	Exposure Following Risk Mitigation	Accrued Capital
Sovereign Nations	1,432,212,237	60,263
Non-Central Government Public Sector	454,444,216	12,475,716
Banks (including multilateral development banks)	243,189,543	7,148,122
Enterprises (including securities and insurance firms)	846,375,403	61,593,099
Retail Debt	327,542,190	13,624,994
Residential Real Estate	499,285,287	22,366,479
Equity Investment	13,458,780	4,175,915
Other Assets	151,031,066	9,043,374
Total	3,967,538,722	130,487,962

### (2) Securitization Risk Management System, Exposure, and Accrued Capital

#### A. Securitization Risk Management System

Year 2012

Items	Contents
Securitization Management Strategy and Procedures	<ol style="list-style-type: none"> <li>1. The BOT has not acted as the originator of securitized products, but only as investor.</li> <li>2. The BOT's management strategy and procedures for investment in securitized products are handled in accordance with the rules contained in the Bank's "Investment Policy," "Guidelines for Dealing in Domestic Bonds," and "Operating Rules for Engaging in the Offshore Banking Business."</li> </ol>
Securitization Management Organization and Framework	The BOT has not played the role of originator bank, and the risks potentially associated with its investment in securitized products (including credit risk, market risk, liquidity risk, interest rate risk, and operational risk) are controlled in accordance with the organizations and frameworks related to the different categories of risk as well as with the BOT's risk management system and reporting mechanism.
Scope and Characteristics of the Securitization Risk Reporting and Measuring System	The BOT carries out prior evaluation of the risks and benefits associated with investment in securitized products in accordance with the relevant investment rules; evaluates profit and loss on a monthly basis; submits risk reports to the unit in charge, Department of Risk Management, ranking executives, and Investment Commission; and reports regularly to the Risk Management Committee and the Board of Directors.
Securitization Risk Hedging and Mitigation Policies, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Risk Hedging and Mitigation Instruments	The BOT has not acted as originator bank.
Method of Legal Capital Allocation	Standardized Approach

## B. Status of Risk Securitization Undertaken

None

## C. Securitization Risk Exposure and Accrued Capital (according to the type of transactions)

Dec. 31, 2012

Unit: NT\$1,000

Type of Exposure Bank Book		Asset Class	Traditional					Synthetic		Total		
			Risk Exposure				Accrued Capital (2)	Risk Exposure	Accrued Capital (4)	Risk Exposure (5)=(1)+(3)	Accrued Capital (6)=(2)+(4)	Accrued Capital Before Securitization
			Retention or Purchasing	The provision of liquidity facilities	The provision of credit were strengthened	Subtotal (1)		Retention or Purchasing (3)				
Non-Originating Bank	Banking Book	CMO	1,825,286	0	0	1,825,286	29,205	0	0	1,825,286	29,205	
		CDO	1,436,739	0	0	1,436,739	262,523	0	0	1,436,739	262,523	
	Trading Book											
		Subtotal	3,262,025	0	0	3,262,025	291,728	0	0	3,262,025	291,728	
Originating Bank	Banking Book											
	Trading Book											
	Subtotal											
Total			3,262,025	0	0	3,262,025	291,728	0	0	3,262,025	291,728	

## D. Securitized product information—securitized product investment summary sheet

Dec. 31, 2012

Unit: NT\$1,000

Items	Account Name	Historical Cost	Accumulated profit and loss assessment	Accumulated impairment loss	Book Value
ABS	Available-for-sale financial assets-noncurrent	995,505		(995,505)	0
CDO	Financial assets measured at fair value through profit or loss-current	1,161,400	(15,011)		1,146,389
CDO	Debt investment without quoted price in active markets-noncurrent	290,350			290,350
CDO	Debt investment without quoted price in active markets-current	290,350			290,350
CMO	Debt investment without quoted price in active markets-noncurrent	1,792,015	33,271		1,825,286

Securitized product information –  
Original cost of single investment in securitized products in excess of NT\$300 million

Dec. 31, 2012

Unit: NT\$1,000

Name of Security	Account Name	Currency	Issuer of security and its location	Purchase Date	Expiry Date	Coupon Rate	Credit Rating	Settlement Method	Historical Cost	Accumulated assessment of profit and loss / Amortization	Book Value	Attachment point	Asset Pool
KKRF 2005-1X 1A FRN (USG6267NAA57)	Financial assets measured at fair value through profit or loss-Current	USD	Morgan Stanley Managed ACES SPC (Cayman Island)	2006/2/7	2013/3/20	3ML+50BP	Ba2/A+	Quarterly interest payments and repayment of principal at maturity	435,525	(6,533)	428,992	14.82%	(1)Senior Debt (numbered 80) USD7,950,000,000 (2)Subordinated Debt (numbered 9) USD1,150,000,000
RUTLAND RATED INVESTMENTS (USG77264BL54)	Financial assets measured at fair value through profit or loss-Current	USD	Rutland Rated Investments (Cayman Island)	2006/5/24	2013/6/20	3ML+70BP	Ba3/BBB+/BB	Quarterly interest payments and repayment of principal at maturity	435,525	261	435,786	5.73%	CDS (numbered 124) USD17,120,788,000
E. Sun Bank 2007-1 ABSB1	Available-for-sale financial assets-noncurrent	NTD	HSBC, Taipei	2007/5/25	2014/6/15	2.4500%	C.tw	Quarterly interest payments; repayment of principal in 10 payments beginning Mar. 15, 2012	995,505	(995,505)	0	6.67%	Triaxx Funding High Grade I, Ltd. Class C Notes : USD149,375,000

(3) Operational Risk Management System and Accrued Capital

A. Operational Risk Management System

Year 2012

Items	Contents
Operational Risk Management Strategies and Procedures	The Bank has established multi-level authorization rules and reporting procedures, in its business rules and operating manuals, in regard to bank customers, products and business activities, business sources, sales channels, and transaction complexity and volume, and in consideration of potential risk. In its SOP the Bank also stipulates that in their review work officers should pay attention to risk control, strengthen identification, emphasize potential risk, formulate evaluation procedures, and establish a frequency of risk monitoring on a regular basis.
Organizational Framework of Operational Risk Management	<ol style="list-style-type: none"> <li>1. The Board of Directors is the Bank's operational risk management supreme policymaking unit, which approves the Bank operation management policies and makes sure the Bank effectively carries out the operational risk management mechanism.</li> <li>2. The Risk Management Committee implements operational risk management policies approved by the Board of Directors, establishes and maintains operational risk management mechanism, coordinates interdepartmental operational risk management matters.</li> <li>3. The Department of Auditing of Board of Directors is the Bank's independent auditing unit, and evaluates the effectiveness the design and implementation of operational risk management.</li> <li>4. The Department of Risk Management is responsible for establishing a systematic criteria to identify, measure, evaluate and monitor operational risk management, and submits reports to the Risk Management Committee on bank-wide operation risk information.</li> <li>5. The units in charge of different areas of business have established business rules and operating manuals in order to distinguish operational risk.</li> <li>6. The different units bank-wide carry out their various businesses in accordance with business rules, operating manuals, and standard operating procedures.</li> </ol>



Items	Contents
Scope and Characteristics of the Operational Risk Reporting and Measurement System	<p>Operational risk reporting:</p> <ol style="list-style-type: none"> <li>1. The Bank convenes meetings of the Risk Management Committee on a regular basis, and bank-wide operational risk management and control reports are submitted. The scope of the reports encompasses the collection, filing, and analysis of incidents of operational risk loss; the establishment of standard operating procedure “SOP” pages on the Bank’s internal global information website to provide for retrieval by Bank employees; and various kinds of risk-culture education. These activities are designed to lower operational risk.</li> <li>2. A unit that discovers deficiencies in the management mechanism or major operational risk incidents immediately notifies the relevant unit, and the unit in charge of the business concerned carries out review and improvement as well as guidance for the various units.</li> </ol> <p>Measurement system:</p> <p>The Bank constantly collects internal loss data and has set up an operational loss databank. The Bank is also introducing Operational Risk Control Self-Assessment (RCSA) and Key Risk Indicators (KRI) as tools for measuring operational risk.</p>
Operational risk hedging or risk mitigation policy, and strategies and procedures for monitoring the continuing effectiveness of risk hedging and mitigation instruments	<ol style="list-style-type: none"> <li>1. To reduce operational risk, the Bank has established regulations and operations manuals to serve as a basis for undertaking relevant business operations.</li> <li>2. The Bank hedges against operational risk by taking out insurance for its transfer in accordance with its accumulated experience and operating procedures, as well as in consideration of various types of business cost/effectiveness analysis. Insurance (such as employee fidelity insurance, cash insurance, home insurance, and miscellaneous equipment insurance) and remote backup are used to offset operational risk losses caused by operational negligence, personnel, assets, or systems. The outsourcing of operations is handled in accordance with the Bank’s “Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Operations” in order to prevent operational risk from outsourced operations.</li> </ol>
Method of Legal Capital Allocation	Basic Indicator Approach

## B. Operational Risk Management Accrued Capital

Dec. 31, 2012

Unit: NT\$1,000

Year	Operating gross profit	Accrued Capital
2010	23,959,996	
2011	26,509,906	
2012	28,281,524	
Total	78,751,426	3,937,571

## (4) Market Risk Management System and Accrued Capital

## A. Market Risk Management System

Year 2012

Items	Contents
Market Risk Management Strategies and Procedures	In accordance with the business risk management strategies and operating directions approved by the Board of Directors, and in compliance with the New Basel Capital Accord and the regulatory provisions of the competent authority, the Bank has established a market risk management system and policy. To effectively identify, assess, measure and monitor the risk associated with different investment business, the Bank sets up different investment quotas and stop-lose limits and reports are submitted to the BOT's Board of Directors and Risk Management Committee.
Organizational Framework of Market Risk Management	<ol style="list-style-type: none"> <li>1. The BOT's organizational framework of risk management includes the Board of Directors, Risk Management Committee, Department of Risk Management, units in charge of business, trading units and their traders, risk control personnel, and back-office personnel.</li> <li>2. The Board of Directors is the Bank's supreme market risk management and monitoring unit, which is responsible for the risk policies and the Bank's quota limits approval.</li> <li>3. The Risk Management Committee is responsible for the Bank's risk management policy, system, rules, organization, overall risk assessment, supervise, and examining revision affairs.</li> <li>4. Department of Risk Management is Responsible for the planning and revision of risk management, handles formulation and integration of risk management regulations.</li> </ol>
Scope and Characteristics of Market Risk Reporting and Measurement	<ol style="list-style-type: none"> <li>1. The Bank's market risk monitoring encompasses all trading units and overall and individual trading procedures for different financial products, and includes changes in position, changes in profit and loss, trading models, and trading targets, all of which should be carried out in accordance with the Bank's quota limits, stop-loss, and over limit disposition rules, and within authorization limits.</li> <li>2. The Bank's Department of Risk Management produces market risk monitoring reports and submits them to the chief executive on a monthly basis, and also makes regular reports to the Board of Directors and Risk Management Committee. The contents of these reports include risk-control conditions such as the status of bank-wide exposure to credit risk, capital requirement, financial instruments quotas and limit exceeding, analysis of the management of risk concentration, and analysis of overseas branch (including the OBU) investment assets portfolio, among others.</li> <li>3. The Bank currently uses the risk standardized approach to calculate capital allocation. The Risk Management Information System automatically produces various reports each month, including reports to the competent authority, management-related reports, and information-disclosure reports. These reports are used to compile monitoring reports for ranking executives, the Risk Management Committee, and the Board of Directors.</li> <li>4. In response to the increasing complexity and innovativeness of financial products and trading, and to strengthen the management of market risk, the BOT has set up a complete internal model approach VaR system for market risk that produces various kinds of risk management reports every day, including value at risk, profit and loss analysis, sensitivity analysis, extent of concentration, and capital requirements. The Bank has also continued to carry out the accumulation of related data as a basis for advanced market risk control in the future.</li> </ol>
Market Risk Hedging and Mitigation Policy, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Risk Mitigation Instruments	<ol style="list-style-type: none"> <li>1. The BOT's "Operating Rules for Engaging in the Offshore Banking Business" clearly specify the range of trading in the offshore banking business and establish trading limits according to the credit rating and world ranking of counterparties, issuing institutions, and guarantor institutions. The Rules also have strict specifications regarding categories of securities, with trading quotas and stop-loss limits being established for the trading book positions of different units.</li> <li>2. In accordance with the "Operating Criteria for Derivatives Products, and Internal Control Operating Methods", the Bank uses the following risk-hedging principles to hedge risk in trading in derivative financial products by trading units: (1) Reviews principal and loss quotas on a regular basis (2) For products that do not admit of decomposition, positions should be covered in round lots, with no retained positions allowed. (3) Reverse-squaring trading for derivatives positions has been provided for, and can be used for the mutual offsetting of positions, which are listed as net amounts. (4) When trading units undertake trading in derivative products based on product or other profits, with the exception of credit derivatives they must, in principle, engage in pairs trading so as to transfer and reduce risk.</li> </ol>
Method of Legal Capital Allocation	Standardized Approach

## B. Market Risk Accrued Capital

Dec. 31, 2012

Unit : NT\$ 1,000

Risk Category	Accrued Capital
Interest rate risk	2,606,051
Equity security risk	1,315,484
Foreign exchange risk	1,890,920
Commodity risk	5,632
Total	5,818,087

## (5) Liquidity Risk

The Bank uses two methods to manage liquidity risk: total amount management, and flow management. Total amount management is carried out according to the Central Bank's "Liquidity Reserve Checking Guidelines for Financial Institutions," and liquidity reserves are allocated in reference to fluctuations in the Bank's flow of funds. The implementation of flow management depends on the time and place of inflow and outflow of funds and is divided into real-time management and medium- and long-term management. When the flow of funds reaches a set limit, business units are required to submit a report immediately so as to maintain a grasp of the status of capital and provide for the adoption of advance countermeasures. In addition, a monthly analytic report on the Bank's New Taiwan Dollar and Foreign Currencies funds liquidity risk and interest-rate risk is compiled and submitted to the Assets and Liabilities Management Committee and to the Board of Managing Directors quarterly.

## A. New Taiwan Dollars-Denominated Maturity Date Structure

Dec. 31, 2012

Unit : NT\$ 1,000

Items	Total	Amounts by Time Remaining before Maturity				
		0-30 days	31-90 days	91-180 days	181 days-one year	Over one year
Major inflows of matured funds	3,998,398,279	1,035,701,188	519,430,197	425,992,939	439,593,611	1,577,680,344
Major outflows of matured funds	4,362,009,529	466,517,604	587,441,948	511,283,536	1,013,987,589	1,782,778,852
Period gap	(363,611,250)	569,183,584	(68,011,751)	(85,290,597)	(574,393,978)	(205,098,508)

Note: The table includes only New Taiwan Dollar Amounts held in head office and the domestic and overseas branches, excluding foreign currencies.

## B. U.S. Dollars-Denominated Maturity Date Structure

Dec. 31, 2012

Unit : US\$ 1,000

Items	Total	Amounts by Time Remaining before Maturity				
		0-30 days	31-90 days	91-180 days	181 days-one year	Over one year
Major inflows of matured funds	30,641,028	9,794,870	10,163,820	4,241,455	1,965,473	4,475,410
Major outflows of matured funds	30,518,075	15,404,235	8,716,733	3,154,775	1,523,041	1,719,291
Period gap	122,953	(5,609,365)	1,447,087	1,086,680	442,432	2,756,119

Note: The table includes only USD Amounts held in head office and the domestic and overseas branches and offshore Banking Branch.

## 2. Impact of Changes in Major Domestic and Overseas Policies and Laws on the Bank's Financial Operations, and Countermeasures

The Bank will remain attentive to the influence of major government financial and economic policies, and will provide appropriate responses in a timely fashion so as to lower the impact on its financial operations.

## 3. Impact of Technological and Industrial Changes on the Bank's Financial Operations, and Countermeasures

In response to changes in technology the Bank has brought in an operating procedure for overall banking business digitization, using IT equipment (computers together with information networks) to provide various services so that customers do not have to go to the bank in person but can access the information and carry out the account-processing functions they need through end-user equipment that is online with the Bank's computer. The use of Internet technology enables the Bank to remain in constant communication with actual branches, the Internet bank, customer telephone service center, wireless applications, and even digital TVs, thus, expanding the customer interface and enhancing operational efficiency.

The Bank has responded to changes in industry by establishing limits on loans to different industries. Besides complying with banking laws and regulations, this also reduces the risk of over-concentration of loan assets and alleviates the impact, via the domino effect, of any single incident or economic reversal.

The Bank has established risk limits by industry and conglomerate in order to diversify the risks imposed on the Bank by industrial and technological changes: 1. Loan quota ratios and trigger ratios are established for different industries in order to diversify loan risk by industry; 2. Loan risk assumption ratios are established for conglomerates in order to strengthen risk management.

The Bank, therefore, uses regular videoconference seminars on key industries and sends personnel to attend specialized industry seminars conducted by outside organizations in order to reinforce industry know-how, and it buys into outside industrial and economic databanks so that credit investigators can use them whenever necessary to secure a deep understanding of industrial developments and reduce loan risk.

## 4. Impact of Changes on the Bank's Image, and Countermeasures

In addition to achieving its budget profit target and participating actively in numerous public-benefit activities, the Bank also turned in an outstanding performance in other areas of business. This earned several awards for the Bank: including a listing among Asia's 10 and the world's 50 safest banks by the American magazine Global Finance; first place among financial institutions on Digitimes magazine's listing of the 100 best websites in Taiwan in 2012; an Outstanding Award for government service quality from the Ministry of Finance; and BS25999 Business Continuity Management certification from the British Standards Institution, a good brand image captures the favor of the public.

## 5. Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

None

## 6. Expected Benefits from, Risks Relating to and Response to Operating Channel Expansion Plans

The BOT enjoys outstanding credit, a broad and stable market base, a correspondent banking system that covers Taiwan and the world, and a fine management system. Since the addition of more business locations can expand the deposit, loan, remittance, and wealth management businesses while increasing stable customer sources, the Bank will continuously evaluate the feasibility of setting up new business locations, in light of economic conditions and the development of commerce and industry in different areas, in order to provide customers with a full range of services and establish a solid operating base.

The BOT established the Shanghai Branch on July 10, 2012. Besides continuing to provide services to

Taiwanese companies in mainland China, the BOT has also been designated by the Central Bank of the Republic of China (Taiwan) as the NT Dollar settlement bank in that area.

To reinforce international deployment, in 2013 the Bank will establish a Mumbai Representative Office and Sydney Branch preparatory, for which active preparatory work is now under way.

The Bank has established an “Overseas Branch Preparatory Committee” to facilitate the careful planning of deployment strategy, including branch establishment, manpower training, business marketing, and establishment of regulatory and information systems, and to make preparations for potential operational risk.

## 7. Risks Arising from the Concentration of Business, and Countermeasures

The Bank’s main source of income is interest, and for this reason changes in interest rates have a relatively large influence on the Bank’s income. To reduce the risk caused by interest-rate fluctuations, the Bank will monitor changes in interest rates continuously and closely, adjust the structure of its assets and liabilities, and increase the ratio of fee and commission income.

## 8. Effects of, Risks Relating to and Response to Changes in Control over the Bank

None

## 9. Impact on and risk to the Bank of, and countermeasures for, large equity transfers or exchanges of shares by directors, supervisors, or major shareholders owning more than 1% of total shares

None

## 10. Litigation or Non-litigation Matters

None

## 11. Other Major Risks

None

# VII. Crisis Management Mechanism

In regard to latent or present crises, the Bank has adopted a series of pre-event, mid-event, and post-event countermeasures. The crisis management mechanism that has been established by the Bank includes the following:

1. A “BOT Emergency Response Manual.”
2. The “BOT Crisis Reporting Rules.”
3. A “BOT Operation Crisis Response Countermeasures.”
4. A “BOT Operations Non-Interruption Plan.”
5. An emergency reporting system for headquarters and branches.
6. A BOT Crisis Reporting System.

# VIII. Other Important Matters

None



# 穩健

踏實經營、健全體質、穩定成長

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滿溢

臺銀用心，歷久彌新  
為你創造『滿溢』財富  
讓你人生金『滿意』





## Special Disclosure

### I. Information on Affiliated Enterprises

#### Declaration Letter

The relationship report for the year ended December 31, 2012 of the Company was prepared in accordance with the regulation of "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises". There was no significant inconsistency on the related information between this report and notes for the financial report for the above period.

Declare here specially

Bank of Taiwan

Chairman



March 15, 2013

## 1. Independent Auditors' Review Opinion

### Independent Auditors' Review Opinion

The Board of Directors  
Bank of Taiwan:

We have reviewed the relationship report of Bank of Taiwan for the year 2012 in accordance with the Securities and Futures Bureau of the Financial Supervisory Commission Tai Tsai Jeng (6) No. 04448 announced on November 30, 1999. Our work is to express an opinion on the relationship report of Bank of Taiwan for the year 2012, whether it was prepared in accordance with the regulation of “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” and not significantly inconsistent with the notes for the financial report for the same period audited in 2012.

In our opinion, we did not find any violation of the regulation of “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” or any significant inconsistencies with the notes for the financial report for the same period in the above relationship report.

KPMG Certified Public Accountants  
March 15, 2013

The report is 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 report, the Chinese version shall prevail.

## 2. A Relationship Profile Between Affiliated Company and Controlling Company

Name of Controlling Company	Reason for Control	Controlling Company Shareholding and Pledged Shares			Directors, Supervisors, and Managers Appointed by the Controlling Company	
		Shares Owned	Ratio of Shares Owned	No. of Pledged Shares	Position	Name
Taiwan Financial Holding Co., Ltd.	Affiliated Relationship with 100% shares	7,000,000,000 Shares	100%	None	Chairman	LIU, TENG-CHENG
					Managing Director and President	CHANG, MING-DAW
					Independent Managing Director	HSU, YI-HSIUNG
					Managing Director	YANG, CHENG-CHEN
					Independent Director	SHEN, CHUNG-HUA
					Managing Director	TSENG, MING-CHUNG
					Independent Director	CHEN, MING-CHIN
					Director	YANG, MING-SHYANG
					Director	CHANG, CHIH-HUNG
					Director	RAU, HSIU-HUA
					Director	LEE, KUANG-HUEI
					Director	CHEN, CHUN-HSIUNG
					Director	CHEN, HSI-CHUAN
					Director	LEE, HAO-HSUAN

## 3. Transactions Between Affiliated Company and Controlling Company

- (1) Transaction about sales and purchases: None  
 (2) Transactions for properties: None  
 (3) Finance:

Unit: NT\$1,000

Type	Highest balance	Ending balance	Annual interest rate (%)	Total interest for current period	Accommodation term	Purpose of accommodation	Guarantee		Transaction decision method	Allowance for doubtful accounts
							Name	Amount		
Short-term secured loan	5,800,000	5,800,000	Interest is a floating rate calculated as the Reuters 6165 90-day fixed rate one working day prior to the date of drawdown or interest reset base date plus 0.15 percentage points. Interest is paid on the 28th of each month, and interest is adjusted on the payment days of March, June, September, and December.	59,412	June 29, 2012-June 28, 2013	1.Payment of BankTaiwan Life Insurance Co. capital increment 2.Establishment of an investment trust co.	Letter of Guarantee	5,800,000	Resolution of Board Meeting	None

- (4) Leases of assets:

Unit: NT \$1,000

Type of Transaction (lease out or lease in)	Leased Item		Term of Lease	Nature of Lease	Basis for Lease Cost Decision	Method of Payment	Comparison with General Lease Standards	Total Lease Payment for Current Period	Status of Collection or Payment for Current Period	Other Commitments
	Name	Location								
Lease out	House	3F, 120 Sec. 1, Chongqing South Road, Taipei 1F, 1 and 3, PaoCing Road, Taipei	2008.1.1~2017.12.31	Business lease	House lease contract	Collection within first 5 days of each month	Normal	16,422	Collected	

- (5) Other Significant Transactions:

## a. Account Receivables

	Dec. 31, 2012	
	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 668	-

## b. Other assets –Prepaid stock dividends and bonus

	Dec. 31, 2012	
	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 4,594,012	20.85

## c. Deposits

	Dec. 31, 2012	
	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 309,735	0.01

## d. Account payables

	Dec. 31, 2012	
	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 17	-

## e. Other liabilities

	2012	
	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ <u>2,901</u>	<u>-</u>

## f. Interest income

	2012	
	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ <u>59,412</u>	<u>0.10</u>

## g. Interest expenses

	2012	
	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ <u>209</u>	<u>-</u>

## h. Other non-interest gains or losses, net (including operation assets rented revenue and other revenue)

	2012	
	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ <u>26,555</u>	<u>0.14</u>

## i. Other business and management expenses

	2012	
	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ <u>956</u>	<u>0.02</u>

## j. Cost share of common assets

	2012	
	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ <u>9,395</u>	<u>0.05</u>

## 4. Endorsements and Guarantees Between Affiliated Company and Controlling Company

None

## II. Private Placement of Securities and Bank Debentures

None

## III. Holdings or Disposition of BOT Shares by Subsidiaries

None

## IV. Other Matters for Supplementary Explanation

None

## V. Incidents Occurring During the Previous Year and to Date of Annual Report Publication Which, as Stipulated in Article 36, Section 2, Subsection 2 of the Securities Transaction Law, Had a Major Impact on Shareholder Interests or Share Prices

None

# Directory of Head Office and Branches

## I. Domestic Business Units

120 Sec. 1, Chongqing South Road, Zhongzheng District, Taipei City 10007, Taiwan (R.O.C.)

P.O. Box 5 or 305, Taipei, Taiwan

SWIFT: BKTWWTWP <http://www.bot.com.tw> TELEX:11201 TAIWANBK

CODE	OFFICE	ADDRESS	TELEPHONE	FAX
Head Office				
0037	Department of Business	No.120 Sec. 1, Chongqing South Road, Zhongzheng District, Taipei City	02-23493456	02-23759708
0059	Department of Public Treasury	120, Sec. 1, Gueiyang Street, Taipei City	02-23494123	02-23751125
0082	Department of Trusts	6F., No. 49, Sec. 1, Wuchang Street, Zhongzheng District, Taipei City	02-23493456	02-23146041
2329	Department of Procurement	45, Sec. 1, Wuchang Street, Taipei City	02-23493456	02-23832010
2330	Department of Precious Metals	2F. Building B, No. 49 Sec. 1, Wuchang St., Taipei City	02-23493456	02-23821047
2352	Department of Government Employees Insurance	6F., No. 140, Sec. 3, Sinyi Rd., Taipei City	02-27013411	02-27015622
0691	Offshore Banking Department	1st Fl., No. 162 Boai Road, Taipei City	02-23493456	02-23894500
Northern Area				
0071	Guancian Branch	No. 49 Guancian Road, Zhongzheng District, Taipei City	02-23812949	02-23753800
0336	Nanmen Branch	No. 120 Sec. 1, Nanchang Road, Zhongzheng District, Taipei City	02-23512121	02-23964281
0347	Kungkuan Branch	No. 120 Sec. 4, Roosevelt Road, Zhongzheng District, Taipei City	02-23672581	02-23698237
0451	Chengchung Branch	No. 47 Cingdao East Road, Zhongzheng District, Taipei City	02-23218934	02-23918761
1229	Jenai Branch	No. 99 Sec. 2, Ren-ai Road, Zhongzheng District, Taipei City	02-23975936	02-23975927
1621	Chunhsien Branch	No. 1 Jhongsan South Road, Zhongzheng District, Taipei City	02-23411001	02-23578831
1942	Tungmen Mini Branch	No. 42 Sec. 1, Renai Road, Taipei City	02-23943168	02-23916855
1986	Taidian Mini Branch	No. 242 Sec. 3, Roosevelt Road, Taipei City	02-23667506	02-23672354
2363	Wuchang Branch	No. 49 Sec. 1, Wuchang St., Zhongzheng District, Taipei City	02-23493456	02-23141340
0808	Minsheng Branch	No.167 Fusing North Road, Songshan District, Taipei City	02-27192081	02-27188897
1067	Tunhwa Branch	1F, No. 205 Dunhua North Road, Songshan District, Taipei City	02-25455111	02-25450913
2798	Taipei International Airport Branch	No. 340-9 Dunhua North Road, Songshan District, Taipei City	02-27187628	02-27187618
1104	Chunglun Branch	No. 108 Sec. 5, Nanjing East Road, Songshan District, Taipei City	02-27698618	02-27603224
0646	Sungshan Branch	No. 560 Sec. 4, Jhongsiao East Road, Sinyi District, Taipei City	02-27293111	02-27230014
0853	Taipei World Trade Center Branch	3F, No. 333 Sec. 1, Keelung Road, Sinyi District, Taipei City	02-27200315	02-27576156
1931	Yongji Mini Branch	3F No. 3 Songren Road, Taipei City	02-27209856	02-27209970
0532	Chunghsiao Branch	No. 202 Sec. 1, Dunhua South Road, Da-an District, Taipei City	02-27516091	02-27411704
0543	Hsinyi Branch	88 Sec. 2, Sinyi Road, Da-an District, Taipei City	02-23515486	02-23973887
0864	Taan Branch	1F., No. 69, Sec. 2, Dunhua S. Rd., Da-an District, Taipei City	02-27553121	02-27093243
1089	Hoping Branch	No. 180 Sec. 1, Hoping East Road, Da-an District, Taipei City	02-23687027	02-23626987

CODE	OFFICE	ADDRESS	TELEPHONE	FAX
2396	Jinshan Branch	No. 189 Sec. 2, Jinshan S. Rd., Da-an District, Taipei City	02-23413006	02-23413134
2400	Sinan Branch	No. 132 Sec. 3, Sinyi Rd., Da-an District, Taipei City	02-27057905	02-27057906
1953	Aiguo Mini Branch	No. 31 Aiguo East Road, Taipei City	02-23960017	02-23578646
0200	Chungshan Branch	No. 150 Sec. 1, Jhongshan North Road, Jhongshan District, Taipei City	02-25423434	02-25710210
0509	Sungchiang Branch	No. 115 Songjiang Road, Jhongshan District, Taipei City	02-25069421	02-25078786
1241	Yuanshan Branch	No. 577 Linsen North Road, Jhongshan District, Taipei City	02-25976699	02-25932760
2385	Taipei Branch	No. 80 Songjiang Rd., Jhongshan District, Taipei City	02-25435790	02-25236924
0196	Yenping Branch	No. 406 Nanjing West Road, Datong District, Taipei City	02-25522859	02-25524317
0462	Minchuan Branch	No. 239 Sec. 2, Chengde Road, Datong District, Taipei City	02-25530121	02-25529463
0521	Lungshan Branch	No. 380 Kangding Road, Wanhua District, Taipei City	02-23088111	02-23366978
2422	Wanhua Branch	No. 26, Sec. 2, Gueiyang St., Wanhua District, Taipei City	02-23830066	02-23830067
1654	Wenshan Branch	No. 218 Sec. 6, Roosevelt Road, Wunshan District, Taipei City	02-86633456	02-86635656
2293	Muzha Branch	No. 145 Sec. 1, Singuang Rd., Wunshan District, Taipei City	02-86615115	02-86617690
1078	Nankang Branch	1F, No. 95 Sec. 2, Nangang Road, Nangang District, Taipei City	02-26516706	02-27839049
2259	Nankang Software Park Branch	2F-2, No. 66 Sanchong Rd., Nangang District, Taipei City	02-27833009	02-27833900
1539	Neihu Branch	No. 396 Sec. 1, Neihu Road, Neihu District, Taipei City	02-87977933	02-87977957
2237	Donghu Branch	No. 458, Sec. 5, Chenggong Rd., Neihu District, Taipei City	02-26305768	02-26307233
2709	Xinhu Branch	No. 188, Xing-ai Road, Neihu District, Taipei City	02-87927988	02-87928118
0705	Shihlin Branch	No. 197 Sec. 6, Jhongshan North Road, Shihlin District, Taipei City	02-28367080	02-28362523
1425	Tienmou Branch	No. 18 Sec. 7, Jhongshan North Road, Shihlin District, Taipei City	02-28755222	02-28755219
2411	Jiantan Branch	No. 174 Sec. 4, Chengde Rd., Shihlin District, Taipei City	02-28831633	02-28831364
0369	Peitou Branch	No. 152 Sec. 1, Jhongyang South Road, Beitou District, Taipei City	02-28951200	02-28973345
0277	Panchiao Branch	No. 21 Fujhong Road, Banciao District, New Taipei City	02-29680172	02-29676416
2053	Peifu Mini Branch	B1 No. 161 Sec. 1, Jhongshan Road Banciao District, New Taipei City	02-89535968	02-89535268
0875	Huachiang Branch	No. 293-2 Sec. 1, Jhongshan Road, Banciao District, New Taipei City	02-29610101	02-29638280
2433	Bansin Branch	No. 268 Sec. 1, Wunhua Rd., Banciao District, New Taipei City	02-22540560	02-22540570
0428	Sanchung Branch	No. 39 Sec. 4, Chongsin Road, Sanchong District, New Taipei City	02-29719621	02-29719736
0484	Yungho Branch*	No. 186, Jian 1st Rd., Zhonghe District, New Taipei City	02-82272611	02-82272511
0668	Chungho Branch	No. 253 Sec. 2, Jhongshan Road, Zhonghe District, New Taipei City	02-22488980	02-22461474
2444	Shuanghe Branch	No. 126 Jhonghe Rd., Zhonghe District, New Taipei City	02-82457558	02-82452722

\* The Yungho Branch was changed to the Liancheng Branch and moved to its present location on Mar. 18, 2013.



CODE	OFFICE	ADDRESS	TELEPHONE	FAX
0716	Hsinchuang Branch	No. 85 Sintai Road, Hsin Chuang District, New Taipei City	02-22056699	02-22031524
2455	Nan HsinChuang Branch	No. 653, 653-1 Jhongjheng Rd., Hsin Chuang District, New Taipei City	02-29012999	02-29012119
2802	Xinzhuang Fuduxin Branch	No. 119, Touqian Road, Hsin Chuang District, New Taipei City	02-22773000	02-89945222
0750	Hsintien Branch	No. 45 Baojhong Road, Sindian District, New Taipei City	02-29180795	02-29105461
1115	Tucheng Branch	No. 344 Sec. 2, Jhongyang Road, Tucheng District, New Taipei City	02-22703791	02-22603314
1872	Lu Jou Branch	No. 50 Sanmin Road, Lujhou District, New Taipei City	02-82868686	02-82868989
1562	Hsichih Branch	No. 175 Sec. 2, Datong Road, Sijhih District, New Taipei City	02-86926822	02-86926828
0749	Shulin Branch	No. 29 Wunhua Street, Shulin District, New Taipei City	02-26866511	02-26861307
1481	Tamsui Branch	No. 93 Jhongshan Road, Danshuei District, New Taipei City	02-26281111	02-26281122
2189	Taipei Port Branch	2F., No. 123, Shanggang Rd., Bali District, New Taipei City	02-26196269	02-26196272
1355	Wuku Branch	No. 42 Sec. 4, Jhongsing Road, Wugu District, New Taipei City	02-22936699	02-22918201
0129	Keelung Branch	No. 16, YiYi Road, Jhongjheng District, Keelung City	02-24247113	02-24220436
0266	Taoyuan Branch	No. 46 Jhongjheng Road, Taoyuan City, Taoyuan County	03-3352801	03-3322007
1861	East Taoyuan Branch	No. 300 Jingguo Road, Taoyuan City, Taoyuan County	03-3263888	03-3265666
2466	Taosing Branch	No. 28-8, Yanping Rd., Taoyuan City, Taoyuan County	03-3645566	03-3643322
0417	Chungli Branch	No. 580 Yanping Road, Jhongli City, Taoyuan County	03-4252160	03-4258751
1447	Neili Branch	No.125 Singnong Road, Jhongli City, Taoyuan County	03-4618519	03-4519650
1724	Chienkuo Branch	No. 169 Jiansing Road, Jhongli City, Taoyuan County	03-4670081	03-4670010
2477	Sinming Branch	No. 7 Sinming Rd., Jhongli City, Taoyuan County	03-4951301	03-4943210
1218	Pingchen Branch	No. 11 Sec. 2, Huannan Road, Pingjhen City, Taoyuan County	03-4945688	03-4945699
2282	Linkou Branch	No. 368, Fusing 1st Rd., Gueishan Township, Taoyuan County	03-3277299	03-3277706
1230	Nankan Branch	No. 81 Sec. 1, Nankan Road, Lujhu Township, Taoyuan County	03-3529191	03-3520916
1159	Taoyuan International Airport Branch	No. 15 Hangjhan South Road, Pusin Village, Dayuan Township, Taoyuan County	03-3982166	03-3834834
2260	Longtan Branch	No. 142, Donglong Rd., Longtan Township, Taoyuan County	03-4790888	03-4700999
0152	Hsinchu Branch	No. 29 Linsen Road, Hsinchu City	03-5266161	03-5266446
0738	Science-Based Industrial Park Branch	2F, No. 5 Gongye East 6th Rd, Science-Based Industrial Park, Hsinchu City	03-5770050	03-5777936
1643	Peitalu Branch	No. 68 Beida Road, Hsinchu City	03-5354381	03-5354380
0680	Chupei Branch	No. 16 Guangming 6th Road, Jhubei City, Hsinchu County	03-5513111	03-5517322
2488	Lioujia Branch	No. 312 Dong Sec. 1, Guangming 6th Rd., Jhubei City, Hsinchu County	03-6585858	03-6587500
0299	Miaoli Branch	No. 510 Jhongjheng Road, Miaoli City, Miaoli County	037-326791	037-327111
0439	Toufen Branch	No. 65 Jhongjheng Road, Toufen Township, Miaoli County	037-663451	037-672213

CODE	OFFICE	ADDRESS	TELEPHONE	FAX
Central Area				
0107	Taichung Branch	No. 140 Sec. 1, Zhiyou Road, West District, Taichung City	04-22224001	04-22224274
0554	Fuhsing Branch	No. 102 Sec. 4, Fusing Road, East District, Taichung City	04-22244181	04-22205856
0657	Chienhsing Branch	No. 144 Jhongjheng Road, Central District, Taichung City	04-22242141	04-22293851
0794	Liming Branch	No. 607 Daye Rd., Nantun District, Taichung City	04-22551178	04-22524822
0923	Taichung Industrial Park Branch	No. 196 Industrial Park 1st Road, Situn District, Taichung City	04-23597850	04-23599868
1090	Shuinan Branch	No. 416 Sec. 2, Chongde Road, Beitun District, Taichung City	04-22468130	04-22466855
1414	Hsitwun Branch	No. 41 Sec. 2, Cinghai Road, Situn District, Taichung City	04-23128528	04-23117106
2499	North Taichung Branch	No. 17 Taiping Rd., North District, Taichung City	04-22257412	04-22257413
2503	Central Taichung Branch	No. 95 Mincyuan Rd., West District, Taichung City	04-22281191	04-22247323
0303	Fengyuan Branch	No. 302 Jhongjheng Road, Fongyuan District, Taichung City	04-25278686	04-25256981
0370	Wufeng Branch	No. 838 Jhongjheng Road, Wufong District, Taichung City	04-23302216	04-23327104
0473	Tantzu Branch	No. 1 Jianguo Road, Tanzih District, Taichung City	04-25323133	04-25339071
0576	Taichung Harbor Branch	No. 2 Sihwei Road, Wuci District, Taichung City	04-26562311	04-26580625
0727	Tachia Branch	No. 61 Minsheng Road, Dajia District, Taichung City	04-26868111	04-26865224
0901	Taya Branch	No. 106 Jhongcing South Road, Daya District, Taichung City	04-25683330	04-25680164
1366	Tali Branch	No. 481 Sec. 2, Guoguang Road, Dali District, Taichung City	04-24180211	04-24180801
1573	Wuchi Branch	No. 2 Jian 5th Road, Export Processing Zone, Wuci District, Taichung City	04-26565111	04-26570157
1702	Taiping Branch	No. 146 Jhongsing East Road, Taiping District, Taichung City	04-22736666	04-22736120
1713	Defang Branch	No. 63 Sec. 1, Defang Road, Dali District, Taichung City	04-24853280	04-24826661
2204	Taichung Science Park Branch	2F-5 -6, No. 6, Zhongke Rd., Daya District, Taichung City	04-25658111	04-25658220
2787	Chungdu Branch	No. 89, Sec. 2, Taichung Port Rd., Xitun District, Taichung City	04-22589611	04-22584278
0130	Chunghsing New Village Branch	No. 11 Guanghua Road, Jhongsing Village, Nantou City, Nantou County	049-2332101	049-2350457
0325	Nantou Branch	No. 101 Fusing Road, Nantou City, Nantou County	049-2232121	049-2229845
0598	Puli Branch	No. 112 Dongrong Road, Puli Township, Nantou County	049-2983991	049-2995949
0163	Changhua Branch	No. 130 Chenggong Road, Changhua City, Changhua County	04-7225191	04-7257871
0495	Yuanlin Branch	No. 63 Minsheng Road, Yuanlin Township, Changhua County	04-8323191	04-8330663
1436	Lukang Branch	No. 2 Lugong Road, Lugang Township, Changhua County	04-7810168	04-7810268
0314	Touliu Branch	27 Wunhua Road, Douliou City, Yunlin County	05-5324155	05-5338309
1470	Huwei Branch	No. 369 Sec. 2, Linsen Road, Huwei Township, Yunlin County	05-6337367	05-6321611
0141	Chiayi Branch	No. 306 Jhongshan Road, Chiayi City	05-2224471	05-2258400
1540	Chiabei Branch	No. 602 Jhongsiao Road, Chiayi City	05-2718911	05-2718922
2525	Jianan Branch	No. 353 Jhongsing Rd., Chiayi City	05-2348686	05-2348661
0679	Taipao Branch	No. 2 East Section, Sianghe 1st Road, Sianghe Village, Taibao City, Chiayi County	05-3620016	05-3620021

CODE	OFFICE	ADDRESS	TELEPHONE	FAX
Southern Area				
0093	Tainan Branch	No. 155 Sec. 1, Fucian Road, Central District, Tainan City	06-2160168	06-2160188
0406	Anping Branch	No. 240 Jhongjheng Road, West Central District, Tainan City	06-2292181	06-2241520
1377	Annan Branch	No. 298 Sec. 2, Anhe Road, Annan District, Tainan City	06-3555111	06-3565881
2307	Tainan Innovation & Research Park Branch	1F, No. 31 Gongye 2nd Road, Annan District, Tainan City	06-3842585	06-3842568
2536	Nandu Branch	No. 180 Sec. 2, Jhongyi Rd., West Central District, Tainan City	06-2219999	06-2206977
0288	Hsinying Branch	10 Jhongjheng Road, Sinying District, Tainan City	06-6351111	06-6321843
0819	Yungkang Branch	No. 513 Siaodong Road, Yongkang District, Tainan City	06-3125411	06-3138709
1469	Tainan Science-Based Industrial Park Branch	No. 15 Nanke 3rd Road, Sinshih District, Tainan City	06-5051701	06-5051709
2271	Rende Branch	No. 899 Sec. 2, Jhongjheng Rd., Rende District, Tainan City	06-2492389	06-2498078
2721	Lioujiading Branch	No. 41, Zhongzheng S. Road, Yongkang District, Tainan City	06-2810991	06-2810360
0118	Kaohsiung Branch	264 Jhongjheng 4th Road, Cianjin District, Kaohsiung City	07-2515131	07-2211257
0211	Kaohsiung Export Processing Zone Branch	No. 1 Jhongyi Road, Export Processing, Cianjhen District, Kaohsiung City	07-8215141	07-8115648
0358	Tzoyin Branch	No. 19 Zuoying Avenue, Zuoying District, Kaohsiung City	07-5819141	07-5850051
0440	Chienchen Branch	No. 1-3 Kuojian Road, Cianjhen District, Kaohsiung City	07-8115171	07-8413413
0510	Kusan Branch	No. 23 Linhai 1st Road, Gushan District, Kaohsiung City	07-5218291	07-5315544
0565	Sanming Branch	No. 567 Jiouru 2nd Road, Sanmin District, Kaohsiung City	07-3127143	07-3215350
0613	Hsingsing Branch	No. 133 Minzu 2nd Road, Sinsing District, Kaohsiung City	07-2384611	07-2387374
0624	Lingya Branch	No. 261 Cingnian 1st Road, Lingya District, Kaohsiung City	07-3358700	07-3327904
0820	Sandou Branch	No. 142 Singuang Road, Lingya District, Kaohsiung City	07-3349341	07-3336835
0912	Nantze Branch	No. 201 Nanzih Road, Nanzih District, Kaohsiung City	07-3526680	07-3531484
1160	Tachang Branch	No. 540 Jiouru 1st Road, Sanmin District, Kaohsiung City	07-3891036	07-3806046
1193	Poi Branch	No. 394 Yucheng Road, Zuoying District, Kaohsiung City	07-5567690	07-5562613
1595	Hsiaokang Branch	No. 410 Hongping Road, Siaogang District, Kaohsiung City	07-8010399	07-8066029
1919	Kaohsiung Airport Branch	No. 2 Jhongshan 4th Road, Siaogang District, Kaohsiung City	07-8017564	07-8022004
2547	Cianjin Branch	No. 259 Jhongjheng 4th Rd., Cianjin District, Kaohsiung City	07-2413200	07-2414519
2558	North Kaohsiung Branch	No. 106 Bo-ai 2nd Rd., Zuoying District, Kaohsiung City	07-5581900	07-5583917
2569	Chenggong Branch	No. 261 Chenggong 1st Rd., Lingya District, Kaohsiung City	07-2512031	07-2517471
2248	Gaorong Branch	No. 415, Chongsin Rd., Zuoying District, Kaohsiung City	07-3432258	07-3431198
2710	Wufu Branch	No. 52, Sihwei 2nd Road, Lingya District, Kaohsiung City	07-7271606	07-7271617
0255	Fengshan Branch	No. 20 Caogong Road, Fongshan District, Kaohsiung City	07-7416131	07-7433478

CODE	OFFICE	ADDRESS	TELEPHONE	FAX
0602	Kangshan Branch	No. 16 Shoutian Road, Gangshan District, Kaohsiung City	07-6216141	07-6214853
1182	Wuchia Branch	No. 168 Wujia 2nd Road, Fongshan District, Kaohsiung City	07-7170730	07-7233469
1207	Chungchuang Branch	No. 339 Fongping 1st Road, Daliao District, Kaohsiung City	07-7038838	07-7038964
2215	Kaohsiung Science Park Branch	1F No. 82, Luke 5th Rd., Lujhu District, Kaohsiung City	07-6955268	07-6955278
0174	Pingtung Branch	No. 43 Jhongshan Road, Pingtung City, Pingtung County	08-7328141	08-7322309
0886	Chaochou Branch	No. 13-2 Sinsheng Road, Chaozhou Township, Pingtung County	08-7883084	08-7883614
1551	Donggang Branch	105, Xinsheng St., Donggang Township, Pingtung County	08-8323131	08-8352545
1609	Chungping Branch	No. 9 Jhonghua Road, Pingtung City, Pingtung County	08-7677001	08-7320199
1768	Yenpu Branch	No. 37 Shengli Road, Yanjhong Village, Yanpu Township, Pingtung County	08-7932111	08-7932091
1805	Hsinyuan Branch	No. 65 Sianji Road, Sianji Village, Sinyuan Township, Pingtung County	08-8687705	08-8687505
Eastern Area				
0222	Ilan Branch	No. 50, Jiucheng S. Rd., I-Lan City, I-Lan County	03-9355121	03-9355822
0587	Lotung Branch	No. 93 Gongjheng Road, Luodong Township, Yilan County	03-9576866	03-9560622
0897	Suao Branch	No. 97 Sec. 1, Jhongshan Road, Su-ao Township, Yilan County	03-9962566	03-9963370
0233	Taitung Branch	No. 313 Jhongshan Road, Taitung City, Taitung County	089-324201	089-311608
0185	Hualien Branch	No. 3 Gongyuan Road, Hualien City, Hualien County	03-8322151	03-8322404
2570	North Hualien Branch	No. 61 Guangfu St., Hualien City Hualien County	03-8361163	03-8361165
Isolated Islands				
0244	Penghu Branch	No. 24 Ren-ai Road, Magong City, Penghu County	06-9279935	06-9272347
0381	Kinmen Branch	No. 4 Fusing Road, Jinhu Township, Kinmen County, Fuchien Province	082-333711	082-333719
0392	Matsu Branch	No. 257 Jieshou Village, Nangan Township, Lienchiang County, Fuchien Province	083-626046	083-625801

## II. Overseas Units



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Los Angeles Branch	601 S. Figueroa Street, Suite 4525 Los Angeles, CA 90017 U.S.A.	1-213-629-6600	BKTWUS6L	1-213-629-6610
Hong Kong Branch	23/F., Central Tower, 28 Queen's Road Central, Central, Hong Kong	852-2521-0567	BKTWHKHH	852-2869-4957
Singapore Branch	80 Raffles Place #28-20 UOB Plaza 2 Singapore 048624	65-6536-5536	BKTWSGSG	65-6536-8203
Tokyo Branch	7F, Fukoku Seimei Building, 2-2 Uchisaiwaicho 2-Chome Chiyoda-Ku, Tokyo 100-0011, Japan	81-3-3504-8881	BKTWJPJT	813-3504-8880
South Africa Branch	No. 11, Cradock Ave. Rosebank 2196, Johannesburg, South Africa	27-11-880-8008	BKTWZAJJ	27-11-447-1868
London Branch	Level 5, City Tower, 40 Basinghall Street, London, EC2V 5DE, U.K.	44-20-7382-4530	BKTWGB2L	44-20-7374-8899
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**BANK OF TAIWAN**



Chairman

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