



Yuanta Commercial Bank Co., Ltd.

2012 Annual Report

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6. Name of foreign exchanges listed where company stock is and sources for searching the said foreign listed stock : None

I 、 Letter to Shareholders	1
II 、 Bank Profile and Corporate Governance	10
1. Introduction	10
2. Organization	12
3. Directors, Supervisors and Managers	15
4. Corporate Governance.....	31
III 、 Fund Raising and Operational Highlights.....	48
1. Capital and Shares	48
2. Financial Debentures and Capital Utilization Plan	50
3. Business Overview	53
IV 、 Financial Information and Risk Management.....	62
1. Financial Review 2008~2012.....	62
2. Financial Statement for 2012	70
3. Risk Management and Other Significant Issues	179
V 、 Special Notes	189
1. Information of Affiliates.....	189
2. Milestones of Yuanta Commercial Bank in 2012	191
3. Branches and Overseas Offices.....	193

I. Letter to Shareholders

1. Business Report for 2012

Changes in the Financial Environment

In 2012, global economic growth rate was lowered several times because of the European debt crisis, US fiscal deficit and the sluggish growth of the emerging markets. Nevertheless, the Federal Reserve System of the United States has successively launched QE3 and QE4, buying up to USD 85 billion of bonds monthly until the unemployment rate dropped below 6.5%. Meanwhile, with the upturned Chinese economy, the global economy in year 2013 is expected to recover sooner.

Taiwan economy, due to the impact of global economy slowdown and domestic issues such as price increase in oil and electricity and securities trading income tax, suffered from the vulnerable consumer and investment markets. The annual economic growth rate was therefore lowered several times. Nevertheless, starting from Q3 in 2012, several favorable factors, including the electronic enterprises infused more capital expenditures and the government launched economy-boosting policies to actively lure the investment of Taiwan companies back to Taiwan, turned the monitoring indicator from the blue light to the yellow-blue light in September, and turned to the green light in December. Still, considerable attention shall still be paid to the influence of the European debt crisis, U.S. fiscal cliff and the geopolitical development in Middle East.

According to the estimation of Directorate General of Budget, Accounting and Statistics, Executive Yuan, in January 2013, Taiwan's economic growth rate were 1.25% for 2012 and 3.53% for 2013 and will gradually stabilize.

In prospect of Year 2013, Taiwan banking sector may enjoy new momentum arising from the launching of the cross-strait currency settlement mechanism and the ratification of the Renminbi service. And the policy to raise provision for Class I credit asset to 1% can be accomplished progressively in three years. It is expected that its negative influence on the annual profit of the banking sector will descend. However, any change in the international economy still requires caution and risk must be strictly controlled.

Organizational Change

Since October 2011, the Bank has centralized the corporate banking personnel in partial areas in order to maximize the efficiency. During Year 2012, the Bank not only broadened the scope, but also established Motivation Centers in Taipei City and New Taipei City in hope for fortifying the expertise and the sales development skills of the sales personnel through experience sharing. In addition, in September 2012, private banking service teams were built

to deliver professional investment consultancy and customized services to satisfy the high net worth client's financial demands.

The service locations of the Bank are planned and deployed in correspondence with the income distribution, population, industrial development, peer's distribution in domestic regions, and the Group's strategy to integrate the banking and securities service. By 2012, the Bank embraced 86 domestic branches which over 45% are located in metro Taipei and 41 branches are at the same or nearby location as Yuanta Securities. The operation synergy is thus fully exercised.

Actual Accomplishments in 2012

In 2012, the Bank sustained stable scale and profit growth under the strategies focusing on both quality and quantity. As of December 2012, the Bank possessed its asset up to NT\$ 554.6 billion, which grew by 9% from NT\$ 508.1 billion of year 2011, the annual net income after tax was NT\$ 2.087 billion, and earned per share of NT\$ 0.72, which signified an increase of NT\$ 381 million from NT\$ 1.706 billion in 2011. The high profit growth of four consecutive years, however, the Bank's NPL ratio of 0.19% and the coverage rate of 673.60%, continued to be significantly better than the peers. The performance of main businesses are as following:

(1) Deposits:

In addition to incessantly utilizing the superior resources in brokerage from Yuanta Securities, a subsidiary of the group, to developed security transfer deposits, the Bank, through a wide variety of promotion events, also strive to advance its demand deposits and foreign currency deposits in order to fortify its deposit structure, broaden its customer base and thus construct the base for the Bank's business development.

In 2012, the Bank embraced total deposits of NT\$ 448.9 billion, an increase of NT\$ 42 billion from NT\$ 406.9 billion in 2011. Meanwhile, demand deposits in 2012 increased by NT\$ 15.9 billion, and time deposits increased by NT\$ 26.1 billion.

(2) Loans:

To expand the business scale of corporate banking, the Bank not only strove for international and domestic syndicated loans to further its service and business with large enterprises, but also, though scrutinizing the trend of the global supply chain in the highlighted industries, focused on the development of trade finance, self-liquidating finance and related loan services.

In regard to consumer banking, premium customers were targeted for house loans. Through the development of whole-pile-single-house mortgage, the Bank was able to sustain its scale expansion in the vulnerable house sales. Also, the Bank steadily expanded its cooperation with automakers and cultivated new brand channels to effectively maximize the market share.

In 2012, the volume of the loan service totaled NT\$ 364.8 billion or an increase of NT\$ 47.8 billion from NT\$ 317 billion in 2011. This included NT\$ 242.1 billion of loans through corporate banking, or 66.4% of total loan service, and NT\$ 122.7 billion through consumer banking, or 33.6% of total loan.

(3) Foreign Exchange:

Benefited by the gradual liberalization of the cross-strait finance, the Bank launched OBU Renminbi services in April 2012. Additionally, the Bank persistently executed training and seminars on foreign exchange business to escalate the expertise of its staff and solidified its foreign exchange system in order to deliver professional and convenient services to its clients.

In 2012, foreign exchange volume of the Bank reached USD 23.8 billion, a decline of USD 4.5 billion from USD 28.3 billion in 2011. Meanwhile, remittance service weighted 94.23%, with the import service standing for 4.33% and the export service for 1.44%.

(4) Trust Business:

In addition to furnishing a wide variety of trust products to meet client's demands in financial management, the Bank aggressively expanded its trust fund and foreign capital custody business to boost its fee income. In 2012, the Bank added 3 trust funds, amounted to about NT\$ 6.3 billion, 27 new custody accounts of foreign inventors, amounted to about NT\$ 11.6 billion.

In 2012, the total balance of trust assets reached NT\$ 99.7 billion, a decrease of NT\$ 9.7 billion from NT\$ 109.4 billion at the end of 2011.

(5) Wealth Management:

Through the classified deployment and diverse product selection, the Bank supplied customized financial planning, intensified its marketing to solidify the Bank's business with its clients, and further the Bank's promotion of Kid's Passbook, Gold Passbook and the balanced profit products to broaden the foundation of financial services and build the stable fee income. In addition, in response to the volatility of the global financial market, the Bank adjusted the allocation of insurance products to protect client's assets through the dispersion of the investment risk.

In 2012, net fee income on wealth management totaled NT\$ 652 million, or an increase of NT\$ 79 million from NT\$ 573 million in 2011.

(6) Credit Card:

In order to penetrate into the premium customer segment, the Bank furnished deluxe services, including express clearance in the airport, the pickup service in the airport and upgrade to Business Car of THSRC, to holders of the VISA Infinite Card. In addition, existing cardholders of Business Signature Card/Titanium Card with medium to high consumption amounts were provided with an upgrade service and a wide variety of exclusive premium services. We also launched several preferential services such as

comprehensive discount events with quality enterprises, receipt redemption, and repayment installation plans and free gifts for purchase in order to maximize the transaction amounts of cardholders.

In 2012, total credit cards in circulation reached 260,000 cards, with an active card rate of 36.64%.

Budget Implementation, Financial Status and Profitability

In 2012, the Bank received its net revenue as NT\$ 7.818 billion, including net interest income of NT\$ 6.011 billion and non-interest income at NT\$ 1.807 billion. Compared with the net income in 2011 at NT\$ 6.711 billion, net revenue increased by NT\$ 1.047 billion.

Major differences explicated as follows:

- (1) Net interest income: increased by NT\$ 976 million from year 2011 as a result of the increase in deposits and loans by NT\$ 42 billion and NT\$ 47.8 billion respectively and the increase in interest income on securities investment.
- (2) Net non-interest income: grew by NT\$ 71 million from 2011 as a result of the increase in net service fee and commission income.
- (3) The bad debt expense in 2012 amounted to NT\$ 481 million, an increase of NT\$ 776 million in allowance for doubtful accounts from income on bad debt recovery in 2011 was NT\$ 295 million. Operating expenses in 2012 was NT\$ 4.976 billion or a decrease of NT\$ 44 million from NT\$ 5.02 billion in 2011.
- (4) In conclusion, the net income before tax in 2012 was NT\$ 2.362 billion. After deducting income tax at NT\$ 275 million, the net income was NT\$ 2.087 billion, or an increase of NT\$ 381 million from NT\$ 1.706 billion in 2011.

Research and Development

- (1) Conducted the benefit analysis of joining Factors Chain International on sales growth and risk minimization.
- (2) Launched and promoted the on-line service of Fund Efficient Investment Method.
- (3) Added the subscription, redemption and switch functions for NTD funds to the mobile banking.
- (4) Added the electronic trust income notification to save resources and cost.
- (5) Completed the query function for the proceeds trust for real estate pre-construction houses.

(6) Risk Management:

- A. Credit risk:** Established the mortgage application and behavior scorecard models and persistently established the credit risk data mart and the analysis platform.
- B. Market risk:** Strengthened the disassembly of derivatives, the verification of the valuation model and established the according documentation and planed to calculate the general market risk capital of options in Delta-plus Approach.
- C. Operation risk:** Completed the capital requirements specified in the standardized approach for operational risk to escalate the level of the bank's operational risk management. We also conducted the operational risk management tools including Risk Indicator System, Risk and Control Self-Assessment and Loss Data Collection to uplift the Bank's capability in monitoring and management of the Bank's operational risks.

(7) Information system R&D and upgrade: The establishment of critical IT projects to enhance the system efficiency and security and support the business prosperity. These said projects included new wealth management system, new seal system, phase II of Gold Passbook, risk data mart, dashboard system for executives/ managers, new consumer credit information system, corporate banking platform (call-loan and syndicated loan management), upgrade of accounting functions for bond and note transaction dates, function upgrade of the accounting receivable system, DB centralized integration and upgrade of SQL 2000 to SQL 2008, upgrade of the school payment system, upgrade of the mobile banking system, the transformation of ODS to DW/RPS and the database audit trail mechanism.

2. Impacts of External Competitive, Regulative and Overall Operating Environment

Currently the slow recovery of Taiwan and global economy is glimpsed but abundant factors still influenced the economic development. In the meantime, even amid the business atmosphere with fierce competition and the meager interest spreads, local financial sectors all endeavor to develop their overseas businesses and enjoy ascending profit.

The launching of the cross-strait currency settlement mechanism and the approval of Renminbi services offers a more favorable environment for the operation of the banking sector. Meanwhile, in order to fortify the Bank's ability to be prepared for the future economic downturn and realized the risk-based credit service management, the FSC implements the phased differentiated rewarding and managing measures to encourage domestic banks to heighten the ratio of provision of Class I credit asset to over 1%, in hope for the maintenance of the quality operation structure. By December 31, 2012, the coverage ratio of the Bank reached 1.13%, exceeding the 1% target set by the FSC.

Also, the effects of changes in related laws and regulations are as follows:

(1) Implementation of Financial Consumer Protection Act:

Financial Consumer Protection Act, for implementation from December 30, 2011, falls into two main sectors, the protection of financial consumers and the ombudsman body for financial consumption disputes. In respect of protection of financial consumers, more obligations and responsibilities are imposed on the financial service enterprise, and a variety of compulsory clauses under the Financial Consumer Protection Act stimulate the protection over consumers. Such law regulates that a financial service enterprise shall bear liability without fault and that the burden of proving relief from liability shall be transferred to the financial service enterprise. The service of financial ombudsman process is free to the financial consumers under the Financial Consumer Protection Act so the financial enterprise may have to pay higher cost in the aforesaid burden of proof, labor, expenses and indemnification. To fully protect consumers' right and minimize customer disputes, the Bank has amended internal procedures and relevant contracts in accordance with the Financial Consumer Protection Act.

(2) Central Bank Took Cautious Practices on High-Priced Housing Loan:

The Central Bank implemented its third control measure to urge financial institutions to supervise the credit extension risk on real estate loan and to strengthen the sound development of the housing market. "Regulations of Central Bank on Land Loan and Home Mortgage Loans in Specific Areas extended by Financial Institutions" was amended on June 21, 2012 and renamed as "Regulations Governing Home Mortgage Loans and Land Loans extended by Financial Institutions". The amendment took effect on June 22, 2012. Under this amendment, the maximum amount of high-priced housing loan shall not exceed 60 percent of the house's appraised value or its transaction price for houses over NT\$ 80 million in Taipei City and New Taipei City and for those over NT\$ 50 million in any area other than Taipei City and New Taipei City, provided that no grace period is allowed in such high-priced housing loan. In addition, Actual Selling Price Registry of Real Estate Transactions officially took effect on August 1, 2012. Their influences on the housing market in Taiwan and the credit extension of banks remain to be observed. The Bank has released a written order regarding the aforesaid stipulation on June 22, 2012 and all units of the Bank are required to comply with such order.

(3) "Protection of Computer Processed Personal Data Act" amended as "Personal Information Protection Act":

Personal Information Protection Act, declared on May 26, 2010, took effect on October 1, 2012. Compared to the old laws, the codes of conduct (such as obligation of informing), the group litigation system and the increase in total compensation of infringement that the offender shall be required to pay for damages under the same fact have been introduced. This amendment leads to huge influence on the banking business,

which collects, processes and utilizes a large amount of personal information. The Bank has already acquired ISO 27001, a certificate of the Information Security Management Standard (ISMS), and BS10012, a certificate of Personal Information Management System, by January and July, 2012 respectively. Internal policies of the Bank regarding personal information protection and relevant documents, such as “Letter of Declaration for Being Informed of the content contained in Article 8 of Personal Information Protection Act for Privacy Statement” and “Letter of Engagement for Sales and Marketing Channels”, have been established. The Bank, through the above information security and personal information security management systems, aims to minimize the risk of disclosing personal information and reduce any possible disputes.

(4) Signed Memorandum of Understanding on Cross Strait Currency Settlement:

Central Bank signed Memorandum of Understanding on Cross Strait Currency Settlement with The People's Bank of China on August 31, 2012, revoked The Regulations on the Conduct of Renminbi Business by Banks in the Taiwan Area on September 11, 2012 and issued Interpretation of Exceptant Regulations for Article 14 of Regulations Governing the Banking Activity and the Establishment and the Investment by Financial Institution Between the Taiwan Area and the Mainland Area. Such interpretation specifies that banks in Taiwan may use the currency issued in China, starting from September 11, 2012. Hence, Taiwanese bank's OBU and branches located outside Taiwan and mainland area may engage in RMB services according to Offshore Banking Act and the local competent authorities, starting from September 11, 2012, without anterior approval from FSC.

The official operation of the cross-strait currency settlement mechanism not only expedites the convenience and financial cooperation of the cross-strait investment and trading, but also functions as the stepping stone to develop Taiwan to be a Renminbi offshore center. Opening the undertaken currency of OBU and signing Memorandum of Understanding on Cross Strait Currency Settlement will bring more business opportunities to banks. The Bank will seize this chance and aggressively expand various RMB services. A positive effect should be visible on the Bank's credit granting business and profit.

(5) Issued the amendment of “Regulations Governing Foreign Exchange Business of Banking Enterprises”:

In response to the establishment of the cross-strait currency settlement mechanism, approval of RMB services for financial institutions and appropriate management, the Central Bank amended “Regulations Governing Foreign Exchange Business of Banking Enterprises” and added a chapter, “Management of Renminbi Business” on January 25, 2013. All banks shall apply mutatis mutandis to the relevant stipulations of foreign exchange services while engaging in RMB services. The DBU of the Bank started RMB

services on February 6, 2013 to provide customers with handier RMB services. In doing so, the Bank is allowed to enhance its own service quality and competitive strength and be consistent with the objectives that FSC endeavors to achieve – to develop financial services with the cross-strait features and to build a Taiwan-based financial platform.

(6) Broadened the scope of Guidelines Governing the Operation of Members of The Bankers Association of The Republic of China Regarding Credit Granting in New Taiwan Dollars to Non-resident Foreign Nationals:

According to the new stipulations in the amendment of BA Letter Chuan-Sho-Tzu-1010001629A, Guidelines Governing the Operation of Members of The Bankers Association of The Republic of China Regarding Credit Granting in New Taiwan Dollars to Non-resident Foreign Nationals, issued on August 14, 2012, banks may engage in NT\$ guarantee service in response to the need of foreigners without residence in Taiwan to raise fund for TWSE/GTSM Listed companies and issue corporate bonds. This ban lift expedites a closer connection between foreign enterprises and the Taiwan market and animate Taiwan security market in addition to helping broaden banks' business scope and elevate profit.

For such service can be undertaken only through secured credit granting, which contains limited risk, the Bank targets quality enterprises with great prospect as the top customer segment. This helps the Bank plan the finance of corporate customers with higher nimbleness and flexibility, which can further the growth of credit granting business.

3. Latest Credit Ratings

Type of rating	Rating agency	Date	Latest Credit Ratings		
			Long-term rating	Short-term rating	Outlook
International rating	S&P	02/04/2013	BBB	A-2	Positive
	Fitch	01/15/2013	BBB+	F2	Stable
Domestic rating	Taiwan Ratings	02/04/2013	twAA-	twA-1+	Positive
	Fitch	01/15/2013	AA- (tw)	F1+ (tw)	Stable

4. Business Plan in 2013 and Outlook

With the unclear global economy recovery drives, the Bank shall, under the premise of risk control, conduct moderate operation, strive for product and service diversification, advance its customer development ability, solidify its operational foundation, and pursue a steady business growth in order to enhance the Bank's market position. The Bank will also

strengthen its comprehensive competency through adjustment of the asset and profit structure. The business plan of the Bank is summarized as follows:

(1) Business Development:

- A. Through a variety of deposit promotion plans, reinforce the acquirement of new customers and absorb general demand deposit and foreign currency deposit in order to stabilize the source of funds and build the foundation of business development.
- B. The Bank will devote more efforts to the development of loans to small&medium sized enterprises and syndicated loans for the corporate banking services through delivering products and integrated financial services, and to maximize credit-related profit through reasonable pricing mechanisms. Consumer banking will focus on the Premium customer segments with the collateral in the urban areas while whole-pile-single-house mortgage will be aggressively developed to stably broaden the business scale.
- C. Through the classified deployment of the Bank's wealth management teams and diverse product selection, customized financial planning will be furnished to enhance the scope of the scale of asset management and elevate the contribution to income.

(2) Risk Management:

The Bank will enhance the bank's monitoring ability in the credit, market and operation risk by building the risk models and risk databases. The Bank will also scrutinize the structure of industrial supply chains and the clients' cash flow and the transactions between buyers and suppliers of customers in order to minimize the Bank's credit risk.

(3) Channel Development:

Domestic channels distribution are planned according to the business and group strategies, meanwhile, with overseas branches are aggressively established to grasp the fruitful opportunities in the greater Chinese market. Additionally, the electronic banking system is persistently reinforced and complemented by the physical channels to provide customers the safe and convenient services.

(4) Personnel Training:

The Bank will reinforce the on-job training to better the personnel competence and realize the compliance of internal control.

II. Bank Profile and Corporate Governance

1. Introduction

Yuanta commercial Bank (“the Bank”), formerly Asia Pacific Commercial Bank, acquired approval for establishment from the Ministry of Finance on January 14, 1992 and launched its operation on February 12, 1992. Afterwards, in conformity with the development of the financial market and Government’s financial reform, the Bank joined Fuhwa FHC on August 1, 2002 through stock transfer and became a wholly-owned subsidiary. In September 2002, Asia Pacific commercial Bank was approved to be renamed Fuhwa Commercial Bank. On April 2, 2007 Yuanta Core Pacific Securities merged with Fuhwa FHC formally. On September 23, 2007 the Bank was renamed Yuanta Commercial Bank.

In order to broaden the Bank’s operating foundation and strengthen its competency, the Bank successively acquired Touliao Credit Cooperative, Taitung Credit Cooperative, Tainan 7th and 6th Credit Cooperative and increased its branches as many as 70. After Purchase and Assumption 18 domestic branches of Chinfon Commercial Bank in April 2010, the Bank expanded service territory to 88 branches. In the future, we will continue to deploy domestic locations according to the need of business development and the group’s development strategy, with a focus on metropolitan areas in Taiwan, including Taipei City, New Taipei City, Taichung City, Tainan City, and Kaohsiung City. We will also aggressively plan and establish overseas locations, in order to cultivate business opportunities in Taiwan, Hong Kong, and China.

April 2010	Purchase and Assumption “Chin-Fon Bank” of 18 branches ; Total branches increased to 88
September 2007	Renamed “Yuanta Commercial Bank”
December 2005	Acquired and merged “Tainan 6th Credit Cooperative” ; Total branches increased to 70
June 2005	Acquired and merged “Tainan 7th Credit Cooperative” ; Total branches increased to 58
June 2004	Acquired and merged “Taitung Credit Cooperative” ; Total branches increased to 50
July 2003	Acquired and merged “Touliao Credit Cooperative” ; Total branches increased to 42
August 2002	Joined Fuhwa FHC ; Renamed “Fuhwa Commercial Bank” ; Total Branches 37
February 1992	“Asia Pacific Commercial Bank” ; Total Branches 7

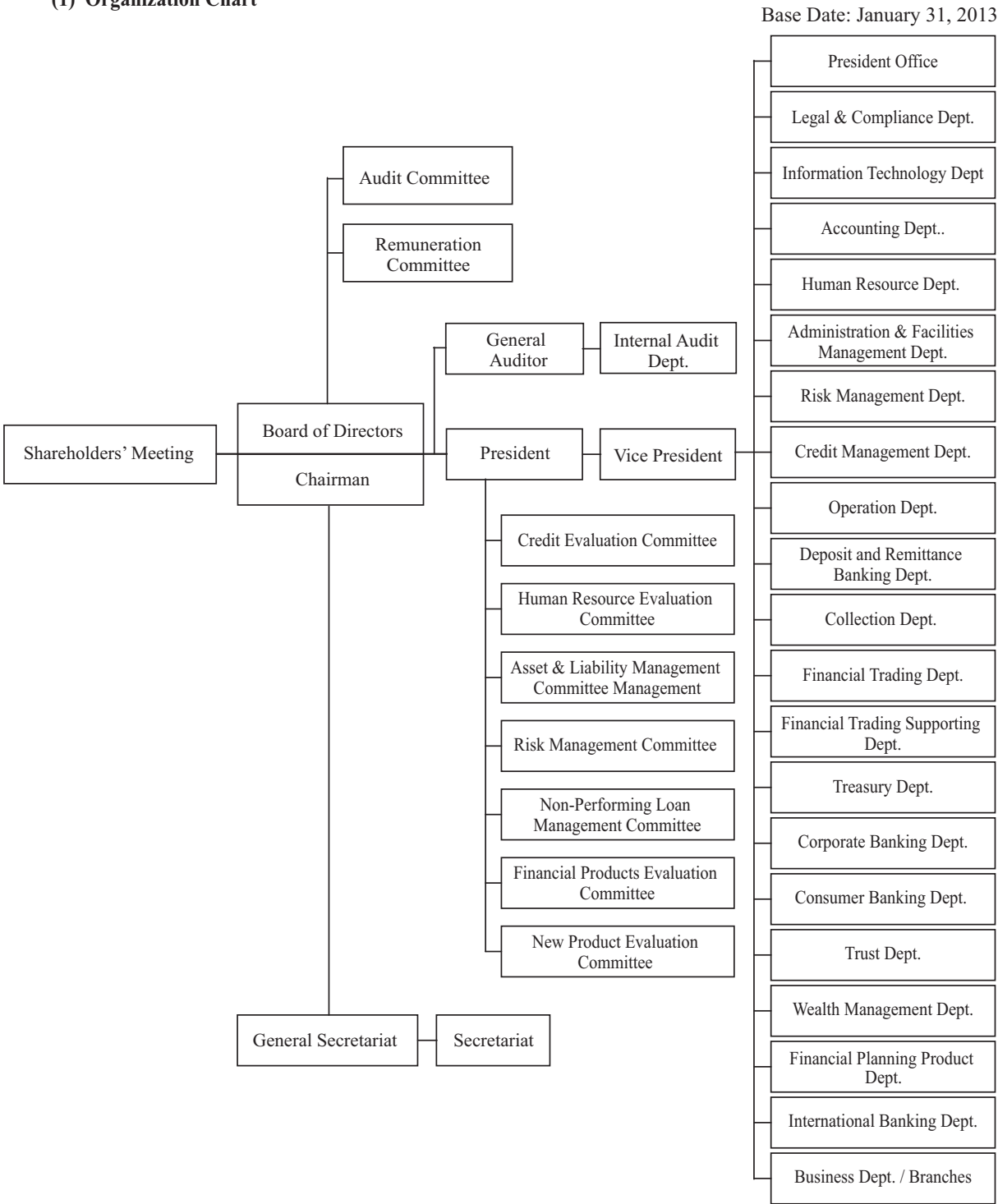
- ◆ Overseas Office: Hong Kong Representative Office
- ◆ Affiliate:
 - Yuanta Property Insurance Agent Company
 - Yuanta Life Insurance Agent Company
 - Yuanta International Leasing Company

After joining Yuanta Financial Holdings, the Bank has been not only carrying out a variety of important service and system reforms, but integrating the abundant resources of the Financial Holdings in security clients, which steadily uplift the Bank's asset quality and stably grow its operation scale.

In prospect of the future, Yuanta Commercial Bank will persistently observes its philosophy- Sincerity, Stability, Service, Innovation and Attentiveness- and provide more professional and all-round financial services to customers through the quality management models with risk emphasis, customer orientation and objective management in order to create maximum profit for shareholders and full perform its social responsibility.

2. Organization

(1) Organization Chart



(2) Major Departments

Base Date: January 31, 2013

Departments	Function
President Office	Manage and plan the organization and service locations; integrate bank-wise operation performance, develop budgetary objectives, appraise business performance and strategies, manage long-term equity investment and M&A, and plan the corporate image, marketing and advertising activities.
Internal Audit Dept.	Manage the Bank's internal audits and supervise self auditing.
Legal & Compliance Dept.	Manage all of the Bank's legal affairs and act as the authority of legal conformity. Manage and execute the legal conformity system and assess self-evaluation.
Information Technology Dept.	Develop the Bank's IT policies. Construct and execute the IMS and plan, establish and manage the information facility, system and network, and plan and promote E-Banking.
Accounting Dept.	In charge of the accounting system and procedures, accounting, compilation of the budgets, periodic financial reporting and tax affairs.
Human Resource Dept.	Manage human resource affairs, including recruitment, employment, promotion, transfer, appraisal, compensation, bonus, training, insurance and benefit.
Administration & Facilities Management Dept.	Conduct property management, including seal management, documentation, safety maintenance, construction and maintenance, procurement, and real estate rental and purchase, and other administrative affairs.
Risk Management Dept.	Construct credit risk, market risk and operational risk control mechanism. Monitor and manage risk-related affairs in the Bank.
Credit Management Dept.	Examine, approve and review credit accounts of corporate and consumer banking. Develop on credit Management policies, and real estate valuation policies.
Operation Dept.	Planning, management and implementation of back-office centralization of deposit services, loan services and lending reexamination.
Deposit and Remittance Banking Dept.	Supervise the accomplishment of budgeting objects for deposit business, plan, promote, and manage the deposit service, develop regulations, manage and train personnel.
Collection Dept.	Collect the Bank's non-performing loans and other debts. Compile and analyze assets with non-performing loans.
Financial Trading Dept.	Manage the operation of trading books of the Bank.
Financial Trading Supporting Dept.	Conduct confirmation, delivery, account management, internal audit and other affairs for financial products.

Departments	Function
Treasury Dept.	Manage the Bank's asset and liability. Based on the Bank's outlook, initiate proactive deposit strategy, manage funding and liquidity gap.
Corporate Banking Dept.	Supervise operational objectives, budget objectives, business development and product research and development for corporate banking business and plan and integrate services featuring projects, policies, large size, and complexity.
Consumer Banking Dept.	Supervise, for consumer banking business (including house mortgages, credit loans, car loans, installment payments and credit cards), the operational policies, budget objectives, business development, product research and development, marketing activities, customer services, crediting credit card users and plan and manage all of business regions.
Trust Dept.	Plan, develop and manage trust business, execute annual budget objectives, and conduct R&D and integration of wealth management products and process trust business.
Wealth Management Dept.	Supervise the operational policies, budget objectives, business development, marketing plans and manage other wealth management services.
Financial Planning Product Dept.	Supervision of the bank's operational policies, budget targets, sales promotion, and marketing events for insurance, precious metals, and novel products.
International Banking Dept.	Planning, management, institutionalization, and processing of foreign exchange.
Business Dept. / Branches	Manage services of commercial banks approved by the competent authority, execute budgetary objectives of branches, administers accounting affairs and other tasks assigned by the headquarter.

3. Directors, Supervisors and Managers

(1) Information of Directors

Base Date: January 31, 2013

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected ; Current Shareholding	Shares Held by Spouse & Minors or in Others' Name	Experience & Education	Other Position	Executives, Supervisors who are spouses or within two degrees of kinship
Chairman : Representative of Yuantia Financial Holdings	Ching-Chang Yen	06/29/2010 (Note 1)	06/28/2013	06/30/2005	100% owned by Yuantia FHC ; Shareholding when Elected: 2,150,000,000 Current Shareholding: 3,496,331,435	—	<ul style="list-style-type: none"> ● L.L.M, University of Michigan, USA ● ROC Permanent Representative to the WTO; Minister and Political Deputy Minister, Ministry of Finance 	Chairman of Yuanta Commercial Bank ; Chairman of Yuanta Financial Holdings ; Director of Yuanta Foundation ; Independent Director of Inotera Technology Co., Ltd.	—
	Jin-Long Fang	06/29/2010	06/28/2013	06/29/2007			<ul style="list-style-type: none"> ● Provincial Chiayi Senior Vocational High School ● Supervisor of Yuanta Core Pacific Securities Co., Ltd. 	Director of Yuanta Financial Holdings ; Chairman of Yuan Kun Construction Co., Ltd. ; Chairman of Yuanta United Steel Corporation Co., Ltd.	
Director : Representative of Yuantia Financial Holdings	Hsien-Tao Chiu	06/29/2010	06/28/2013	06/30/2005			<ul style="list-style-type: none"> ● Bachelor of Business administration, U.S. Southwestern University ● Chairman of Taichung Securities ; Standing Director of Asia Pacific Bank ; Director of Asia Pacific Investment & Trust Co. ; Director of International Securities ; Chairman of Asia Pacific Leasing Co., Ltd. ; Chairman of Fuan Insurance Agent Co., Ltd. 	Director of Yuanta Financial Holdings ; Chairman of Taiwan Yi-Her International Co., Ltd. ; Director of Fong-Long Automobile Co., Ltd. ; Director of Kong-Ya Investment Co. ; Owner of Jin-Li Industry Co. ; Chairman of Yi-Her Automobile Co., Ltd. ; Director of Cheng-Long Automobile Co., Ltd. ; Chairman of FIAT	Senior Vice President, Eric K Chiu, Kin with the second degree
	Cheng-Hsin Wang	06/29/2010	06/28/2013	09/16/2008			<ul style="list-style-type: none"> ● Master of Public Finance of National Chengchi University ● CSO, Chinatrust Financial Holdings ; SEVP, Chinatrust Commercial Bank ; President, Jih Sun Financial Holdings 	Chairman of Yuanta Securities Asia Financial Services Co., Ltd. ; CSO, Yuanta Financial Holdings	—

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected ; Current Shareholding	Shares Held by Spouse & Minors or in Others' Name	Experience & Education	Other Position	Executives, Directors, Supervisors who are spouses or within two degrees of kinship
Director : Representative of Yuanta Financial Holdings	Chia-Lin Chin	06/29/2010	06/28/2013	04/16/2009			<ul style="list-style-type: none"> ● Bachelor of Business Administration, National Chengchi University ● General Auditor of Fuhwa Financial Holdings ; General Auditor of Yuanta Core Pacific Securities Co. Ltd. ; Vice President of Yuanta Core Pacific Securities Co. Ltd. ; Vice President of SAMPO Securities Co. Ltd. ; Department Head of Atlas Technology Corp 	President of Yuanta Commercial Bank ; Chairman of Yuanta Life Insurance Agent Co., Ltd. ; Director of Yuanta Asset Management Co., Ltd. ; Supervisor of Yuanta Financial Consulting Co., Ltd. ; Director of Yuanta Property Insurance Agent ; Chairman of Yuanta International Leasing Co., Ltd. ; Director of Yuanta Foundation.	—
	Ming-Heng Ho	04/01/2012	06/28/2013	04/01/2012	100% owned by Yuanta FHC ; Shareholding when Elected: 2,150,000,000 Current Shareholding: 3,496,331,435	—	<ul style="list-style-type: none"> ● Bachelor of Money and Banking, National Chengchi University ● Master of Business Administration, University of Washington, USA ● Managing Director of Polaris Securities Co. Ltd. ; Director and Supervisor of Taiwan Futures Exchange ; The 2nd Chairman of Chinese National Futures Association ; Director of Waterland Financial Holdings ; Director of International Bills Finance Co. Ltd. 	Chairman of Yuanta Futures ; Director of Taiwan Futures Exchange ; Chairman of Ho's Holding Company ; Independent Supervisor of udn.com Co., Ltd.	
	Jin-Sheng Duann	04/01/2012	06/28/2013	04/01/2012			<ul style="list-style-type: none"> ● Bachelor of Public Finance, National Chengchi University ● Chairman of Taipei Foreign Exchange Market Development Foundation ; Director General of Department of Foreign Exchange, Central Bank R.O.C ; Director General of Department of the Treasury, Central Bank R.O.C 	—	

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected ; Current Shareholding	Shares Held by Spouse & Minors or in Others' Name	Experience & Education	Other Position	Executives, Directors, Supervisors who are spouses or within two degrees of kinship
Director : Representative of Yuanfa Financial Holdings	Song-Erh Chang	05/06/2012	06/28/2013	05/06/2012			<ul style="list-style-type: none"> ● Bachelor of Commerce, Tamkang University ● Chairman of Polaris International Securities Investment Trust Co., Ltd. ; Chairman and President of Bank of Overseas Chinese; President of Chang Hwa Commercial Bank 	—	
	Dah-Hsian Seetoo	06/29/2010	06/28/2013	06/29/2007	100% owned by Yuanfa FHC ; Shareholding when Elected: 2,150,000,000 Current Shareholding: 3,496,331,435	—	<ul style="list-style-type: none"> ● Ph.D. in Business administration, Northwestern University ; MBA, University of Illinois ● Independent director of Yuanfa Core Pacific Securities Co., Ltd. ; Chairman of Strategy Management Committee of Chinese Management Association ; Vice President of National Chengchi University ; Chairman of Graduate Institute of Business Administration, National Chengchi University ; Director of Department of Business Administration, National Chengchi University 	Independent Director of Yuanfa Financial Holdings	—
Independent Director	Jung-Hsien Huang	06/29/2010	06/28/2013	03/19/2008			<ul style="list-style-type: none"> ● Bachelor of Public Finance of National Chengchi University. ● Independent director of Yuanfa Securities Co., Ltd ; Chairman of Central Trust of China. Co., Ltd. ; Counselor of Ministry of Finance & Political ; President of Taipei Bank ; Vice President of Chiao Tung Bank. 	Independent Director of Yuanfa Futures	

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected ; Current Shareholding	Shares Held by Spouse & Minors or in Others' Name	Experience & Education	Other Position	Executives, Directors, Supervisors who are spouses or within two degrees of kinship
Independent Director	Chao-Lin Yang	06/29/2010	06/28/2013	10/01/2009	100% owned by Yuanta FHC ; Shareholding when Elected: 2,150,000,000 Current Shareholding: 3,496,331,435	—	<ul style="list-style-type: none"> ● Bachelor of Accounting and Statistics, National Cheng Kung University ● Chief operations officer of Formosa Plastic Group ; Executive Director, Formosa Plastics Corp. ; Executive Director of Formosa Chemical & Fiber Corp. ; Executive Director of Formosa Petrochemical Corp. 	Independent director of Yuanta Financial Holdings ; Director of Formosa Plastic Transport Corporation ; Director of Chang Gung Institute of Technology ; Director of Chang Gung Memorial Hospital ; Chairman of Formosa Plastics Development Company ; Chairman of Asia Pacific Development ; Consultant of Hwa Ya Technology Park. ; Supervisor of Yu-Chi Development ; Director of WK Technology Fund ; Director of Kuang Yuen Investment ; Director of Ming Chi Institute of Technology ; Independent Director of Solar Applied Materials Technology Corporation ; Director of Formosa Technologies Corporation ; Director of Nan Ya Plastics Corp. ; Director of Asia Pacific Investment ; Director of Pan Asia Science And Technology ; Director of Nan Chung Petrochemical Corp. ; Chairman of Chuang Lai Investment ; Chairman of Ya Tai Development ; Director of Pu Shih Venture Capital ; Director of Ming De Foundation ; Director of King Car Aboriginal Cultural and Education Foundation ; Director of Wang Zhan Yang Social Welfare Foundation ; Director of Qin Lao Social Welfare Foundation	—

Note 1: Yuanta FHC appointed directors and independent directors for the Bank's 7th term on June 29, 2010, whose terms of office commence from June 29, 2010 to June 28, 2013. Mr. Ching-Chang Yen was elected as the Chairman.

(2) Major Institutional Shareholders:

Base Date: July 26, 2012

Name of institutional shareholders	Major shareholders of the institutional shareholders	
Yuanta Financial Holdings Co., Ltd	Tsun Chueh Investment Co., Ltd.	3.84%
	Yuan Hung Investment Co., Ltd.	3.34%
	Yuan Hsiang Investment Co., Ltd.	2.82%
	Yu Yang Investment Co., Ltd.	2.76%
	First Worldsec Securities' investment account held in custody by Citibank (Taiwan)	2.74%
	Bank of Taiwan Co., Ltd.	2.30%
	Lien Ta Investment Co., Ltd.	2.16%
	Singapore Government's investment account held in custody by Citibank (Taiwan).	2.12%
	Teng Ta Investment Co., Ltd.	1.52%
	Vanguard Emerging Markets Stock Index Fund exclusive account consigned by Standard Chartered Bank	1.49%

Note: Data relating to the top ten shareholders was based on the latest book closure date (2012.7.26).

(3) Key Shareholders of Major Institutional Shareholders:

Base Date: January 31, 2013

Name of institutional shareholders	Major shareholders of the institutional shareholders	
Tsun Chueh Investment Co., Ltd.	Teng Ta Investment Co., Ltd.	19.22%
	Lien Ta Investment Co., Ltd.	19.49%
	Chiu Ta Investment Co., Ltd.	18.01%
	Lien Heng Investment Co., Ltd	18.53%
	Hsing Tsai Investment Co., Ltd	10.16%
	Victor Ma	8.27%
	Judy Tu	4.69%
	Yung-Tsang Lin	0.78%
	Er-Tai Ma	0.69%
	Shu-Hsuan Wu	0.16%
Yuan Hung Investment Co., Ltd.	Mei Jia Li Investment Co., Ltd.	45.88%
	Lien Heng Investment Co., Ltd	33.74%
	Teng Ta Investment Co., Ltd.	15.38%
	Judy Tu	5.00%
Yuan Hsiang Investment Co., Ltd.	Lien Ta Investment Co., Ltd.	44.38%
	Lien Heng Investment Co., Ltd	19.00%
	Teng Ta Investment Co., Ltd.	18.69%
	Chiu Ta Investment Co., Ltd.	9.96%
	Judy Tu	5.01%
	Hsing Tsai Investment Co., Ltd	2.96%
Yu Yang Investment Co., Ltd.	Tsun Chueh Investment Co., Ltd.	100.00%
First Worldsec Securities' investment account held in custody by Citibank (Taiwan)	N/A	
Bank of Taiwan Co., Ltd.	Taiwan Financial Holdings Co., Ltd	100.00%
Lien Ta Investment Co., Ltd.	Chiao Hua International Investment Co., Ltd	45.79%
	Lien Heng Investment Co., Ltd	37.14%
	Chiu Ta Investment Co., Ltd.	14.02%
	Hsing Tsai Investment Co., Ltd	2.58%
	Judy Tu	0.47%
Singapore Government's investment account held in custody by Citibank (Taiwan)	N/A	
Teng Ta Investment Co., Ltd.	Lien Heng Investment Co., Ltd	53.58%
	Mai Kao Venture Capital Co., Ltd	45.87%
	Judy Tu	0.55%
Vanguard Emerging Markets Stock Index Fund exclusive account consigned by Standard Chartered Bank	N/A	

(4) Information of Managers:

A.Presidents, Vice Presidents and Department Heads:

Base Date: March 22, 2013

Title	Name	Date of Appointment	Shares held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
President	Chia-Lin Chin	04/09/2009	N/A	N/A	<ul style="list-style-type: none"> ● President ● Bachelor of Business Administration, National Chengchi University 	Director of Yuanta Commercial Bank ; Chairman of Yuanta Life Insurance Agent ; Director of Yuanta Property Insurance Agent ; Director of Yuanta Foundation ; Director of Yuanta Asset Management ; Supervisor of Yuanta Financial Consulting ; Chairman of Yuanta International Leasing	N/A
General Auditor	Chien Weng	10/22/2012			<ul style="list-style-type: none"> ● General Auditor ● Bachelor of Law, Fu Jen Catholic University 	General Auditor of Yuanta Financial Holdings ; Director of MacroWell OMG Digital Entertainment Co., Ltd.	
Executive Vice President	Tze-Fen Lin	07/01/2008			<ul style="list-style-type: none"> ● Supervisor of Risk Management Dept. and Financial Trading Supporting Dept. ● Ph.D. of Finance, National Taiwan University 	CRO of Yuanta Financial Holdings ; Supervisor of Yuanta Securities Investment Consulting	
Senior Vice President	Chung-Ping Lue	10/20/2009			<ul style="list-style-type: none"> ● Supervisor of President Office, Deposit and Remittance Operation Dept.and Treasury Dept. ● Master of Accounting, National Chengchi University 	N/A	
	Lee-Kang Wong	08/01/2008			<ul style="list-style-type: none"> ● Supervisor of Corporate Banking Dept. and Information Technology Dept. ● Master of Information Management, National Taiwan University 	Director of Yuanta Life Insurance Agent ; Director of Yuanta International Leasing	
	Hung-Lin Wu	08/08/2008			<ul style="list-style-type: none"> ● Head of Wealth Management Dept. ; Supervisor of Wealth Management Dept., Financial Planning Product Dept. and Trust Dept. ● IEMBA, National Taipei University 	Director of Yuanta Life Insurance Agent	
	Hsin-Ying Chen	09/22/2009			<ul style="list-style-type: none"> ● Supervisor of Legal & Compliance Dept. ● Master of Law, Columbia University,USA 	Supervisor of Yuanta Asset Management ; CLO of Yuanta Financial Holdings ; Supervisor of Yuanta International Leasing	

Title	Name	Date of Appoint-ment	Shares held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
Senior Vice President	Yung-Chung Huang	06/15/2009	N/A	N/A	● Head of Operation Dept. : Supervisor of International Banking Dept., Collection Dept. and Operation Dept. ● Bachelor of Business Administration, Tamkang University	N/A	N/A
	Eric K. Chiu	05/30/2008			● Supervisor of Consumer Banking Dept., Offshore Banking Branch and Financial Trading Dept. ● MBA, The University of Queensland, Australia	Director of Yuanta International Leasing	
Vice President	Yu Chang	05/17/2010			● Business Supervisor ● Master of Public Administration, National Chengchi University	N/A	
	Siao-Jyuan Zeng	07/01/2008			● Manager of Credit Management Dept. ● Dept. of Accounting and Statistics, Shih Chien College	N/A	
	Siou-Mei Chen	04/13/2007			● Manager of Information Technology Dept. ● Bachelor of Economics, National Chung Hsing University	Senior Assistant President of Yuanta Financial Holdings	
Senior Assistant President	Ming-Wang Yang	10/12/2010			● Supervisor of Administration & Facilities Management Dept. ● Feng Chia University Department of Finance and Taxation	CAO of Yuanta Financial Holdings	
	Wen-Jeng Chang	10/14/2005			● Head of Offshore Banking Branch, Chief Representative of Hong Kong Representative Office, Manager of Preparatory Office of Macau Branch. ● MBA,George Washington University,USA	N/A	
	Wen-Hsiang Chang	10/31/2008			● Business Supervisor ● Bachelor of Cooperative Economics, National Chung Hsing University		
	Sin-Yu Lin	10/31/2008			● Business Supervisor, Manager of Preparatory Office of Singapore Branch. ● MBA, Arizona State University,USA		
	Francis Wang	06/02/2008			● Manager of Treasury Dept. ● Bachelor of International Trade, Fu Jen Catholic University		

Title	Name	Date of Appoint-ment	Shares held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
Senior Assistant President	Shu-Chuan Chuang	11/01/2007	N/A	N/A	● Manager of Trust Dept. ● Master of Insurance, National Chengchi University	N/A	N/A
	Hsiao-Keng Chang	10/01/2005			● Manager of Human Resource Dept. ● Bachelor of History, National Taiwan University	Senior Assistant President of Yuanta Financial Holdings	
	Yi-Liang Su	06/23/2006			● Manager of Risk Management Dept. ● Master of Accounting, Soochow University	Senior Assistant President of Yuanta Financial Holdings	
	Yu-Ching Su	12/29/2006			● Manager of Accounting Dept. ● Bachelor of Accounting, Tamkang University	N/A	
	Ming-Yueh Liu	04/01/2011			● Manager of Corporate Banking Dept. ● Ming Chuan Commercial College for Girls Department of Accounting & Statistics		
	Yi-Tsung Lien	03/01/2012			● Manager of Financial Planning Product Dept. ● Bachelor of Agricultural Extension Education, National Taiwan University		
Assistant President	Chih-Hsun Chiang	07/01/2008	N/A	N/A	● Manager of Financial Trading Supporting Dept. ● Bachelor of Business Administration, Tamkang University	Assistant President of Yuanta Financial Holdings ; Supervisor of Yuanta Life Insurance Agent	N/A
	Mei-Ju Chen	04/01/2009			● Manager of Legal & Compliance Dept. ● Master of Law School of Fu Jen Catholic University		
	Yeong-Jen Chen	05/28/2010			● Business Supervisor ● Bachelor of Finance and Banking ,Aletheia University	N/A	
	Ming-Shing Chen	02/22/2013			● Manager of President Office ● B.A. in Law, National Taiwan University		
	Hsiao-Shen Lou	02/02/2009			● Manager of International Banking Dept. ● Bachelor of Business Administration, Soochow University		

Title	Name	Date of Appointment	Shares held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
Senior Manager	Mei-Jhu Jhang	07/01/2008	N/A	N/A	<ul style="list-style-type: none"> ● Manager of Deposit and Remittance Operation Dept. ● Dept. of Management, National Taipei College of Business 	N/A	N/A
	Chien-Ming Tseng	08/31/2012			<ul style="list-style-type: none"> ● Manager of Financial Trading Dept. ● Bachelor of Finance and Banking ,Aletheia University 		
	Joseph Huang	10/31/2008			<ul style="list-style-type: none"> ● Manager of Administration & Facilities Management Dept. ● Bachelor of Accounting, Soochow University 		
	Kung-He Chang	03/22/2013			<ul style="list-style-type: none"> ● Manager of Consumer Banking Dept. ● Master of Applied Statistics, Fu Jen Catholic University 		
Manager	Hui-Kuo Chien	02/22/2013			<ul style="list-style-type: none"> ● Manager of Collection Dept. ● Bachelor of Economics, Fu Jen Catholic University 		

Branch Managers:

Base Date: March 22, 2013

Title	Name	Date of Appointment	Shares held	Shares Held by Spouse & Minors or in Others' Name	Experiences /Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
Senior Manager	Wen-Ting Huang	07/01/2010	N/A	N/A	<ul style="list-style-type: none"> ● Manager of Business Department ● Bachelor of International Trade, National Chengchi University 	N/A	N/A
Manager	Janiffer Chiu	02/17/2012			<ul style="list-style-type: none"> ● Manager of Yonghe Branch ● Bachelor of International Business, Tamkang University 		
Senior Manager	Jeng-Hwa Cherng	09/09/2011			<ul style="list-style-type: none"> ● Manager of Taipei Branch ● Bachelor of Business Administration, Fu Jen Catholic University 		
Senior Manager	Li Chang Lu	05/28/2010			<ul style="list-style-type: none"> ● Manager of Shihlin Branch ● Associate Degree of Banking and Insurance, National Taipei College of Business 		
Senior Manager	Pei-Ying Wang	05/28/2010			<ul style="list-style-type: none"> ● Manager of Neihu Branch ● MBA, St. John's University, New York 		
Manager	Yung Li Huang	11/26/2010			<ul style="list-style-type: none"> ● Manager of Sinyi Branch ● Bachelor of Banking, National Chengchi University 		
Assistant President	Michael Wang	06/22/2012			<ul style="list-style-type: none"> ● Manager of Chengjhong Branch ● Master of Finance, Ming Chuan University 		
Senior Manager	Wen-Hsiung Shih	03/22/2013			<ul style="list-style-type: none"> ● Manager of Yongkang Branch ● Bachelor of Business Administration, National Chung Hsing University 		
Manager	Chun-Huang Lu	07/01/2010			<ul style="list-style-type: none"> ● Manager of Minsheng Branch ● Master of Business Administration (MBA), National Taipei University 		
Assistant President	Guor-Liang Wang	05/28/2010			<ul style="list-style-type: none"> ● Manager of Zhongshan North Road Branch ● Bachelor of Banking, National Chengchi University 		
Manager	Hu-Hua Liang	08/07/2012			<ul style="list-style-type: none"> ● Manager of Zhongxiao Branch ● Associate Degree of Banking Management, Tamsui Institute of Business Administration 		
Senior Manager	Chien-Pin Wu	06/22/2012			<ul style="list-style-type: none"> ● Manager of Songjiang Branch ● Bachelor of Business Administration, National Chung Hsing University 		
Manager	Chi-Chang Yu	09/28/2012			<ul style="list-style-type: none"> ● Manager of Guanqian Branch ● Bachelor of Business, National Open University 		
Manager	Shu-Miao Chuang	09/09/2011			<ul style="list-style-type: none"> ● Manager of Hsintien Branch ● Bachelor of Accounting, Tunghai University 		
Manager	Justice Chang	02/17/2012			<ul style="list-style-type: none"> ● Manager of Chingmei Branch ● EMBA of The National Chengchi University 		
Manager	Zu-Jen Lee	07/01/2010			<ul style="list-style-type: none"> ● Manager of Zhonghe Branch ● Associate Degree of Business International Trade, Chihlee College 		

Title	Name	Date of Appointment	Shares held	Shares Held by Spouse & Minors or in Others' Name	Experiences /Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
Assistant President	Sam Liu	09/09/2011	N/A	N/A	<ul style="list-style-type: none"> ● Manager of Nanjing East Road Branch ● Bachelor of Accounting, Tamkang University 	N/A	N/A
Assistant President	Ta-Hsiang Yuan	10/15/2009			<ul style="list-style-type: none"> ● Manager of Sinjhuang Branch ● Master of Business Administration, The University of Southern Queensland, Australia 		
Senior Assistant President	Hong-Chih Lin	05/28/2010			<ul style="list-style-type: none"> ● Manager of Banciao Branch ● Bachelor of International Business, Soochow University 		
Manager	Yen-Shan Lee	06/22/2012			<ul style="list-style-type: none"> ● Manager of Beitou Branch ● Bachelor of Statistics, National Chung Hsing University 		
Assistant President	Chung-Hsi Chuang	02/02/2009			<ul style="list-style-type: none"> ● Manager of Zhongli Branch ● Administration junior college of the National Chengchi University of Department Eminent Public Administration 		
Senior Manager	Chen-kang Yang	04/22/2011			<ul style="list-style-type: none"> ● Manager of Guting Branch ● Bachelor of Economics, Soochow University 		
Assistant President	Ching-Sung Chen	11/04/2011			<ul style="list-style-type: none"> ● Manager of Hsinchu Branch ● MBA at University of South Australia 		
Senior Manager	Li-Ching Yu	03/13/2009			<ul style="list-style-type: none"> ● Manager of Nankan Branch ● Bachelor of International Trade, Tunghai University 		
Manager	Chien-Chen Lin	08/14/2012			<ul style="list-style-type: none"> ● Manager of Ximen Branch ● Dept. of International Trade, Open College Affiliated with National Taipei College 		
Senior Manager	Tai-Yuan Huang	11/04/2011			<ul style="list-style-type: none"> ● Manager of Pinghen Branch ● University of North Alabama U.S.A Master of Business Administration 		
Manager	Yu-Chien Hsu	02/22/2013			<ul style="list-style-type: none"> ● Manager of Datong Branch ● Bachelor of Management Science, National Chaio Tung University 		
Manager	Sheng-Feng Chen	03/02/2012			<ul style="list-style-type: none"> ● Manager of Miaoli Branch ● Master of Economics, Feng Chia University 		
Senior Manager	Chun-Chieh Wu	02/22/2013			<ul style="list-style-type: none"> ● Manager of Hualien Branch ● Bachelor of Commerce, National Taiwan University 		
Manager	Jie-Ping Wu	02/17/2012			<ul style="list-style-type: none"> ● Manager of Kinmen Branch ● Bachelor of Business Education, National Changhua University of Education Department 		
Manager	Chi-Chen Lin	02/22/2013			<ul style="list-style-type: none"> ● Manager of Sindian Zhongzheng Branch ● Master of Science in Finance, Louisiana State University, USA 		
Senior Manager	Yu-Ling Hsu	03/02/2012			<ul style="list-style-type: none"> ● Manager of Hsinchu Science Park Branch ● MBA, National Central University 		

Title	Name	Date of Appointment	Shares held	Shares Held by Spouse & Minors or in Others' Name	Experiences /Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
Assistant President	Chih-Sheng Pan	11/04/2011	N/A	N/A	<ul style="list-style-type: none"> ● Manager of Shalu Branch ● MBA, Tunghai University 	N/A	N/A
Senior Manager	Tsung-Chieh Lee	02/22/2013			<ul style="list-style-type: none"> ● Manager of Dali Branch ● Master of Accounting, National Yunlin University of Science and Technology 		
Manager	Ting-I Chu	03/02/2012			<ul style="list-style-type: none"> ● Manager of Fusing Branch ● Master of International Management, American Graduate School of International Management ● Master of Business Administration, University of South Dakota, USA 		
Manager	Ling-Ying Liao	02/22/2013			<ul style="list-style-type: none"> ● Manager of ChungGang Branch ● Associate Degree of Business Administration, Ling Tung Junior College of Accounting 		
Manager	Yeh-Lu Lee	02/22/2013			<ul style="list-style-type: none"> ● Manager of Wunsin Branch ● Bachelor of Economics, Tunghai University 		
Senior Assistant President	Kuang-Chung Liao	11/04/2011			<ul style="list-style-type: none"> ● Manager of Taichung Branch ● MBA, National Sun Yat-Sen University 		
Assistant President	Chi-Wen Tso	03/02/2012			<ul style="list-style-type: none"> ● Manager of Lugang Branch ● Master of Finance, Chaoyang University of Technology 		
Manager	Cheng-Fang Chen	04/27/2012			<ul style="list-style-type: none"> ● Manager of Caotun Branch ● Master of Finance, National Yunlin University of Science and Technology 		
Manager	Sheng-Wen Chien	02/22/2013			<ul style="list-style-type: none"> ● Manager of ChongDe Branch ● MBA, Chaoyang University of Technology 		
Manager	Lu-Wen Tang	09/09/2011			<ul style="list-style-type: none"> ● Manager of Taiping Branch ● Bachelor of Finance, Chaoyang University of Technology 		
Assistant President	Chang-Sen Wang	03/02/2012			<ul style="list-style-type: none"> ● Manager of Doushin Branch ● Associate Degree of Accounting and Statistics, Transworld Junior College of Commerce 		
Manager	Ping-Hwang Hu	03/02/2012			<ul style="list-style-type: none"> ● Manager of Fongyuan Branch ● Bachelor of Economics, Fu Jen Catholic University 		
Senior Manager	An-Kuo Hung	03/02/2012			<ul style="list-style-type: none"> ● Manager of Yuanlin Branch ● Bachelor of Business Administration, Transworld Institute of Technology 		
Senior Manager	Chung-Lin Yeh	02/27/2009			<ul style="list-style-type: none"> ● Manager of Beidou Branch ● Master of Accounting ,Chung Yuan Christian University 		
Manager	Li-Fen Chang	09/09/2011			<ul style="list-style-type: none"> ● Manager of Dajia Branch ● Bachelor of Business Management, Ling Tung Junior College of Technology 		
Assistant President	Jui-Chien Hsieh	03/02/2012			<ul style="list-style-type: none"> ● Manager of Changhua Branch ● Associate Degree of Accounting and Statistic, National Taipei College of Business 		

Title	Name	Date of Appointment	Shares held	Shares Held by Spouse & Minors or in Others' Name	Experiences /Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
Senior Manager	Luke Hsieh	02/17/2012	N/A	N/A	<ul style="list-style-type: none"> ● Manager of Dounan Branch ● Associate Degree of Banking Management, Tamsui Institute of Business Administration 	N/A	N/A
Manager	Hao Tsai	02/17/2012			<ul style="list-style-type: none"> ● Manager of Huwei Branch ● Associate Degree of International Trade, Taichung College of Commerce 		
Manager	Steven Wu	11/26/2010			<ul style="list-style-type: none"> ● Manager of Fuchen Branch ● National Sun Yat-Sen University Institute of Interdisciplinary Studies for Social Sciences Economics Division 		
Senior Manager	Ming-Hung Chang	03/22/2013			<ul style="list-style-type: none"> ● Manager of Chengde Branch ● Associate Degree of Advertising Design, KaiNan High School of Commerce and Industry 		
Assistant President	Ming-Kuan Lu	04/27/2012			<ul style="list-style-type: none"> ● Manager of Tainan Branch ● Bachelor of Statistics, National Chengchi University 		
Manager	Chien-Sheng Wang	11/26/2010			<ul style="list-style-type: none"> ● Manager of Chiayi Branch ● Master of Finance, National Yunlin University of Science and Technology 		
Manager	Chin-Hao Wang	05/08/2009			<ul style="list-style-type: none"> ● Manager of Fudong Branch ● Associate Degree of Business Administration, Far Eastern College of Industrial and Commercial Management 		
Manager	Ming-Sheng Chen	11/03/2008			<ul style="list-style-type: none"> ● Manager of Kaiyuan Branch ● Associate Degree of Bank Insurance, TaTung Junior College of Commerce 		
Manager	Kuo-Ching Wong	02/17/2012			<ul style="list-style-type: none"> ● Manager of Anhe Branch ● Bachelor of Economics, National Taiwan University 		
Senior Manager	Ching-Chi Huang	12/06/2010			<ul style="list-style-type: none"> ● Manager of Kaohsiung Branch ● Master of Money and Banking, National Kaohsiung First University of Science and Technology 		
Senior Manager	Bih-Ru Liao	03/22/2013			<ul style="list-style-type: none"> ● Manager of Boai Branch ● Master of Financial Management, National Kaohsiung First University of Science and Technology 		
Manager	Woody Lin	08/07/2012			<ul style="list-style-type: none"> ● Manager of Linkou Branch ● Bachelor of Business Administration, National Chengchi University 		
Manager	Wen-Pin Lu	11/28/2008			<ul style="list-style-type: none"> ● Manager of Fongshan Branch ● Bachelor of Business Administration, Cheng Shiu University 		
Senior Manager	Ming-Chai Tsai	11/28/2008			<ul style="list-style-type: none"> ● Manager of Sanmin Branch ● Master of Economics, National Sun Yat-Sen University 		
Senior Manager	Win-Yen Chen	02/17/2012			<ul style="list-style-type: none"> ● Manager of Tungshin Branch ● Bachelor of Finance, Feng Chia University 		

Title	Name	Date of Appointment	Shares held	Shares Held by Spouse & Minors or in Others' Name	Experiences /Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
Manager	Cherng-Jer Lee	02/22/2013	N/A	N/A	<ul style="list-style-type: none"> ● Manager of Zuoying Branch ● Master of Money and Banking, National Kaohsiung First University of Science and Technology 	N/A	N/A
Assistant President	Yin-Wen Hung	06/22/2012			<ul style="list-style-type: none"> ● Manager of Puqian Branch ● Bachelor of Law, Chinese Culture University 		
Manager	Kuo-Hsing Shen	09/09/2011			<ul style="list-style-type: none"> ● Manager of Beisanchong Branch ● Master of Business Administration (MBA), Dallas Baptist University, USA 		
Manager	William Chiang	06/22/2012			<ul style="list-style-type: none"> ● Manager of Songshan Branch ● Bachelor of Industrial Management, National Taiwan University of Science and Technology 		
Manager	Kan-Lin Chen	04/22/2011			<ul style="list-style-type: none"> ● Manager of Shuanghe Branch ● Bachelor of Business Administration, National Taiwan University of Science and Technology 		
Senior Manager	Jin-Ren Syu	09/09/2011			<ul style="list-style-type: none"> ● Manager of Sanchong Branch ● Bachelor of Business Administration, Soochow University 		
Senior Manager	Luin-Chian Lin	03/22/2010			<ul style="list-style-type: none"> ● Manager of Tucheng Branch ● Bachelor of Banking, Tamkang University 		
Assistant President	Chien-Wei Pan	06/22/2012			<ul style="list-style-type: none"> ● Manager of Tianmu Branch ● Master of Financial, California State University, USA 		
Manager	Spencer Lu	03/19/2010			<ul style="list-style-type: none"> ● Manager of Taosin Branch ● Bachelor of Business Administration, National Chengchi University 		
Senior Manager	Cheng Liao	03/05/2010			<ul style="list-style-type: none"> ● Manager of Lujhou Branch ● Master of Business Administration, National Chung Hsing University 		
Senior Manager	Scott Tsai	04/25/2011			<ul style="list-style-type: none"> ● Manager of Datong Branch ● Master of Public Administration, National DongHwa University 		
Senior Manager	Mark Fanchiang	04/22/2011			<ul style="list-style-type: none"> ● Manager of Shangsijnhuang Branch ● Bachelor of Economics, Soochow University 		
Manager	Neng-Che Shih	09/13/2010			<ul style="list-style-type: none"> ● Manager of Yanping Branch ● Master of Business Administration (MBA), National Chung Cheng University 		
Manager	Shih-Ho Tsai	10/04/2010			<ul style="list-style-type: none"> ● Manager of Wende Branch ● Bachelor of Public Finance and Taxation Aletheia University ● Bachelor of Laws, Fu Jen Catholic University 		
Senior Manager	Hui-Jen Chen	11/12/2010			<ul style="list-style-type: none"> ● Manager of Dunnan Branch ● Associate Degree of International Trade, China Junior College of Industrial and Commercial Management 		

Title	Name	Date of Appointment	Shares held	Shares Held by Spouse & Minors or in Others' Name	Experiences /Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
Manager	Yu-Chao Cheng	02/22/2013	N/A	N/A	<ul style="list-style-type: none"> ● Manager of Pingtung Branch ● Bachelor of Laws,Chinese Culture University 	N/A	N/A
Senior Manager	Jeng-Huei Chen	06/22/2012			<ul style="list-style-type: none"> ● Manager of Daan Branch ● Master of Business Administration,Ming Chuan University 		
Senior Manager	Rong-Hwa Hang	04/22/2011			<ul style="list-style-type: none"> ● Manager of Taoyuan Branch ● Bachelor of Commerce,National Taiwan University 		
Senior Manager	Mei-Jen Liu	05/13/2011			<ul style="list-style-type: none"> ● Manager of Gongguan Branch ● Bachelor of International Trade,Tamkang University 		
Manager	Yung-Chieh Lin	02/22/2013			<ul style="list-style-type: none"> ● Manager of Luodong Branch ● Associate Degree of Business Administration Gingchung Business College 		
Manager	Hui-Jen Chang	12/23/2011			<ul style="list-style-type: none"> ● Manager of Heping Branch ● Master of Business Administration (MBA), Royal Roads University 		
Manager	Ming-Hsiung Lin	02/22/2013			<ul style="list-style-type: none"> ● Manager of Jhubei Branch ● Associate Degree of International Trade,Tamsui Institute of Business Administration 		
Senior Manager	Chun-Hsiung Kuo	03/22/2013			<ul style="list-style-type: none"> ● Manager of Jiali Branch ● Master of Industrial Management,National Cheng Kung University 		

4. Corporate Governance

(1) Disclosures made in accordance with Corporate Governance Best-Practice Principles for Banks and related regulations:

Disclosed in “Important Information” on the Bank’s website

<http://www.yuantabank.com.tw/bank/>

(2) State of Corporate Governance:

Item	Operation	The Differences between the Corporate Governance Practice of the Bank and “Guidelines for Bank Corporate Governance” and Causes
<p>1. Equity structure and shareholder equity of the Bank :</p> <p>(1) Methods used by the Bank to handle shareholder suggestion and complaints</p> <p>(2) The Bank maintains the list of major shareholders actually controlling it and the ultimate controllers of these major shareholders</p> <p>(3) The approach of establishing risk control mechanism and the firewall between the Bank and its affiliates.</p>	<p>(1) The Bank is wholly-owned by Yuanta Financial Holding. It accords its management of the Bank with Article 26 of Financial Holding Company Act, and maintains an unobstructed communication channels with the Bank.</p> <p>(2) Yuanta Financial Holding is the sole shareholder of the Bank. Therefore, Yuanta Financial Holding is the major shareholder actually controlling the Bank and the ultimate controller of the shareholder.</p> <p>(3) The Bank and its related party have been processing their finance independently, and the performance and division of responsibilities between both parties have been defined clearly, and also audited by CPA periodically. Additionally, the Bank has also established the stakeholder query system and developed according operation procedures and the controlling mechanism all according to Article 44 and Article 45 of Financial Holding Company Act and relevant policies of the parent company. The Bank also handled the cross-selling operation in accordance with Article 42 and 43 of Financial Holding Company Act and the relevant regulations.</p>	Conformity
<p>2. Composition and responsibilities of the board of directors :</p> <p>(1) Status of the Bank’s independent directors</p> <p>(2) Regular evaluation of the independence of the CPA</p>	<p>(1) The Bank now set up 11 directors, including 3 independent directors, who constitutes the Audit Committee and perform the duty of supervisors. Members of the Audit Committee not only possess rich experiences and erudition and demonstrate reputation, but also have expertise in their individual areas. Since the establishment of Audit Committee, the members have proposed a vast amount of advice on reform and committed considerably contribution to the overall management performance.</p> <p>(2) The evaluation report on the independence of certified accountants and their appointment are reported to the Audit Committee and Board of Directors for approval.</p>	Conformity

Item	Operation	The Differences between the Corporate Governance Practice of the Bank and "Guidelines for Bank Corporate Governance" and Causes
3. Communication with interested parties :	The Bank has defined the "Regulations Governing Interested Parties' Suggestions and Disputes for Audit Committee" to establish the unobstructed communication and constructed "The Area for Employees and Interested Party's Suggestions and Disputes for Audit Committee" as a communication channel on the website.	Conformity
4. Information Disclosure : (1) Establishment of the website to disclose information concerning financial affairs and corporate governance (2) Other information-disclosing approaches (e.g. English website, assignment of specific personnel to collect and disclose the Bank's information, implementation of a spokesperson system, broadcasting of investor conferences via the bank website.)	(1) We have built the Chinese and English websites to disclose to the public the important financial information and corporate governance information, including annual financial reports, of this bank. (2) At present, Senior VP Eric K.Chiu is the bank's spokesperson. He unifies and integrates all financial and business information of this bank to ensure the real-time disclosure of this bank's related information.	Conformity
5. Establishment of functional committees such as the nomination or other functional committees by the Bank :	The Bank established the Compensation Committee according to the resolution of the 7th meeting of the 7th Board of Directors on September 16, 2010. The Committee is composed of three independent directors of the Bank, who recommend one convener among themselves. The committee members serve these positions with the same term as that of independent directors. The meeting is held basically once every six months and may be held anytime while necessary. The Compensation Committee performs the following duties: (1) To evaluate and supervise the comprehensive compensation policies of the corporation; (2) To establish directors' remuneration structure and system; (3) To establish standards on annual raise; (4) To establish standards on appropriating special bonuses; (5) Other tasks with authorization from the Board of Directors.	Conformity
6. Please describe the Bank's corporate governance status, any departures from the Corporate Governance Practice Principles for the banking industry and reasons for such departures : In order to solidify corporate governance, the Bank set up independent directors and the audit committee. Current corporate governance is all complied with "Guidelines for Bank Corporate Governance".		

Item	Operation	The Differences between the Corporate Governance Practice of the Bank and "Guidelines for Bank Corporate Governance" and Causes
7.	<p>Other important information enabling better understanding of the Bank's corporate governance status:</p> <p>(1) Staff Right and Employee Care: The Bank established Employees' Welfare Committee and, on the corporate website, set up Employee's Recommendation area as a communicative medium between employees and employers.</p> <p>(2) Investors Relations and Stakeholder's Rights: The Bank's sole investor is Yuanta Financial Holding Co., Ltd., which is the only shareholder and has smooth relationship with the Bank.</p> <p>(3) Director's and Supervisor's Further Education: The Bank developed "Director Further Education Procedures"</p> <p>(4) The Implementation of Risk Management Policies and Risk Evaluation Criteria: The Bank has developed superior risk management policy approved by Board of Director, and constituted a well-structured risk management system in order to ensure various risk evaluation criteria. Meanwhile, the Bank also set up Risk Management Committee to integrate the deliberation, supervision and coordination of the Bank's risk management.</p> <p>(5) The Implementation of Customers' Policies : To guard customer's rights, the Bank has developed Guidelines on Consumer Protection and regulations of personal information protection. Furthermore, the bank acquired ISO 27001, a certificate of the Information Security Management Standard (ISMS), and BS10012, a certificate of Personal Information Management System to shield customers' privacy and advance the security of personal information.</p> <p>(6) Bank's Purchase of Liabilities Insurance for Directors and Supervisors: The Bank has purchased liability insurance from Union Insurance Company for directors and supervisors.</p> <p>(7) The donation to political parties, stakeholders and charities: A. NTS 3 million is donated to Polaris Research Institute in May, 2012 for the research on the macro-economy, finance and products of Taiwan and major countries. B. NTS 5 million is donated to Yuanta Foundation in Jun, 2012 for the personnel training, arts and cultural and public welfare activities.</p>	
8.	<p>If the Bank conducts a corporate governance self-assessment report or commissions a professional institution to compile a corporate governance assessment report, the results of self-assessment (or commissioned assessment), major deficiencies (or suggestions), and improvements should be stated :</p> <p>According to "The Self Assessment Procedures of the Audit Committee". The members of the Audit Committee have finished and filed The 2012 Audit Committee Self Assessment in written. The assessment was conducted by three independent directors filling the 11 assessment questionnaires, including authority regulations, qualifications and appointment, meeting convention, training and related resources, the review of financial statements, internal control and risk management of finance, the internal audit process, The review of the certified accountant audit process, the dispute system, The relation with the Board of Directors and the communication with shareholders. The overall results were excellent.</p> <p>According to the Director and Board of Directors Self-Assessment Regulations of this bank, the director self-assessment in 2012 has been completed by all board members. The assessment was conducted by means of survey. The questionnaire contained 36 items concerning the formalization of authority; the convention of meetings; education, training, and related resources; the management of the internal control system; the management of the risk control mechanisms; and the obligation and responsibility of due faith. The overall results were excellent.</p> <p>The Company passed the review by Taiwan Corporate Governance Association and was awarded its "CG6006 Corporate Governance Certification".The certification was valid for the period 2011/11/04~2013/11/03.</p>	

(3) Implementation of social responsibility:

Item	Operation
<p>1. Exercising Corporate Governance</p> <p>(1) The Bank declares its corporate social responsibility policy and examines the results of its implementation.</p> <p>(2) The Bank establishes exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing the corporate social responsibility policies.</p> <p>(3) The Bank organizes regular training on business ethics and promotion of matters prescribed in the preceding Article for directors, supervisors and employees, and should incorporate the foregoing into its employee performance appraisal system to establish a clear and effective reward and discipline system.</p>	<p>(1) The Bank's parent company Yuanta Financial Holding Co.,Ltd. developed "Corporate Social Responsibility Best Practice Principles" and "Corporate Social Responsibility Policies and Codes" according to "TSE & OTC Listed Company Corporate Responsibility Best-Practice Principles" and established Corporate Social Responsibility Promotion Center as the dedicated unit of the Group.</p> <p>(2) All subsidiaries observe the comprehensive regulations and objectives set by Yuanta Financial Holding.</p> <p>(3) While employees assume their posts, the Bank not only organizes training sessions, but also places "Code of Ethics" on the employee portal site. In addition, the Bank has also developed "Work Rules" and "Performance Appraisal Procedures" to forge the clear and thorough diplomacy mechanism.</p>
<p>2. Fostering a Sustainable Environment</p> <p>(1) The Bank endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment.</p> <p>(2) The Bank establishes proper environmental management systems based on the characteristics of their industries.</p> <p>(3) The Bank establishes dedicated units or assigns dedicated personnel for environment management to maintain the environment.</p> <p>(4) The Bank monitors the impact of climate change on its operations and should</p>	<p>(1) Fully executed by the policies and regulations of the parent company Yuanta Financial Holding to raise resource utilization efficiency and its use of renewable materials are explained below:</p> <p>A. We recycle and reuse energy-intensive articles. This includes advocating and promoting the recycling and reuse of paper products, the use of recycled paper and resource recycling as well as execution status reporting.</p> <p>B. We properly dispose of waste. This includes advocating and promoting waste sorting and reduction, waste water treatment and reporting on the outcome.</p> <p>C. We use low energy, green energy office supplies and machines. Yuanta Financial Holding is awarded 2012 Best Green Purchasing Unit by Taipei City Government and Environmental Protection Administration</p> <p>(2) Regarding the establishment of environment management systems and dedicated units for environment management (including water conservation, energy conservation, carbon and greenhouse gas reduction, we have taken the following measures:</p> <p>A. We set internal management rules that follow the Taipei City Government's regulations for air conditioning temperatures in office buildings.</p> <p>B. In order to realize water conservation, energy conservation, carbon and greenhouse gas reduction, we regularly report the outcome of conservation measures for water, electricity and other items of energy consumption.</p> <p>C. Smoking is completely prohibited inside our offices. Smokers must use designated outdoor places. In order to meet regulations we</p>

Item	Operation
establish company strategies for energy conservation and carbon and greenhouse gas reduction.	regularly carry out disinfection, rodent and insect control. D. The headquarter building's management committee functions as a dedicated environmental management unit to maintain the environment.
<p>3. Preserving Public Welfare</p> <p>(1) The Bank's compliance with labor regulations, respect for internationally accepted principles of basic labor rights, protection over employees legal rights, makes employment policies of no preferential treatment, establishment of appropriate management approaches and procedures, and implementation.</p> <p>(2) The Bank provides safe and healthy work environments for its employees, and organizes training on safety and health for its employees on a regular basis.</p> <p>(3) The Bank establishes the mechanism for employee's periodical communication, notifies employees, in reasonable ways, of any changes in operation that</p>	<p>(1) The Bank has complied with labor regulations and codes of its parent company Yuanta Financial Holdings and developed codes of work and according personnel management rules for job seekers or employees, which specify no discrimination on ethnicity, thoughts, religions, political parties, household registry, birthplace registry, sex, sexual orientation, age and marriage, in order to construct an equal employment environment and shield employee's legal rights. In addition, the labor management meeting is convened periodically to guard employee rights, expedite labor-management harmony and construct a mutually-benefiting and win-win prospect.</p> <p>(2) The Bank not only observes the Group's policies and offers employees secure and healthy workplace, but also periodically executes security and security and health education. The Bank also constructed "Operation Unit Security Maintenance Procedures" to forge its security maintenance mechanism.</p> <p>A. Strict entrance guard and security check measures to fully protect the safety of our employees at work and in everyday life.</p> <p>B. Regular safety inspections of drinking water, carbon dioxide and illumination brightness.</p> <p>C. Regular public safety reports and inspections.</p> <p>D. Regular disinfection and sanitation of the environment.</p> <p>E. Confirming that office surveillance systems at all business locations function normally.</p> <p>F. Delivering a smoke-free work environment, providing a comfortable, healthy and fresh workspace.</p> <p>G. Regular occupational safety and firefighting trainings and drills as required by law.</p> <p>Moreover, based on Article 16 of the "Regulations for Labor Safety and Health Education and Training" by the Council of Labor Affairs, Executive Yuan, the Bank's parent company Yuanta Financial Holding has established the following regulation: "The employer shall have new recruits receive necessary safety and health education and trainings applicable to their new posts." In order to protect the health and safety of all workers, we hired a business supervisor holding a certificate of labor safety to hold "educational trainings for new recruits on occupational health and safety" in fiscal year 2012. The educational trainings cover the following topics: An outline of laws and regulations relating to occupational health and safety, occupational health and safety concepts as well as safety and health work rules, emergency response management, basic knowledge and drills about firefighting and emergency rescue, as well as health and safety knowhow related to work operations.</p> <p>(3) A. The Company, through the periodical convention of labor-management meetings, establishes a communication platform for labor and management, enhances employee's participation and assurance in company policies and develops smooth interaction in order to achieve the goal that labor and management share one mind and create a</p>

Item	Operation
<p>may cause any significant influence.</p> <p>(4) The Bank establishes and discloses policies on consumer rights and interests and provides a clear and effective procedure for accepting consumer complaints.</p> <p>(5) The Bank cooperates with its suppliers to jointly foster a stronger sense of corporate social responsibility.</p> <p>(6) The Bank, through commercial activities, non-cash property endowments, volunteer service or other free professional services, participates in community development and charities events.</p>	<p>win-win situation.</p> <p>B. All information on rules, systems and benefits of the Company and employees are announced on the internal website so that employees are aware of their rights. In addition, a fully dedicated unit places daily important news of the Company on the web pages for employees to look up anytime in order to understand the latest industrial news and important news of the Company.</p> <p>C. The Company also irregularly announces the Company major changes in operation through email boxes so that employees can receive instant information.</p> <p>(4) A. To fully serve the Bank duty in the confidentiality of customers' personal information, the Bank developed Guidelines on Consumer Protection, Personal Information Protection Policies and related Regulations. Meanwhile, the bank has not only disclosed Privacy Protection Statement and the measures for the confidentiality of customer data on its website, but also executed all the group's confidentiality measures for the personal information to shield customers' privacy and advance personal information security.</p> <p>B. The Bank uses the following avenues and procedures to handle customer complaints:</p> <p>a. Customer Feedback Forms are placed in the business hall of business units.</p> <p>b. The Bank's Hotline: 0800-688-168.</p> <p>c. E-mail: service@yuanta.com</p> <p>d. As soon as any complaint is made by consumers, according units will be instantly informed for response while case status and responses will stay fully controlled.</p> <p>(5) As for cooperation with suppliers to jointly foster a stronger sense of corporate social responsibility, we actively select and purchase equipment with energy labels, low-energy and green energy office supplies, office machines, IT equipment, illumination equipment and related devices. Office machines, for instance, that are on stand-by or not used automatically switch to power saving mode. Traditional incandescent light bulbs are replaced with energy-saving light bulbs. The central air conditioning system at company headquarters uses the more environment friendly refrigerant R410A to prevent destruction of the ozone layer.</p> <p>(6) The systems, measures and the performance conducted by the Bank towards environmental protection, community participation, social contribution, social services, public interests, consumer rights, human rights and safety and health and other social responsibility activities: For contribution back to the society, the Bank, during these years, not only established a charity space on the Internet, but also cooperated with 24 charities, including Eden Social Welfare Foundation , by contracts to complete a large number of donation missions, the Bank makes donations to Yuanta Foundation every year to sponsor a variety of education, charity and culture events through Yuanta Foundation so the Bank can engage in charity and fulfill its corporate social responsibility: Yuanta Group fulfills its corporate social responsibility from three educational approaches: 1. Social welfare and education; 2. fostering of young talent through scholarships and other forms of academic sponsorship and professional training; 3. promotion of the arts and cultural education. A total of 172 events were organized in 2012; most of which (62%) were related to the "Social Welfare and Education", followed by "Fostering of Young Talent Through Scholarships" (22%), and "Promotion of Arts and Cultural Education" (16%).</p> <p>A. Social Welfare and education:</p>

Item	Operation
	<p>In 2012, the company organized a total of 90 charity events and health promotion campaigns aimed to help the disadvantaged group in learning and growth, so that they stand a fair chance of pursuing their dreams with confidence. Yuanta Group believes that "Education" is the best means of helping the disadvantaged children change their lives and fulfill their dreams. We helped more than 10,000 children and their families over the last year, by executing the following campaigns:</p> <p>a. Dreams Take Flight</p> <ol style="list-style-type: none"> Summer and Winter High School Study Camp: A team of voluntary instructors consisting of 20 lecturers and students from Fu Jen Catholic University offered study aids to 75 disadvantaged JieShou Junior High School students during summer and winter breaks. Study Aids for Disadvantaged Students in Metropolitan Area: Yuanta Group offered weekend study aids, lunch subsidies, and living educations to 50 disadvantaged students in the Wugu District, New Taipei City. Care, Service, and Education Subsidies: Through in-depth interviews and school referrals, Yuanta Group offered an education subsidy of NT\$10,000 per semester to 30 children with difficulties. Learning Subsidies for Disadvantaged Children: Yuanta Group subsidized the Taitung Education Development Institution, Liang-shean Tang Social Welfare Foundation, and Chung Yi Social Welfare Foundation in hiring a total of 5 instructors. In this project, helped more than 187 students from disadvantaged families. Support the digital learning companion project initiated by the Ministry of Education, and offering online education assistance for remote schools: Yuanta Group supported the digital learning companion project initiated by the Ministry of Education, helping 1,000 remotely located students learn online and training 1,500 university students to serve as online instructors, so that students in remote areas are given access to proper education. JieShou Junior High School Art Class: Yuanta Group supported the "Atayal Culture Life Experience Class" organized by JieShou Junior High School in Fuxing Hsiang, Taoyuan County, and provided 20 economically disadvantaged students with the chance to learn and know about the culture and life of Atayal Tribe. <p>b. Caring for Children and Juvenile</p> <ol style="list-style-type: none"> "Lunar Year Holidays Charity Clothing" Event: Yuanta Group invited 241 disadvantaged children from the Northern Taipei City Branch Office of the Taiwan Fund for Children and Families, Yilan Branch Office of the Taiwan Fund for Children and Families, Ti-Hwei Children's Home, Bethany Children's Home, Chung Yi Children's Home, Fu Jen Catholic University Rural Education Care Team, Taipei Children Welfare Center and Holyworld Children's Home to choose new clothes and shoes free at Lake Square Department Store as their gifts for school opening. Vox Navita Taiwan: Yuanta Group sponsored Vox Navita

Item	Operation
	<p>Taiwan in functioning the "Vox Navita Choir", which allowed the world to hear voices from Yushan.</p> <ul style="list-style-type: none"> iii. Send Love to Ti-Hwei Children's Home: Yuanta Financial Holdings' employee club, Cooking Club, made 50 cases of delicious cookies by hand and prepared cute elephant toys, and sent them to Ti-Hwei Children's Home on April 3 to extend their love to the children before Children's Day. iv. Respond to "Together With Happiness" Charity Carnival: Yuanta Group sponsored the "Together with Happiness" Charity Carnival organized by Chung Yi Children's Home on June 3, and donated elephant toys to the charity bazaar in the Carnival. v. 2012 Children's Home Sports in Taipei: Yuanta Group sponsored the budget for participation of the children from five children's homes, including Yikuang Orphanage, Taipei Children Welfare Center, Taipei Holy World Children's Home, Taipei Home of Hope and Taipei Home of Tehlien. The event aimed to develop children's self-confidence. vi. 2012 Happy Art Achievement Presentation: Yuanta Group sponsored the "2012 Happy Art Achievement Presentation" organized by Yilan Branch Office of the Taiwan Fund for Children and Families, in which 80 trainees presented the talents they had practiced for a long time. <p>c. Promoting Social Welfare</p> <ul style="list-style-type: none"> i. "Start from Edison" Social Welfare Science Learning Plan: Yuanta Group sponsored the "Start from Edison" Social Welfare Science Learning Event organized by the National Taiwan Science Education Center, and arranged 100 sessions and invited 4,000 remote school or disadvantaged children to take part in the event in Taipei. ii. "Moon Life – Yue Lai Yue Mei Li" Event: Yuanta Group sponsored the event organized by Taipei District Prosecutors' Office, Sindian Drug Abuse Treatment Center of Agency of Corrections, Ministry of Justice, and Taiwan After-Care Association, Taipei Branch at Sindian Drug Abuse Treatment Center, and sponsored 800 "Charity Pomelos". <p>d. Healthcare</p> <ul style="list-style-type: none"> i. Education and Prevention of Liver Diseases: Yuanta Group sponsored three "Free Hepatitis/Liver Cancer Check-ups" organized by the Good Liver Prevention Foundation in Hsinfong Township, Hsinchu County, Budai Township, Chiayi County, and Baiho District, Tainan City. 120 volunteers from Yuanta Group participated to serve a total of 6,000 civilians. ii. "Care Aged People and New Immigrants" Social Welfare Action: Yuanta Group worked with the National Immigration Agency, Ministry of the Interior to organize an action, and invited the elders serving in the Huashan Social Welfare Foundation and the Genesis Social Welfare Foundation to take part in the action. The director-general of the National Immigration Agency, Hsieh Li-Kung, and new immigrants made radish cake. Meanwhile, Yuanta Group volunteer prepared heartwarming gifts, including handmade cookie and charity mugs, to warm 50 elders' hearts. iii. Yuanta Charity Blood Donation: Yuanta Group calling on employees from Yuanta Financial Holdings' to donate blood for

Item	Operation
	<p>social welfare and contribute to society.</p> <ul style="list-style-type: none"> iv. Documentary Film “Peace and Love Never End” Debut and Roadshow: Yuanta Group exclusively sponsored the debut of the film “Peace and Love Never End”, in hopes of promoting liver cancer prevention and treatment knowledge throughout Taiwan via the documentary film and enabling more liver cancer patients to discover and treat the disease as early as possible and have a chance of rebirth. v. 2012 Kindly Light Baptist Church Service Center Mission Plan: Yuanta Group sponsored to prepare healthy lunchboxes for elders in mountain areas from Mondays to Saturdays. The lunchboxes were served by volunteer workers from the Center and Yuanta Group to care for the elders’ diet and livelihood. More than 5,000 elders receive care each year. vi. Sponsor Taiwan Alzheimer’s Disease Association: Yuanta Group sponsored the minor Alzheimer’s disease healthcare service provided by the Taiwan Alzheimer’s Disease Association, namely “School of Wisdom”, to enable the association to provide Alzheimer’s disease patients with services. <p>e. Caring for the Disadvantaged</p> <ul style="list-style-type: none"> i. Sponsor Father Beunen Social Services Foundation: To extend appreciation for the contribution made by the Father Beunen Social Services Foundation to the disadvantaged in Taiwan, Yuanta Group sponsored a musical concert organized on October 27. ii. Yilan Branch of TFCF Charity Store Service Program: Yuanta Group sponsored the budget required by the start-up “Charity Store”, which integrated the traditional weaving and quilting classes. With care and support for stable family functions, parents who bear the burden of supporting disadvantaged families can afford the costs of education and raise their children properly. iii. Prader-Willi Syndrome Association: Yuanta Group helped the Prader-Willi Syndrome Association organize the “Year-End New Hope Christmas Music Greeting Event” at Taipei Children’s Recreation Center on December 15. As a result, 100 children and family members enjoyed very special Christmas and New Year holidays. <p>f. Caring for Huatung</p> <ul style="list-style-type: none"> i. “Remote Education Cultivation and Seeding Plan” : To respond to the “Remote Education Cultivation and Seeding Plan” proposed by the chairman of the board of the Alliance Cultural Foundation, Stanley Yen, Yuanta Group shared with the Taitung County Government the subsidies for necessary expenditures such as elementary school and junior high school disadvantaged students’ annual accommodation and meal, bilingual education and learning expenses as of 2012, in order to enable rural children to have the chance to change their life. ii. Donate Medical Wheelchairs to Hua-Lien Hospital: Yuanta Group donated 10 medical wheelchairs to Hua-Lien Hospital, which was badly in need of wheelchairs, to serve elders who had difficulty moving. iii. Initiate “Save Huatung With Social Welfare” Event: The “Save Huatung With Social Welfare” Event was initiated by Hua-Lien

Item	Operation
	<p>Hospital, Chunghua Star Community Sport Association (C.S.C.S.A.) and Yuanta Group jointly. On September 29, the event donated the funds raised from the charity sale in the Moon Festival Carnival.</p> <p>iv. “Moon Festival – 2012 Celebration” Event: Yuanta and Mennonite Christian Hospital began working together to organize the “Moon Festival – 2012 Celebration” Event. The celebration is organized at the festival each year in order to enable patients who cannot go home to enjoy the festival and comfort them.</p> <p>v. Care Cup Baseball Game of 19th Term: Yuanta Group sponsored the Care Cup Baseball Game of the 19th Term organized by the Taiwan Aboriginal Baseball Development Association, Taiwan Indigenous TV, The Chinese Professional Baseball League (CPBL) and Taitung County Government, which invited 48 baseball teams consisting of 3rd grade students to play the game in Taitung.</p> <p>vi. Sponsor Hualien Mennonite Foundation: Yuanta Group has worked with the Mennonite Social Welfare Foundation since 2008 to do something for the elderly in Hualien. So far, we have sent about 300,000 lunchboxes that provided the elderly with basic living support. Through the volunteer workers’ visit, more than 2,110 solitary elders were protected.</p> <p>g. Caring for Environment</p> <p>i. Yuanta Group sponsored the “Eslite Rooftop Musical Festival”.</p> <p>ii. Yuanta Group and Greenfield Preschool worked together to organize the “Cherish Resources and Share Happiness – Ethics/Share/Environmental Protection” Event.</p> <p>iii. Yuanta Group worked with the largest science popularization website, PanSci, to organize the Love Earth “Yuan” Dream Diary Event.</p> <p>h. Social Participation</p> <p>i. Yuanta Group worked with the Global Views Educational Foundation to organize “Yuanta Dreams Take Flight”, a large social welfare seminar on a monthly basis.</p> <p>ii. “Good News Collection” Writing Contest was organized by the Foundation for Excellent Journalism Awards and sponsored by Yuanta Group exclusively.</p> <p>iii. Yuanta Group sponsored the “Social Enterprise Convention” Event founded by the founder of Taiwan Lohas Association.</p> <p>iv. Yuanta Group sponsored the “2012 Social Bright Side Report Award” organized by Association of Taiwan Journalists.</p> <p>B. Fostering of Young Talent and Professional Training: a. "Corporate Governance and Taiwan Financial Reform" Seminar: In 2012, Yuanta Group organized a total of 38 academic events and talent training campaigns, which received participation from more than 5,000 people. The individual projects are as follows:</p> <p>a. Talent Training</p> <p>i. Yuanta Group organized The 6th Yuanta Cup EMBA Analytical Challenge, combined with the 2012 EMBA Summit Meeting.</p> <p>ii. Yuanta Group had selected a group of postgraduate students from the nation's finest universities and organized the “Yuanta</p>

Item	Operation
	<p>2012 Postgraduate Students Summer Research Project”.</p> <p>iii. Yuanta Group sponsored the “New Century WTO International Economic and Trading Laws Elite Training Club” of the 7th Term sponsored by the Taiwan New Century Foundation.</p> <p>iv. Yuanta Group sponsored the “Accounting debate Challenge and 2012 Cross-Strait Accounting Debate Invitation Competition”</p> <p>b. Academic research</p> <p>i. Yuanta Group sponsored the “Cooperative Framework for Chinese Enterprises”, which co-operation between National Taiwan University and Renmin University of China</p> <p>ii. Yuanta Group sponsored “The 20th Securities and Financial Markets Theory and Practice Seminar” convened by the Department of Finance of National San Yat-Sen University.</p> <p>c. Industry-academia exchange</p> <p>i. Yuanta Group sponsored the 9th “Cross-Strait Financial Market Development Seminar”.</p> <p>ii. Yuanta Group worked with the Economic Daily News to organize the 2nd “Cross-Strait and Hong Kong Economic Times Summit Forum”.</p> <p>iii. Yuanta Group sponsored the Institute of International Relations of National Chengchi University to organize the 8th “Mainland China and Cross-Strait Research Workshop”.</p> <p>iv. Yuanta Group sponsored the “2012 AsianFA and TFA International Academic Seminar” organized by the Taiwan Financial Association and Ming Chuan University.</p> <p>v. Yuanta Group sponsored the “2012 Corporate Governance Summit Forum” organized by the Taiwan Corporate Governance Association.</p> <p>d. International seminar</p> <p>i. Yuanta Group sponsored the “Look For Global Economic Growth Drive – 2012 Global Economic Elites Forum” organized by "Business Today" and sponsored exclusively by Yuanta Financial Holdings and Yuanta Foundation.</p> <p>ii. Yuanta Group sponsored the “Master Forum: Taiwan Enterprises’ Approach to Strategic Transformation” organized by Harvard Business Review, a unit of Commonwealth Publishing Group.</p> <p>C. Promotion of the Arts and Cultural Education: In 2012, Yuanta Group organized 27 art and cultural events, and spoke for Taiwanese arts along with many others. The following projects were carried out in the last year:</p> <p>a. Arts and Cultural Education</p> <p>i. Yuanta Group sponsored the “MYTHES ET LEGENDES EN OCCIDENT: COLLECTION DU MUSEE DU LOUVRE” planned and organized by National Palace Museum, MUSEE DU LOUVRE and Media Sphere Communications Ltd.</p> <p>ii. Yuanta Group sponsored the “New Moon Tale” Child Drama Show.</p> <p>iii. Yuanta Group sponsored the “Proof” Juvenile Musical Drama.</p> <p>iv. Yuanta Group sponsored the “Paperwindmill 368 Township/City Kids Art Engineering”.</p>

Item	Operation
	<p>b.Promotion of arts</p> <ul style="list-style-type: none"> i. Yuanta Group sponsored the “Pop-up Book Art Exhibition” organized by United Daily News and the National Museum of History. ii. Yuanta Group exclusively sponsored the “Yi Sheng Wan: Wang Huai-Ching Arts Exhibition” organized in the Taipei Fine Arts Museum. iii. Yuanta Group sponsored the “Summer Color -2012 Upcoming Super Stars of 2nd Term” Work Exhibition organized by CANS. iv. Yuanta Group worked with the Department of Social Welfare, Taipei City Government to invite 300 disadvantaged juveniles to watch the drama show, “Crazy TV”, performed by “All U People Theater”. v. Yuanta Group worked with the Cultural Affairs Bureau of the New Taipei City Government, invited the Homeland Chamber Ensemble to celebrate the new school year together with 800 students and teachers from four rural schools. vi. Yuanta Group invited 300 disadvantaged children and youth from the Taiwan Alliance for the Advancement of Youth Rights and the Welfare and Harmony Home Association to watch the classic drama “B. Box Brother and Sister Showcase”. vii. Yuanta Group exclusively sponsored the “China Welfare Institute Children Art Theater” organized by the China Welfare Institute and the Shanghai Disabled Persons’ Federation. viii. Yuanta Group sponsored the “Bright Up the Star – Autism Patients’ Artwork Exhibition”. ix. Yuanta Group invited youth guided by the social welfare centers to watch the concert “Story – Island”. x. Yuanta Group invited youth from high-risk families and single-parent families guided by the “Ministry of Justice” and the “Taiwan After-Care Association, Taipei Branch” to watch the film “Not Old Dream Plan – Not Old Knight Documentary Film”. xi. Yuanta Group sponsored the Ju Percussion Group Foundation to organize the "Listening and Smiling” Concert performed by the Ju Percussion Group. <p>D. Social Security and Law Education</p> <p>a. Social Security</p> <ul style="list-style-type: none"> i. Yuanta Group has long supported the Taiwan After-Care Association, Taipei Branch. ii. Yuanta Group worked with the Paper Windmill Arts and Educational Foundation to initiate the “Save Faust Plan”. iii. “Honored Person and Group Dedicated to Helping Promote After-Care Protection Services”, the After-Care Protection Festival Celebration Assembly of the 67th term and exhibition were organized by the New Taipei City Government and the Taiwan After-Care Association. iv. The “Taiwan Fund for Children and Families – Protect Children and Be a Good Neighbor” campaign was promoted through Yuanta Financial Holdings’ business locations. <p>b. Law Education</p> <ul style="list-style-type: none"> i. Yuanta Group sponsored the “Excellent Award and Xu Ching

Item	Operation
	<p>Award Ceremony” of the 11th term.</p> <p>ii. Yuanta Group organized the 2012 “Taiwan’s Children’s Legislation Prospective” Workshop.</p>
<p>4. Enhancing Information Disclosure</p> <p>(1) The measures of disclosing relevant and reliable information relating to corporate social responsibility.</p> <p>(2) The Bank produces corporate social responsibility reports disclosing the status of their implementation of the corporate social responsibility policy.</p>	<p>(1) Relevant information is posted on the Bank’s parent company Yuanta Financial Holding website.</p> <p>(2) The Bank’s parent company Yuanta Financial Holding plans to compile in 2012 a corporate social responsibility report that will disclose how we foster corporate social responsibility.</p>
<p>5. If the Bank has established corporate social responsibility principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancy between the principles and their implementation:</p> <p>None.</p>	
<p>6. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices (e.g., systems and measures that the company has adopted with respect to environmental protection, community participation, contribution to society, service to society, social and public interests, consumer rights and interests, human rights, safety and health, other corporate social responsibilities and activities, and the status of implementation.):</p> <p>For further details please view our corporate website.</p>	
<p>7. If the Bank’s products or corporate social responsibility reports have met the assurance standards of relevant certification institutions, they should state so below:</p> <p>None.</p>	

(4) The Bank's Implementation of Ethical Corporate Management and Practices:

Item	Operation	The Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons
<p>1. Develop ethical corporate management policies and solutions.</p> <p>(1)The Bank clearly expresses its ethical corporate management policies in regulations and external documents and the promise made by Board of Directors and Management to fully execute these policies.</p>	<p>(1)</p> <p>A. In compliance with Ethical Corporate Management Best Practice Principles for Yuanta Financial Holding and Operational Procedures of Ethical Corporate Management and Code of Conduct for Yuanta Financing Holding, the Bank has established good corporate governance, risk management mechanism and complete internal regulations so as to prevent unethical conduct and create an operational environment for sustainable development.</p> <p>B. According to the rules of procedures of the Bank's Board of Directors, a director may present his opinion and answer relevant questions but is prohibited from participating in discussion of or voting on any proposal where the director or the juristic person that the director represents is an interested party, and such participation is likely to prejudice the interests of the company; neither shall a director vote on such proposal as a proxy of another director in such circumstances.</p>	<p>Conformity</p>
<p>(2)The Bank establishes their own comprehensive programs to prevent unethical conduct and operational procedures, guidelines, and training.</p>	<p>(2)</p> <p>A. The Bank has developed Code of Work and Standards on Ethical Conduct in order that the employees and the employer are both devoted to the establishment of business ethics and business morality. Directors and managers are also required to set good examples of fully compliance with ethical principles in order to nurture the ethical and sincere corporate culture.</p> <p>B. The labor contract that the Bank and all of its staff signed include the agreement of confidentiality, which stipulates that employees shall shoulder full obligation for confidentiality of the authorized services, tasks, documents and customers' data. Unless stipulated or approved, no disclosure is permitted. The same procedure shall be followed after employees left jobs. No browse or summarization of reports and documents unrelated to according duties are permitted.</p> <p>C. The Bank clearly regulates that any important financial transactions involving any stakeholder requires approval from Board of Directors and has established a stakeholder query system to require that no stakeholder conducting transactions have more favorable conditions than their peers.</p> <p>D. In November 2012, the Bank held training seminars of corporate social responsibility (include business ethics, anti-bribe, and corruption propaganda). Additionally, courses in legal responsibilities, business morality and code of conduct are provided to new employees and wealth management business personnel.</p> <p>E. Periodical on-job e-learning classes to propaganda against bride and corruption and for business ethics, in hope for internalizing "ethics" into daily operations.</p>	<p>Conformity</p>

Item	Operation	The Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons
(3)When establishing the prevention program, the Bank shall include preventive measures against offering and acceptance of bribes and the providing of illegal political donations regarding business activities that involves a higher risk in unethical conduct.	(3) A. The bank's Code of Work of regulates that all employees shall not exploit their authority to seek illegal interest and receive preferential treatment, endowment, rebates, speculation of public money and any other illegal interest. B. The Bank has developed Guidelines on External Donation. All donation and sponsorship requires approval from the authorized executives, which complies with the corresponding laws and the internal procedure. C. In accordance with the Group's Operational Procedures of Ethical Corporate Management and Code of Conduct, the Bank has conducted preventive practices against presentation and acceptance of bribes and the providing of illegal political donations regarding activities with higher risks of unethical conduct such as procurement.	
2. Fully execute ethical corporate management (1)The Bank's business activities shall avoid any transaction involving those with any record of unethical conduct and clauses of ethical conduct shall be specified in the business contracts. (2)The Bank designates fully (partly) dedicated units for promotion of ethical corporate management and the supervision of Board of Directors. (3)The Bank develops preventive policies against conflict of interest and offers appropriate expressive channels.	(1) Before the Bank signs contracts of suppliers, the authorized divisions execute regulated evaluation and explain the Bank's ethical strategies and according regulations. Proper examination procedures are conducted according to The Inspection Sheet of Purchase Contract Signing Procedures. These procedures include signing Declaration Letter of Ethics Promise by suppliers, looking up any records of unethical conduct on website of Judicial Yuan, and specifying clauses of ethical conduct in the contract. In addition, transactions and procurement requires the inquiry of the stakeholder database to confirm if the supplier is a stakeholder of the company and the records of suppliers' transactions shall be confirmed through Civil Service of Doc, MOEA to fully inspect the business ethics of the trading partners and avoid transactions with any company with unethical records. (2)The Bank has designated Internal Audit Dept., President Office, Human Resource Dept., Administration & Facilities Management Dept., and Legal & Compliance Dept. as the fully dedicated units for procedures of business ethics. President Office is responsible for reporting corporate governance and the execution of ethical business of the previous year to Board of Directors. (3)Organizational Rules of Audit Committee, Principles on Ethical Conduct and according regulations are fully complied regarding avoidance of corporate personnel on conflict of interests, divulgence of commercial secrets, forbiddance of internal trading and the agreement of confidentiality.	Conformity

Item	Operation	The Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons
(4)The implementation of the effective accounting system, and the internal control system that the Bank establishes to fully execute ethical corporate management and the auditing of internal audit personnel.	(4) A. In accordance with Business Entity Account Act, Regulations Governing the Preparation of Financial Reports by Public Ban, International Financial Reporting Standards (IFRS) endorsed by FSC, International Accounting Standards (IAS), and Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC) and in reference to Accounting System Models for the Banking Industry and Practical Banking and Accounting Procedures made by Bankers' Association of R.O.C, the Bank has developed the corresponding accounting system. B. The internal audit towards all units of the Bank for Year 2012 indicates no violation against Operational Procedures of Ethical Corporate Management and Code of Conduct for Yuanta Financing Holding	Conformity
3. The operation of the disciplinary and complaint system that the Bank establishes for the violation of ethical corporate management and the operation of the reporting channels.	A. The Bank has developed according disciplinary regulations and stipulated that any personnel who severely violate ethic codes shall be removed from the position or dismissed. B. The Bank established Personnel Evaluation Committee, responsible for reviewing disciplinary cases and the trial of complaints. C. Any violation of ethical codes will be disclosed to employees on the internal website.	
4. Strengthen information disclosure (1)Establishment of website to disclose ethical corporate management (2)Other information disclosure approaches (e.g. English website, assignment of specific personnel to collect and disclose the Bank's information and disclosing such information on the Bank's website.)	(1)Information on business ethics is disclosed in the Bank's annual report on the official website. (2)The Bank has disclosed information in the following approaches: A. The Bank has established the website in English. B. A designee has been specified to disclose the corporate information on the Bank's website.	
5. If the Bank has developed its practice principles of ethical management in accordance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please explicate its implementation and any deviation from the principles: The Bank fully complies with regulation and conducts management according to Ethical Corporate Management Best Practice Principles for Yuanta Financial Holding and Operational Procedures and Code of Conduct for Yuanta Financing Holding.		

Item	Operation	The Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	<p>6. Other important information enabling better understanding the Bank's implementation of ethical corporate management (such as the Bank manifests its determination and policies of ethical corporate management to its business partners and reviews and amends its practice principles of ethical corporate management.):</p> <p>The Bank has developed The Inspection Sheet of Purchase Contract Signing Procedures to require suppliers present the Declaration Letter of Ethics Promise for the contract signing. In addition, the Bank inquires, on the website of Judicial Yuan if there is any public record of unethical conduct in bribery or illegal political donation for any involving supplier and incorporates clauses and matters on the compliance with ethical management are embedded in the contract.</p>	

III. Fund Raising and Operational Highlights

1. Capital and Shares

(1) Sources of Capital:

Unit: NT\$1,000, thousand shares ; Base Date: January 31, 2013

Date of Issue	Issue price	Authorized Capital		Paid-in Capital		Remarks
		Shares	Amount	Shares	Amount	Source of Capital
December 2002	\$10	1,211,514	12,115,136	1,211,514	12,115,136	
December 2003	\$10	1,050,000	10,500,000	1,050,000	10,500,000	Capital decrease to make up for loss of 161,514 thousand shares
February 2004	\$10	1,350,000	13,500,000	1,350,000	13,500,000	Private placement of 300,000 thousand shares
July 2004	\$10	1,400,000	14,000,000	1,400,000	14,000,000	Capitalization of earnings, 50,000 thousand shares
July 2005	\$10	1,800,000	18,000,000	1,800,000	18,000,000	Capitalization of earnings, 100,000 thousand shares, and private placement of 300,000 thousand shares.
October 2007	\$10	2,400,000	24,000,000	2,400,000	24,000,000	Capital decrease to make up for loss of 400,000 thousand shares, and private placement of 1,000,000 thousand shares
March 2008	\$10	2,200,000	22,000,000	2,200,000	22,000,000	Capital decrease to make up for loss of 200,000 thousand shares
March. 2009	\$10	2,200,000	22,000,000	1,874,509	18,745,090	Capital decrease to make up for loss of 325,491 thousand shares
March. 2009	\$15	2,200,000	22,000,000	2,150,000	21,500,000	Private placement of 275,491 thousand shares
June 2010	\$10	2,200,000	22,000,000	2,181,134	21,811,335	Capitalization of earnings, 31,134 thousand shares
June 2011	\$10	2,500,000	25,000,000	2,273,313	22,733,131	Capitalization of earnings, 92,179 thousand shares
November 2011	\$16	2,700,000	27,000,000	2,510,813	25,108,131	Private placement of 237,500 thousand shares
June 2012	\$10	2,700,000	27,000,000	2,622,983	26,229,835	Capitalization of earnings, 112,170 thousand shares
September 2012	\$13.74	3,500,000	35,000,000	3,496,331	34,963,314	Private placement of 873,348 thousand shares

Unit: thousand shares ; Base Date: January 31, 2013

Type of stock	Authorized Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Common Shares	3,496,331	3,669	3,500,000	Public offering

(2) Major Shareholders: As of January 31, 2013, 3,496,331 thousand shares or 100% owned by Yuanta FHC.

(3) Market Price, Book Value, Earnings and Dividends Per Share, and the Relevant Information Over the Most Recent two years:

Item \ Year			2011	2012	January 31, 2013
Market Price/Share	Highest		Note 1	Note 1	Note 1
	Lowest		Note 1	Note 1	Note 1
	Average		Note 1	Note 1	Note 1
Book Value/Share	Before distribution		NT\$11.99	NT\$12.73	NT\$12.81
	After distribution		NT\$11.99	NT\$12.73	NT\$12.81
EPS	Weighted average shares (thousand shares)		2,400,024	2,904,555	3,496,331
	EPS	Before adjustment	NT\$0.74	NT\$0.72	NT\$0.08
		After adjustment	NT\$0.71	NT\$0.72	NT\$0.08
Dividend/Share (NT\$/Share)	Cash dividends		—	—	—
	Stock dividends	By earnings	0.45	Note 2	—
		By capital surplus	—	—	—
	Accumulated unpaid dividends		—	—	—
Return on investment	P/E ratio		Note 1	Note 1	Note 1
	Dividend yield		Note 1	Note 1	Note 1
	Cash dividend yield		Note 1	Note 1	Note 1

Note 1: The Bank is not a listed or OTC company; therefore, there is no public quotation available for reference.

Note 2: As of the annual report publishing date, earning distribution for 2012 has not been resolved by the shareholders' meeting.

2. Financial Debentures and Capital Utilization Plan

(1) Issuance of Financial Debentures:

Type of financial debentures	1 st term financial debentures 2010	1 st term financial debentures 2011	2 nd term financial debentures 2011
Date of approval & approval document No.	Jin-Kuan-Yin-kong-09900149260 Dated April 29, 2010	Jin-Kuan-Yin-kong-10000110840 Dated April 25, 2011	Jin-Kuan-Yin-kong-10000110840 Dated April 25, 2011
Date of issuance	June 10, 2010	June 27, 2011	August 22, 2011
Par value	NT\$10,000,000	NT\$10,000,000	NT\$10,000,000
Issue and trading venue	Taipei City	Taipei City	Taipei City
Currency	NT\$	NT\$	NT\$
Issuing price	Issued at par value	Issued at par value	Issued at par value
Total amount	NT\$5 billion	NT\$2.45 billion	NT\$2.35 billion
Interest rate	2.3%	1.75%	1.85%
Duration	Duration: 7 years Maturity: June 10, 2017	Duration: 7 years Maturity: June 27, 2018	Duration: 7 years Maturity: August 22, 2018
Priority	Unsecured subordinated financial debentures	Unsecured subordinated financial debentures	Unsecured subordinated financial debentures
Guarantor	None	None	None
Trustee	None	None	None
Underwriter	None	None	None
Certification attorney	Tsar & Tsai Law Firm Janice Lin; YvonneLiu	Tsar & Tsai Law Firm Janice Lin; YvonneLiu	Tsar & Tsai Law Firm Janice Lin; YvonneLiu
Certification CPA	Pricewaterhouse Coopers James Huang	Pricewaterhouse Coopers James Huang	Pricewaterhouse Coopers James Huang
Certification financial Institution	None	None	None
Repayment	Repayment in a lump sum upon maturity	Repayment in a lump sum upon maturity	Repayment in a lump sum upon maturity
Outstanding balance	NT\$5 billion	NT\$2.45 billion	NT\$2.35 billion
Paid-in capital for previous year	NT\$21,500,000 thousand	NT\$21,811,335 thousand	NT\$21,811,335 thousand
Net value upon final account in the previous year	NT\$23,649,799 thousand	NT\$24,812,541 thousand	NT\$24,812,541 thousand
Performance	None	None	None
Terms of redemption or early repayment	None	None	None
Terms and conditions of conversion and exchange	None	None	None
Restrictions	None	None	None
Capital utilization plan	To increase capital adequacy ratio and enrich working capital	To increase capital adequacy ratio and enrich working capital	To increase capital adequacy ratio and enrich working capital
Ratio of reported issuing debt and balance of outstanding debt to the net book value in the previous fiscal year (%)	62.58%	70.11% (Note 1,2,3)	79.58% (Note 1,2,3)
Eligible entity capital and type	Yes, Tier II	Yes, Tier II	Yes, Tier II
Credit rating organization, date of rating and rating score	February 4, 2013 Taiwan Ratings: twA + (Debentures rating)	February 4, 2013 Taiwan Ratings: twA + (Debentures rating)	February 4, 2013 Taiwan Ratings: twA + (Debentures rating)

Type of financial debentures	3 rd term financial debentures A 2011	3 rd term financial debentures B 2011
Date of approval & approval document No.	Jin-Kuan-Yin-kong-10000110840 dated April 25, 2011	Jin-Kuan-Yin-kong-10000110840 dated April 25, 2011
Date of issuance	October 27, 2011	October 27, 2011
Par value	NT\$10,000,000	NT\$10,000,000
Issue and trading venue	Taipei City	Taipei City
Currency	NT\$	NT\$
Issuing price	Issued at par value	Issued at par value
Total amount	NT\$0.7 billion	NT\$4.5 billion
Interest rate	1.80%	1.95%
Duration	Duration: 7 years Maturity: October 27, 2018	Duration: 10 years Maturity: October 27, 2021
Priority	Unsecured subordinated financial debentures	Unsecured subordinated financial debentures
Guarantor	None	None
Trustee	None	None
Underwriter	None	None
Certification attorney	Tsar & Tsai Law Firm Janice Lin; YvonneLiu	Tsar & Tsai Law Firm Janice Lin; YvonneLiu
Certification CPA	Pricewaterhouse Coopers James Huang	Pricewaterhouse Coopers James Huang
Certification financial Institution	None	None
Repayment	Repayment in a lump sum upon maturity	Repayment in a lump sum upon maturity
Outstanding balance	NT\$0.7 billion	NT\$4.5 billion
Paid-in capital for previous year	NT\$21,811,335 thousand	NT\$21,811,335 thousand
Net value upon final account in the previous year	NT\$24,812,541 thousand	NT\$24,812,541 thousand
Performance	None	None
Terms of redemption or early repayment	None	None
Terms and conditions of conversion and exchange	None	None
Restrictions	None	None
Capital utilization plan	To increase capital adequacy ratio and enrich working capital	To increase capital adequacy ratio and enrich working capital
Ratio of reported issuing debt and balance of outstanding debt to the net book value in the previous fiscal year (%)	80.39% (Note2,3)	80.39% (Note2,3)
Eligible entity capital and type	Yes, Tier II	Yes, Tier II
Credit rating organization, date of rating and rating score	February 4, 2013 Taiwan Ratings: twA + (Debentures rating)	February 4, 2013 Taiwan Ratings: twA + (Debentures rating)

Note1 : Before the issuance, the Bank had an unsecured subordinated financial debentures (95-1) outstanding at NT\$5 billion. The debentures matured on August 24, 2011 and have been repaid in full.

Note2 : Before the issuance, the Bank had an unsecured subordinated financial debentures (95-2-1) outstanding at NT\$1.8 billion. The debentures matured on December 22, 2011 and have been repaid in full.

Note3 : Before the issuance, the Bank had an unsecured subordinated financial debentures (95-2-2) outstanding at NT\$3 billion. The debentures matured on December 27, 2011 and have been repaid in full.

(2) Acquisitions or Assignment of Other Financial Institutes:

- A. CPA's opinions on share exchange ratio for mergers and acquisitions or assignment of other financial institutions for the most recent year: **【None】**
- B. Upon the resolution of the Board of Directors on any merger or acquisition of other financial institution through new share issuance in the recent year and until the date of publication of the financial statement , the enforcement thereof and basic information of the merged or acquired financial institutions shall be disclosed: **【None】**

(3) Implementation Capital Utilization Plan

- A. With approval from the authority, the Bank issued subordinated debentures totaling NT\$5 billion on April 29, 2010 and issued subordinated debentures of NT\$10 billion on April 25, 2011 the bank expect to issue subordinated debentures in order to enhance capital adequacy ratio and respond to capital demand for loans and financial operation of financial products in Taiwan, and foreign currencies, and reduce liquidity risk.
- B. **As of January 31, 2013 the Bank issued debentures totaling NT\$15 billion Applying amount and the according execution are itemized as follows:**

Date of approval & approval document No.	Total amount	Execution
Jin-Kuan-Yin-kong-09900149260 dated April 29, 2010	The subordinated financial debentures for NT\$5 billion	The 1 st term financial debentures 2010 were issued on June 10, 2010 and the applying capital was executed completely before the deadline.
Jin-Kuan-Yin-kong-10000110840 dated April 25, 2011	The subordinated financial debentures for NT\$10 billion	<ul style="list-style-type: none">• The 2011 1st term financial debentures for NT\$2.45 billion were issued on June 27, 2011.• The 2011 2nd term financial debentures for NT\$2.35 billion were issued on August 22, 2011.• The 2011 3rd term financial debentures A for NT\$0.7 billion were issued on October 27, 2011.• The 2011 3rd term financial debentures B for NT\$1.8 billion were issued on October 27, 2011.

3. Business Overview

(1) Business Performance for 2011~2012:

A. Deposit:

Unit: NT\$ in million ; %

Item \ Year	2012		2011		Comparison with 2011	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount increase (decrease)	Increase (decrease) Proportion (%)
Checking deposits	3,449	0.76	3,660	0.84	(211)	(5.77)
Demand deposits	54,971	12.11	52,000	11.88	2,971	5.71
Demand saving deposits	167,288	36.85	154,742	35.35	12,546	8.11
Time deposits	140,958	31.05	148,514	33.93	(7,556)	(5.09)
Time savings deposits	87,319	19.23	78,791	18.00	8,528	10.82
Total	453,985	100.00	437,707	100.00	16,278	3.72

Note: The deposits include NTD and foreign currency deposits but not the deposits from the Central Bank and Other Banks.

B. Loan:

Unit: NT\$ in million ; %

Item \ Year	2012		2011		Comparison with 2011	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount increase (decrease)	Increase (decrease) Proportion (%)
Corporate Loans	252,187	66.24	231,572	65.52	20,615	8.90
General corporate loans	173,361	45.53	148,341	41.96	25,020	16.87
Small-and-medium business loans	78,423	20.60	76,746	21.72	1,677	2.19
Strategic loans	0	0.00	6,107	1.73	(6,107)	(100.00)
Delinquent	403	0.11	378	0.11	25	6.61
Consumer Loans	128,545	33.76	121,843	34.48	6,702	5.50
Mortgage	113,535	29.82	110,200	31.19	3,335	3.03
Car loans	11,793	3.10	8,865	2.51	2,928	33.03
Consumer unsecured loans	1,431	0.38	2,114	0.60	(683)	(32.31)
Stock-Secured Loan	1,463	0.38	377	0.11	1,086	288.06
Delinquent	201	0.05	165	0.05	36	21.82
Other (Note2)	122	0.03	122	0.03	0	0.00
Total	380,732	100.00	353,415	100.00	27,317	7.75

Note1: Including certificate of deposit loan, composite overdraft.

C. Foreign Exchange:

Unit: US\$ 1,000 ; %

Item \ Year	2012		2011		Comparison with 2011	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount increase (decrease)	Increase (decrease) Proportion (%)
Import business	1,030,888	4.33	1,434,178	5.07	(403,290)	(28.12)
Export business	342,133	1.44	512,264	1.81	(170,131)	(33.21)
Outward Remittance	11,583,038	48.61	13,750,851	48.66	(2,167,813)	(15.76)
Inward Remittance	10,872,517	45.62	12,563,267	44.46	(1,690,750)	(13.46)
Total	23,828,576	100.00	28,260,560	100.00	(4,431,984)	(15.68)

D. Trust Business:

Unit: NT\$ 1,000 ; %

Item \ Year		2012	2011	Comparison with 2011	
				Amount increase (decrease)	Increase (decrease) proportion (%)
Total balance of trust assets		99,722,115(Note 1)	109,380,522(Note 2)	(9,658,407)	(8.83)
Other consigned items (Note 1)		5,441,124	0	5,441,124	-
Total revenue of trust business service fee		532,995	582,486	(49,491)	(8.50)
Scale of assets under custody of investment insurance policy		2,160,201	2,867,993	(707,792)	(24.68)
The custody asset in discretionary investment account		1,694,066	2,056,503	(362,437)	(17.62)
Scale of assets under custody of foreign investment		17,521,539	4,817,076	12,704,463	263.74
Other property custody		0	154,585	(154,585)	-
Scale of assets under custody of business guarantee bond		3,910,000	4,160,000	(250,000)	(6.01)
Custodian service fee income		50,940	62,827	(11,887)	(18.92)
Certification of securities	Amount of certification	24,940,944	20,776,899	4,164,045	20.04
	Revenue of certification service charges	2,149	2,236	(87)	(3.87)

Note 1: including OBU trust property in the amount of NT\$796,964 thousand. According to the stipulated rules of competent authorities, starting from 2012, the securities trust of trusted Taiwan Depositary Receipt (TDR) should be transferred to other consigned items.

Note 2: including OBU trust property in the amount of NT\$439,800 thousand.

E. Credit card:

Unit: NT\$ in million ; %

Item \ Year	2012	2011	Comparison with 2011	
			Amount increase (decrease)	Increase (decrease) Proportion (%)
Number of cards issued (card)	903,621	878,640	24,981	2.84
Card in force (card)	256,142	265,179	(9,037)	(3.41)
Value of transactions (NT\$ in million)	10,358	10,374	(16)	(0.15)
Revolving credit (NT\$ in million)	659	805	(146)	(18.14)

F. Investment:

Unit: :NT\$ in million ; %

Item \ Year	2012	2011	Comparison with 2011	
			Amount increase (decrease)	Increase (decrease) Proportion (%)
Bond trading volume	186,079	156,891	29,188	18.60
Bill trading volume	133,788	258,195	(124,407)	(48.18)

Unit: US\$ in million ; %					
Item \ Year	2012	2011	Comparison with 2011		
			Amount increase (decrease)	Increase (decrease) Proportion (%)	
Spot transaction	19,338	69,954	(50,616)	(72.36)	
Forward exchange transaction	2,284	2,405	(121)	(5.03)	
Foreign exchange SWAP	23,779	21,549	2,230	10.35	
Option transaction	26,462	54,158	(27,696)	(51.14)	

G. E-Banking:

Unit: in thousands

Item \ Year	2012	2011	Comparison with 2011		
			Amount increase (decrease)	Increase (decrease) proportion (%)	
Analysis of E-banking transactions	Total Internet banking transactions	2,150	1,711	439	25.66
	Total phone banking transactions	319	359	(40)	(11.14)
	Total web-ATM(SuperATM) transactions	362	398	(36)	(9.05)
	Total mobile banking transactions	362	104	258	248.08

(2) 2012 Operating Plan:

The Bank will continue to maintain sound business strategies, under the premise of risk control, we will make aggressive innovation, be devoted to product and service diversification, improve customer cultivation ability, develop a solid foundation, pursue steady business growth, and expand customer and business scale, in order to raise our market position. We will also enrich our profit momentum by improving our pricing mechanisms. In addition, we will continue to integrate group resources and demonstrate the synergy of operation, in order to maximize the benefits for all shareholders.

The Bank's business plan in 2012 is summarized as follows:

A. Business Development:

- a. In order to enhance the stability of funding source and further development of business basis besides aggressively cultivating new customer sources and reinforce the absorbency of general current savings to reduce capital cost, we will integrate physical and electronic channels to provide customized financial services for promoting the simultaneous growth of all businesses.
- b. We will improve the OBU functions and promote international cooperation to increase the depth of the international syndicated loan business. We will integrate the DBU and subsidiary businesses to strive for the business opportunities in Taiwan, Hong Kong and China. Also, we will promote secured loan products to premium

customers, such as revolving mortgage with favorable interest rate and stock-secured loan.

- c. In addition actively build wealth management services team provides customized product planning services for clients. We will also development niche business with fee income to strengthen profit structure.

B. Risk Management: We will enhance the Bank's monitoring ability of credit, market and operational risk by building the risk models and risk databases. We will also examine the structure of industrial supply chains and the transaction between buyers and suppliers of customers to grasp real-time variation, in order to minimize the Bank's credit risk.

C. Channel Management: Physical branches will be established in the five major metropolitan areas according to the business development needs of this Bank and in coordination with the integration of securities locations. Also, we will aggressively apply to establish branches in Hong Kong and Macao to grasp business opportunities in Taiwan and China and develop our capacity for overseas development.

D. Training: We will reinforce pre-job and on-job education and training for personnel according to the attributes of their business, in order to improve their professional competence and internalize the compliance concept in personnel.

(3) Research and Development

To cope with the globalization of financial market, we will make aggressive and practical concerns and grasp the movements of the financial industry, in order to facilitate business expansion, alert to risk, integrate marketing, enhance customer satisfaction, and improve profit-making ability. The future research and development plans include:

A. Banking service research and development:

- a. Persist in reinforcing development of e-banking functions to meet customer's need and minimize its operating cost.
- b. Evaluate the practicability of issuing Cross-Strait Chip Card with China Union Pay.
- c. Issuance of credit cards designed for the new generation, which combine various electronic financial products and promoted through social networking service in order to create new opportunities.

B. Risk Management:

- a. Persistently establish the credit rating models for corporate banking that comply with the Basel quantitative and qualitative regulations, and through the development of the corporate banking credit rating platform to systemize the credit rating process.
- b. In coordination with the establishment of risk data mart, integrate the risk related data of the credit analysis, core banking system, collateral management system, and

scorecard management platform to achieve the automation of risk management report and build the analysis platform.

- c. Persistently strengthen the risk pricing mechanism by developing rating models for various businesses under pricing structure of funding cost, expense, cost of risk, and required return in order to achieve the goal of evaluating risk cost by quantitative assessment in the future.
- d. Continue to improve the loss database and study the applicability of advanced measurement approach (AMA) for calculation of operation risk capital.
- e. Combine the qualitative and quantitative indicators of operational risk and overall measurement as the foundation of operational risk scoring and develop the integrated operational risk indicators.
- f. Strengthen the Bank's response to and compliance with Basel III.
- g. In pursuit of the goals of the host bank in the liquidity team, Basel II Continuous Study Group, Banking Bureau, elevate the Bank's capital liquidity risk management mechanism.

C. IT research and development projects:

We will aggressively engage in the implementation, integration and optimization of IT systems within the group, in order to improve risk control and enhance operational efficiency. The following critical IT projects will be included: the income tax platform for the second generation National Health Care, upgrading of the electronic data files for Central Deposit Insurance Corp, the new corporate e-banking, simplify the procedures for executing the order of Ministry of Justice, the account and authorization system of credit card issuance, the credit rating platform for corporate banking, the risk indicator management system, and set up the barrier-free e-banking.

(4) The Long Term and Short Term Business Plans

A. Short Term Business Development Plans:

- a. Persistently broaden the asset scale and tune the structure
 - i. Tune the product mix of deposit and loan and the exploration strategies, solidify the Bank's customer development and relation maintenance, expand the business, and augment its asset scale.
 - ii. Augment the scale of the financial trading asset, positions and profitability to infuse its non-interest income.
- b. Improve the profit structure and boost the profit momentum
 - i. Strengthen the development of wealth management business, broaden and nurture the customer segments through establishing premium service and teams, and maximize the fee income through effectively elevating the number of customers and the size of managed assets.

- ii. Advance the expertise in product design and trading operation, appropriately increase the position of financial trading, expand the business of syndicated loans and raise the contribution of non-wealth-management-fee income, including TMU, self-liquidating financing, syndicated loan host and revolving house mortgage.
- c. Intensify personnel training and advance the effect of whole staff marketing
 - i. Design the thorough training courses to enhance the expertise and nurture multi-functional talents.
 - ii. Further the empirical and case discussion, cultivate total marketing and utilize momentum.
- d. Improve operation procedures and intensify managerial efficiency
 - i. In response to demand in business development and efficiency, continuously review and tune the operation procedures.
 - ii. Cement the functions of the electronic banking services, effectively guide the customer to utilize automation service instead of over the counter transactions to minimize tellers' operation.
- e. Realize compliance with laws and strengthen risk management and sustain asset quality
 - i. In response to the enforcement of Financial Consumer Protection Act and Personal Information Protection Act, develop related regulations and reinforce the training of the staff to realize the fidelity toward obligation and responsibility of watchfulness.
 - ii. Continuously fortify risk management, perfect every risk rating model and, under the premise of sustaining asset quality, aggressively expand credit granting service.

B. Long-Term Development Plan:

- a. Intensify the comprehensive efficiency and maximize the value of business
 - i. Continuously adjust the operation structure, intensify the Bank's profitability and further advance the efficiency of asset utilization.
 - ii. Aggressively construct new sources of income and reduce expenditure to improve operating performance, and elevate ROA and ROE.
- b. Escalate the value of channels, deepen the market penetration and zealously explore the overseas market
 - i. Review the performance of channel operation and conduct adjustment while appropriate to meet the market trends and customer's needs.
 - ii. Integrate and plan the development of physical and virtual channels so that the functionality of physical channels can be fully utilized and the convenience, safety and speediness of the virtual channels can be exhibited.
 - iii. Aggressively establish overseas branches and reinvested businesses to expand the Bank's service scope and manifest the benefits of diverse operation.
- c. Develop niche business to achieve market leadership, and establish professional image of the bank

Focused on the niche business, conduct development by setting clear goals and timelines, speedily penetrate the market to achieve the targeted scale and further seize the market leadership. In the long run, after having successfully developed niche businesses, the Bank will be able to found its eminent business expertise and professional image.

(5) Employee Composition :

Year		2011	2012	January 31, 2013
Number of staff		2,565	2,549	2,548
Average age		36.89	37.38	37.52
Average seniority		6.26	6.81	6.91
Education level ratio	PhD	0.04 %	0.03 %	0.03 %
	Master degree	12.47 %	12.12 %	12.12 %
	University/ College	83.63 %	83.75 %	83.74 %
	Senior high school	3.78 %	4.03 %	4.04 %
	Lower than senior high school	0.08 %	0.07 %	0.07 %
Certificates and licenses held by Yunnan Commercial Bank employees	Certificates/Licenses	Number of staff	Certificates/Licenses	Number of staff
	Internal Control	1,984	Investment Insurance Salesperson	1,013
	Trust Salesperson	1,853	Financial Knowledge and Ethics	1,682
	Life Insurance Salesperson	1,759	Financial Planning Specialist	524
	Property Insurance Salesperson	1,402	Other Financial Certificates/Licenses	6,612

(6) Employee Welfare :

- A. In addition to enrolling employees in labor insurance and national health insurance in accordance with the government's laws and regulations, the Bank also enrolled employees in group insurance, including term life insurance, injury insurance, cancer insurance, hospitalization insurance and occupational disaster insurance, etc...
- B. Established Employees Welfare Committee and stipulated the relevant reimbursement procedures, such as providing subsidies to events of employee clubs and to the employee events etc...
- C. Provided employees meal reimbursement and children scholarship.
- D. Provided preferential interest rates for savings accounts of employees, house loans, property remodeling loans and consumer loans.
- E. Provided employees with Employee Stock Ownership Trust.

(7) IT Development Projects:

A. Hardware and software configuration of major information systems:

The configuration of major information system, including NTD deposit and loan, domestic remittance, cross-bank transactions, foreign exchange, trust, accounting and data warehouse etc., are equipped with the hardwares and operation systems of IBM R6 p-Series, IBM AS/400 I-Series and SUN M5000.

B. The future development and procurement plans:

In response to the Bank's business strategies and the future business goals, in addition to continuously improving the bank's information infrastructure, internal IT efficiency and information security; we aggressively optimized the customer-orientation functions for electronic transactions, in order to support business development, enhance operation efficiency and improve customer satisfaction. The bank's future development plans are as follows:

- a. To support the implementation, integration and optimization of IT systems within the group, the Bank will develop phase II of new wealth management system, establish the income tax platform for the second generation National Health Care, upgrade of the electronic data files for Central Deposit Insurance Corp., establish the new corporate e-banking, simplify the procedures for executing the order of Ministry of Justice and the account and authorization system of credit card issuance, establish the credit rating platform for corporate banking, build the risk indicator management system, establish the domestic financial foreign exchange remittance, set up the barrier-free e-banking, upgrade WebATM (including the cross-browser function), advance the facility for hardware DES, build the FAS online instant report transfer system and inspect the source code.
- b. We will improve the bank's information security management mechanism and establish related personal information protection and security measures according to the Personal Information Protection Act, enforce proper management of personal information, and protect the rights and interests of customers in the collection, processing and use of personal information within the scope of our businesses; and thereby provide customers with safe and reliable financial and banking services.
- c. We will improve the e-financial services of bank; improve the functions and transaction security of both personal e-banking and corporate e-banking; and add the mobile e-banking service to cultivate the mobile business opportunity.

C. Emergency backup and security measures:

In order to safeguard the smoothness of major system operation, local backup and remote backup mechanisms are devised for the host of each connectivity system according to the service features and conduct corresponding fail-over maneuvers to the system levels. It is not only the responding capability of the trainers, but also the effectiveness of the backup recovery procedures reviewed. In order to safeguard the equipment of the system and data storage, the Bank plans the following safety preventive measures:

a. Computer room security:

The computer facilities of the Bank are installed with equipment against earthquake, fire, thunder and disasters. The access control system and the monitoring system are also well executed to tightly control entry and exit. Vital computer and equipment are maintained and tested periodically to safeguard the equipment operation.

b. Network Security:**i. Firewall:**

Critical gateways in the internal network are shielded with Back To Back dual layer firewall to achieve double defense with different brands of hardware and software firewalls. Major external websites are setup on the N-tier structure. While the web server is placed in the DMZ area behind the layer 1 firewall, major application servers and database servers are placed behind the layer 2 firewall.

ii. IP address protection:

The user terminal of the Bank adopted MAC and IP address blocking system to protect the internal IP addresses of the Bank from being mistakenly or falsely used.

iii. Weakness scanning and flaw repair:

Scanned the weakness of servers and automatically fix the system flaws of personal computers to improve system security.

iv. External service website penetration testing:

Proactively conducted the penetration testing on external e-commerce websites, in order to identify security issues proactively for protection.

v. Anti-virus mechanism:

All of personal computers, servers and emails are devised with anti-virus and anti-spam mail mechanism.

vi. The intrusion detection system:

Establish an intrusion detection system on critical gateways of external websites. Actively detect hacker's invasion and attack and have operators instantly supervise and report such matter 24 hours a day.

vii. The Application Firewall:

Establish the application firewall on critical gateways of the external website. Actively analyze and filter OSI L4-L7 Internet behavior. For illegal programming or any penetration and attack against the flaws of the system or programs, the application firewall will actively quarantine, block and report such matter to fortify the Internet defense and system security.

viii. Source code security:

Established the inspection mechanism of source code security which automatically execute the analysis to find hidden flaws and malicious programs during the development phase of the electronic trading programs in order to avoid the poor quality programs cause any security concern, such as the attack from hackers to intensify the program quality and safety.

IV. Financial Information and Risk Management

1. Financial Review 2008~2012

(1) Condensed Balance Sheet for Past Five Years

Unit: NT\$1,000

Item	Year	Financial information over the past five years				
		2012	2011	2010	2009	2008
Cash and cash equivalents, Due from Central Bank and call loans to banks		82,436,772	110,417,491	124,650,036	82,930,864	42,407,254
Financial assets at fair value through profit or loss – net		26,023,007	14,569,643	10,248,106	10,809,287	44,581,784
Investments in notes and bonds under resale agreements		—	1,546,544	1,691,578	—	1,644,337
Receivables - net		12,153,756	12,533,591	14,895,036	14,926,753	9,829,041
Assets held for sale		—	—	—	—	—
Bills discounted and loans – net		375,712,974	348,783,971	284,751,517	234,054,597	232,873,593
Available-for-sale financial assets – net		51,499,745	13,243,700	10,680,673	15,683,511	15,639,774
Held-to-maturity financial assets		—	151,450	151,840	201,252	597,276
Equity investments accounted for under the equity method – net		667,498	41,774	399,896	136,040	133,187
Other financial assets – net		431,955	431,978	439,175	326,805	482,593
Property, plant and equipment		2,369,557	2,555,956	2,615,472	2,667,779	2,549,695
Intangible assets		2,184,964	2,326,540	2,456,470	607,896	232,017
Other assets		1,083,638	1,501,513	2,757,682	2,727,696	3,205,290
Total assets		554,563,866	508,104,151	455,737,481	365,072,480	354,175,841
Due to Central Bank and other banks		13,070,340	7,080,166	16,807,124	12,954,760	11,865,082
Financial liabilities at fair value through profit or loss – net		1,977,281	2,734,648	3,924,425	3,663,865	4,080,414
Notes and bonds payable under repurchase agreements		—	—	100,170	209,596	7,325,426
Deposits and remittances		454,075,352	437,944,350	381,466,045	300,054,276	294,594,534
Financial debentures payable		15,000,000	15,147,060	15,094,120	9,800,000	9,800,000
Preferred stock liabilities		—	—	—	—	—
Accrued pension liabilities		172,091	125,404	114,780	54,998	—
Other financial liabilities		16,747,503	5,826,442	3,119,273	3,304,142	343,667
Other liabilities		9,026,805	9,140,072	10,299,003	11,381,044	7,535,383
Total liabilities	Before distribution	510,069,372	477,998,142	430,924,940	341,422,681	335,544,506
	After distribution	Note	477,998,142	430,924,940	341,422,681	335,544,506
Capital stock		34,963,315	25,108,131	21,811,335	21,500,000	22,000,000
Additional paid-in capital		6,116,883	2,850,363	1,377,456	1,377,456	—
Retained earnings	Before distribution	3,200,116	2,234,905	1,450,280	444,764	(3,254,911)
	After distribution	Note	1,113,201	528,484	133,429	(3,254,911)
Unrealized profit or loss on available-for-sale financial assets		242,180	(72,775)	217,213	366,427	(113,754)
Cumulative translation adjustment		—	—	—	—	—
Other shareholders' equity		(28,000)	(14,615)	(43,743)	(38,848)	—
Total shareholders' equity	Before distribution	44,494,494	30,106,009	24,812,541	23,649,799	18,631,335
	After distribution	Note	30,106,009	24,812,541	23,649,799	18,631,335

Note: The distribution of earnings has not been approved by the stockholders in 2013.

(2) Condensed Income Statement for Past Five Years

Unit: NT\$1,000

Unit: NT\$1,000

Item \ Year		Financial information over the past five years				
		2012	2011	2010	2009	2008
Net Interest income		6,010,610	5,034,939	4,273,444	3,603,495	4,333,741
Net Non-interest income		1,807,410	1,735,769	1,867,598	1,948,133	(22,030)
Bad debts losses (Provision reversal gain)		480,790	(294,923)	(174,808)	354,966	3,201,826
Operating expenses		4,975,674	5,020,267	4,582,261	4,339,552	5,048,074
Continuing operating income before tax		2,361,556	2,045,364	1,733,589	857,110	(3,938,189)
Continue operating income after tax		2,086,915	1,706,399	1,316,851	444,764	(3,240,183)
Discontinued operation income (net after tax)		—	—	—	—	—
Extraordinary income (net after tax)		—	—	—	—	—
Cumulative effect of changes in accounting principles (net after tax)		—	—	—	—	—
Net Income		2,086,915	1,706,399	1,316,851	444,764	(3,240,183)
EPS(NT\$)	Before adjustment	0.72	0.74	0.60	0.21	(1.47)
	After adjustment	0.72	0.71	0.55	0.19	(1.56)

(3) Independent Auditors Over the Past Five Years and their Audit Opinions

Year	Independent auditing firm	CPA	Auditor's opinion
2008	PricewaterhouseCoopers, Taiwan	James Huang & Joseph Chou	Standard unqualified opinion
2009	PricewaterhouseCoopers, Taiwan	James Huang & Joseph Chou	Standard unqualified opinion
2010	PricewaterhouseCoopers, Taiwan	James Huang & Joseph Chou	Standard unqualified opinion
2011	PricewaterhouseCoopers, Taiwan	James Huang & Joseph Chou	Standard unqualified opinion
2012	PricewaterhouseCoopers, Taiwan	James Huang & Ellen Kuo	Standard unqualified opinion

(4) Selected Financial Data

Item \ Year		Financial Analysis over the past five years				
		2012	2011	2010	2009	2008
Operating performance	Ratio of deposits to loans (%)	82.88	79.76	74.24	77.61	78.20
	NPL ratio (%)	0.19	0.19	0.49	0.95	1.75
	Ratio of interest cost to annual average deposits (%)	0.67	0.60	0.41	0.72	1.74
	Ratio of interest income to annual average loans outstanding (%)	2.15	2.09	1.94	2.25	3.75
	Total assets turnover (times)	0.01	0.01	0.01	0.02	0.01
	Average operation revenue per employee (thousand NT\$)	3,067	2,640	2,433	2,395	1,651
	Average profit per employee (thousand NT\$)	819	665	522	192	(1,240)
Profitability	Return on tier I capital (%)	6.84	8.24	7.66	4.00	(19.26)
	Return on assets (%)	0.39	0.35	0.32	0.12	(0.92)
	Return on shareholders' Equity (%)	5.59	6.21	5.43	2.10	(16.02)
	Net income ratio (%)	26.69	25.20	21.44	8.01	(75.15)
	EPS (NT\$)	0.72	0.71	0.55	0.19	(1.56)
Financial Structure	Ratio of Liabilities to Assets (%)	91.94	94.07	94.56	93.52	94.73
	Ratio of Fixed Assets to Equity (%)	5.33	8.49	10.54	11.28	13.68
Growth rate	Rate of Assets growth (%)	9.14	11.49	24.83	3.08	2.21
	Rate of earnings growth (%)	15.46	17.98	102.26	121.76	(51.78)
Cash flow	Cash flow ratio (%)	13.75	2.55	4.92	138.66	Note1
	Cash flow adequacy ratio (%)	1,367.83	1,451.84	1,311.50	1,248.32	487.02
	Cash flow coverage ratio (%)	(8.03)	(0.78)	(2.01)	84.01	Note1
Ratio of liquidity reserve (%)		29.60	31.30	29.20	31.30	28.30
Total balance of secured loans of related parties (thousand NT\$)		4,793,300	5,378,015	3,551,953	2,717,158	3,819,169
Ratio of total balance of secured loans of related parties to total balance of credit extension (%)		1.15	1.36	1.12	1.06	1.54
Operating scale	Asset market share (%)	1.53	1.47	1.39	1.19	1.20
	Net-worth market share (%)	1.84	1.37	1.19	1.22	1.03
	Deposits market share (%)	1.59	1.60	1.46	1.24	1.32
	Loans market share (%)	1.70	1.64	1.45	1.29	1.29

The specify reasons of changes in financial ratios for the latest two years: (If the variation does not reach 20%, the analysis can be omitted)

- On the premise of asset quality sustenance, the Company, during Year 2012, continued to boost its businesses and enjoyed a constant grow of net income, which caused higher ratios of management ability than Year 2011.
- The Company conducted seasoned equity offering of NT\$ 12 billion for Year 2012 and shareholders' equity increased from Year 2011, which lowered Fix Asset to Equity.
- The Company raised its investment in structured products during Year 2012, which therefore caused higher Net Cash Inflows from Operating Activities than Year 2011.

Note 1: The net cash outflow from operating activities in the cash flow statement is excluded from the calculation of the cash flow ratio.

Note 2: The formulas of various ratios are as following:

1. Operating performance

- (1) Ratio of deposits to loans = Annual average loans outstanding / Annual average deposit (Including postal savings re-deposits)
- (2) NPL ratio = Total NPL / Total loans outstanding
- (3) Ratio of interest cost to annual average deposits = Total interest cost / Annual average deposits
- (4) Ratio of interest income to annual average loans outstanding = Total interest income / Annual average amount of loans outstanding
- (5) Total assets turnover (times) = Operating income / Average total assets
- (6) Average operation revenue per employee (Note 6) = Operating Revenues / Annual average total number of employees
- (7) Average profit per employee = Net income after tax / total employees

2. Profitability

- (1) Return on tier I capital = Before-tax profit or loss / Total amount of tier I capital
- (2) Return on assets = Net income / Average total assets
- (3) Return on shareholders' Equity = Net income / Average net shareholders' equity
- (4) Net income ratio = Net income / Total operating revenues
- (5) EPS = Income after income tax-preferred stock dividend / Weighted average number of shares issued (Note 5)

3. Financial structure

- (1) Ratio of Liabilities to Assets = Liabilities / Total assets (Note 4)
- (2) Ratio of Fixed Assets to Equity = Fixed assets / Shareholders' equity

4. Growth rate

- (1) Rate of Assets growth = (Total assets for current year - Total assets for previous year) / Total assets for previous year
- (2) 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 (Note 6)

- (1) Cash flow ratio = Net cash flow from operating activities / (interbank lending and overdraft + Financial liabilities at fair value of payable commercial paper through income statement + RP + Payable accounts-current portion)
- (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the latest five years / (Capital expenditure for the latest five years + cash dividends)
- (3) Cash flow coverage ratio = Net cash flow from operating activities / net cash flow from investing activities

6. Ratio of liquidity reserve = Liquidity assets defined by Central Bank / Accrual liquidity reserve liabilities

7. Scale of operations:

- (1) Asset market share = total assets / total assets of all financial institutions able to engage in deposit and loan business
- (2) Net-worth market share = net value / total net worth of all financial holding institutions able to engage in deposit and loan business
- (3) Deposit market share = total value of deposits / total value of deposits at all financial institutions able to engage in deposit and loan business
- (4) Loan market share = total value of loans / total value of loans at all financial institutions able to engage in deposits and loan business

Note 3: The total liabilities have deduct allowance for guarantee liability, allowance for breach of traded securitities and allowance for accidental loss

Note 4: The following shall be noted in the equations of EPS of the preceding paragraph:

1. It is based on weighted average common stock shares instead of the issued stock shares at the end of year.
2. For cash capitalization or Treasury stock trade, the circulation period is to be considered for the calculation of weighted average stock shares.
3. For capitalized retained earnings or additional paid-in, for the calculation of earnings per share of previous years and semi-annual, it is to be adjusted retroactively and proportionally to the ratio of capitalization but not the issuance period of the capitalization.
4. If the preferred stock is non-convertible cumulative preferred stock, the dividend (distributed or not distributed) is to be deducted from Net Income or is to be added to Net Loss.
5. If the preferred stock is non-cumulative preferred stock; also, if there is Net income generated, preferred stock dividend is to be deducted from Net income; however, if there is net loss resulted, no adjustment is required.

Note 5: The income means the total interest income and non-interest income.

Note 6: The following shall be considered in measuring of cash flow analysis:

1. Net cash flow from operating activities means the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure means the cash outflow from capital investment per year.
3. Cash dividends include of common and preferred stocks.
4. Gross for fixed assets means the total fixed assets before deduction of accumulated depreciation.

Capital Adequacy

Unit: NT\$1,000

Item \ Year			Capital adequacy ratio over the past five years				
			2008	2009	2010	2011	2012
Self-owned capital	Tier I capital	Common stock	22,000,000	21,500,000	21,811,335	25,108,131	34,963,315
		Non-cumulative preferred stock	0	0	0	0	0
		Non-cumulative subordinated debts without maturity dates	0	0	0	0	0
		Capital collected in advance	0	0	0	0	0
		Capital surplus (exclusive of reserve for revaluation of fixed assets)	0	1,377,456	1,377,456	2,850,363	6,116,883
		Legal reserve	0	0	133,429	528,484	1,040,404
		Special reserve	0	0	0	22	72,797
		Retained earnings	0	444,764	1,316,851	1,706,399	2,086,915
		Minority equity	0	0	0	0	0
		Other shareholders' equity	(118,564)	(49,843)	(55,572)	(178,462)	(81,589)
		Less: Goodwill	0	0	1,924,395	1,924,395	1,924,395
		Less: Unamortized loss on sale of NPL	0	0	0	0	0
		Less: Capital deductions	2,059,483	250,204	429,283	655,051	648,316
		Total Tier I capital	19,821,953	23,022,173	22,229,821	27,435,491	41,626,014
	Tier II capital	Cumulative perpetual preferred stock	0	0	0	0	0
		Cumulative subordinated debts without maturity dates	3,000,000	3,000,000	3,000,000	0	0
		Reserve for revaluation of fixed assets	0	0	0	0	0
		45% of Unrealized gain on financial assets in available-for-sale	47,235	169,840	103,068	40,982	133,096
		Convertible bonds	0	0	0	0	0
		Operating reserve and allowance for bad debt	2,456,202	1,047,494	815,098	0	644,685
		Long-term subordinated bonds	3,080,000	1,720,000	5,418,264	13,717,745	14,000,000
		Non- perpetual preferred stock	0	0	0	0	0
		Total of non-cumulative perpetual stock and non-cumulative subordinated debts without maturity dates exceeding 15% of total Tier I capital	0	0	0	0	0
		Less: Capital deductions	2,059,483	250,204	429,283	232,905	648,316
		Total Tier II capital	6,523,954	5,687,130	8,907,147	13,525,822	14,129,465
		Tier III capital	Short-term subordinated debts	0	0	0	0	0
	Non-perpetual preferred stock		0	0	0	0	0
	Total Tier III capital		0	0	0	0	0
	Self-owned capital			26,345,907	28,709,303	31,136,968	40,961,313	55,755,479

Item \ Year			Capital adequacy ratio over the past five years				
			2008	2009	2010	2011	2012
Weighted risk-based assets	Credit risk	Standardized approach	212,605,116	210,651,610	267,322,507	332,266,318	357,301,405
		Internal ratings-based approach	—	—	—	—	—
		Securitization of assets	261,206	155,696	122,537	45,591	0
	Operational risk	Basic indicator approach	12,041,788	11,057,163	12,306,100	—	—
		Standardized approach/Optional standardized approach	—	—	—	11,744,813	12,561,150
		Advanced measurement approach	—	—	—	—	—
	Market risk	Standardized approach	10,062,775	16,318,538	10,456,938	7,140,763	16,003,613
		Internal models approach	—	—	—	—	—
	Total weighted risk-based assets		234,970,885	238,183,007	290,208,082	351,197,485	385,866,168
Capital adequacy ratio			11.21	12.05	10.73	11.66	14.45
Ratio of Tier I capital in risk-based assets			8.44	9.67	7.66	7.81	10.79
Ratio of Tier II capital in risk-based assets			2.77	2.38	3.07	3.85	3.66
Ratio of Tier III capital in risk-based assets			0	0	0	0	0
Ratio of common capital stock in total assets			6.21	5.89	4.79	4.94	6.30

Note 1: Self-owned capital = Tier I capital + Tier II capital + Tier III capital

Note 2: Total weighted risk-based assets = Credit risk weighted risk-based assets + capital charge of (operational risk + market risk) × 12.5

Note 3: Capital adequacy ratio = Self-owned capital / Total weighted risk-based assets

Note 4: Ratio of Tier I capital in risk-based assets = Tier I capital / Total weighted risk-based assets

Note 5: Ratio of Tier II capital in risk-based assets = Tier II capital / Total weighted risk-based assets

Note 6: Ratio of Tier III capital in risk-based assets = Tier III capital / Total weighted risk-based assets

Note 7: Ratio of common capital stock in total assets = Common capital stock / total assets

Consolidated Capital Adequacy

Unit: NT\$1,000

Unit: NT\$1,000

Item \ Year			Consolidated capital adequacy ratio over the past five years				
			2008	2009	2010	2011	2012
Self-owned capital	Tier I capital	Common stock	22,000,000	21,500,000	21,811,335	25,108,131	34,963,315
		Non-cumulative perpetual preferred stock	0	0	0	0	0
		Nonsol non-cumulative subordinated debts without maturity dates	0	0	0	0	0
		Capital collected in advance	0	0	0	0	0
		Capital surplus (exclusive of reserve for revaluation of fixed assets)	0	1,377,456	1,377,456	2,850,363	6,116,883
		Legal reserve	0	0	133,429	528,484	1,040,404
		Special reserve	0	0	0	22	72,797
		Retained earnings	0	444,764	1,316,851	1,706,399	2,086,915
		Minority equity	2,728	2,853	1,127	0	0
		Other shareholders' equity	(118,564)	(49,843)	(55,572)	(178,462)	(81,589)
		Less: Goodwill	0	0	1,924,395	1,924,395	1,924,395
		Less: Unamortized loss on sale of NPL	0	0	0	0	0
		Less: Capital deductions	1,992,890	182,185	403,861	634,164	314,567
		Total Tier I capital	19,891,274	23,093,045	22,256,370	27,456,378	41,959,763
	Tier II capital	Cumulative perpetual preferred stock	0	0	0	0	0
		Cumulative subordinated debts without maturity dates	3,000,000	3,000,000	3,000,000	0	0
		Reserve for revaluation of fixed assets	0	0	0	0	0
		45% of Unrealized gain on financial assets in available-for-sale	47,235	169,840	103,068	40,982	133,096
		Convertible bonds	0	0	0	0	0
		Operating reserve and allowance for bad debt	2,456,202	1,047,494	815,098	0	644,685
		Long-term subordinated bonds	3,080,000	1,720,000	5,418,264	13,728,189	14,000,000
		Non- perpetual preferred stock	0	0	0	0	0
		Total of non-cumulative perpetual preferred stock and non-cumulative subordinated debts without maturity dates exceeding 15% of total Tier I capital	0	0	0	0	0
		Less: Capital deductions	1,992,890	182,185	403,861	212,018	314,567
		Total Tier II capital	6,590,547	5,755,149	8,932,569	13,557,153	14,463,214
	Tier III capital	Short-term subordinated debts	0	0	0	0	0
		Non- perpetual preferred stock	0	0	0	0	0
		Total Tier III capital	0	0	0	0	0
	Self-owned capital			26,481,821	28,848,194	31,188,939	41,013,531	56,422,977

Item \ Year			Consolidated capital adequacy ratio over the past five years				
			2008	2009	2010	2011	2012
Weighted risk-based assets	Credit risk	Standardized approach	212,636,576	210,677,639	267,354,070	332,276,102	357,324,695
		Internal ratings-based approach	—	—	—	—	—
		Securitization of assets	261,206	155,696	122,537	45,591	0
	Operational risk	Basic indicator approach	12,254,313	11,189,675	12,448,688	—	—
		Standardized approach/optional standardized approach	—	—	—	11,877,200	12,724,888
		Advanced measurement approach	—	—	—	—	—
	Market risk	Standardized approach	10,106,000	16,518,538	10,456,938	7,140,763	16,003,613
		Internal models approach	—	—	—	—	—
	Total weighted risk-based assets		235,258,095	238,541,548	290,382,233	351,339,656	386,053,196
Capital adequacy ratio (%)			11.26	12.09	10.74	11.67	14.62
Ratio of Tier I capital in risk-based assets (%)			8.46	9.68	7.66	7.81	10.87
Ratio of Tier II capital in risk-based assets (%)			2.80	2.41	3.08	3.86	3.75
Ratio of Tier III capital in risk-based assets (%)			0	0	0	0	0
Ratio of common capital stock in total assets (%)			6.21	5.89	4.79	4.94	6.31

Note1: Self-owned capital= Tier I capital+ Tier II capital+ Tier III capital

Note2: Total weighted risk-based assets= Credit risk weighted risk-based assets+ capital charge of (operational risk+ market risk)×12.5

Note3: Capital adequacy ratio= Self-owned capital/Total weighted risk-based assets °

Note4: Ratio of Tier I capital in risk-based assets= Tier I capital/Total weighted risk-based assets °

Note5: Ratio of Tier II capital in risk-based assets= Tier II capital/Total weighted risk-based assets °

Note6: Ratio of Tier III capital in risk-based assets= Tier III capital/Total weighted risk-based assets °



(102)PWCR12000285

REPORT OF INDEPENDENT ACCOUNTANTS

To: Yuanta Commercial Bank Co., Ltd.

We have audited the accompanying balance sheets of Yuanta Commercial Bank Co., Ltd. as of December 31, 2012 and 2011, and the related statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yuanta Commercial Bank Co., Ltd. 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 Public Banks" and generally accepted accounting principles in the Republic of China.

We have also audited the consolidated financial statements of Yuanta Commercial Bank Co., Ltd. and its subsidiaries (not presented herein) as of and for the year ended December 31, 2012, on which we have issued an unqualified opinion thereon.

PricewaterhouseCoopers, Taiwan

March 7, 2013

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their application in practice.

Yuanta Commercial Bank Co., Ltd
Balance Sheets
December 31, 2012 and 2011
(Expressed in Thousands of New Taiwan Dollars)

ASSETS	Note	<u>December 31, 2012</u> Amount	<u>December 31, 2011</u> Amount	Change Percentage %
Cash and cash equivalents	IV(1)	\$ 6,913,294	\$ 6,335,318	9
Due from Central Bank and call loans to banks	IV(2)	75,523,478	104,082,173 (	27)
Financial assets at fair value through profit or loss – net	IV(3) and V(2)	26,023,007	14,569,643	79
Investments in notes and bonds under resale agreements	IV(4)	-	1,546,544 (	100)
Receivables – net	IV(5) , (6) and V(2)	12,153,756	12,533,591 (	3)
Bills discounted and loans – net	IV(6) and V(2)	375,712,974	348,783,971	8
Available-for-sale financial assets – net	IV(7) and VI	51,499,745	13,243,700	289
Held-to-maturity financial assets– net	IV(8)	-	151,450 (	100)
Equity investments accounted for under the equity method– net	IV(9) and V(2)	667,498	41,774	1498
Other financial assets – net	IV(10)	431,955	431,978	-
Property, plant and equipment	IV(11) and (27)			
Cost:				
Land		1,242,780	1,297,331 (	4)
Buildings		634,519	571,127	11
Office equipment		455,302	456,215	-
Transportation equipment		26,739	25,233	6
Miscellaneous equipment		<u>779,763</u>	<u>811,257 (</u>	4)
Subtotal		3,139,103	3,161,163 (	1)
Less: Accumulated depreciation		(815,692)	(721,256)	13
Construction in progress		<u>46,146</u>	<u>116,049 (</u>	60)
Property, plant and equipment - net		<u>2,369,557</u>	<u>2,555,956 (</u>	7)
Intangible assets	IV(12) and (27)	<u>2,184,964</u>	<u>2,326,540 (</u>	6)
Other assets				
Other assets – others	IV(13)	986,741	1,151,668 (	14)
Deferred income tax assets– net	IV(28)	<u>96,897</u>	<u>349,845 (</u>	72)
Other assets – total		<u>1,083,638</u>	<u>1,501,513 (</u>	28)
TOTAL ASSETS		<u>\$ 554,563,866</u>	<u>\$ 508,104,151</u>	9

(CONTINUED ON NEXT PAGE)

Yuanta Commercial Bank Co., Ltd
Balance Sheets (continued)
December 31, 2012 and 2011
(Expressed in Thousands of New Taiwan Dollars)

<u>LIABILITIES AND STOCKHOLDERS'</u>		<u>December 31, 2012</u>	<u>December 31, 2011</u>	Change
<u>EQUITY</u>	<u>Note</u>	<u>Amount</u>	<u>Amount</u>	<u>Percentage</u>
Due to Central Bank and other banks	IV(14)	\$ 13,070,340	\$ 7,080,166	85
Financial liabilities at fair value through profit or loss – net	IV(15)	1,977,281	2,734,648 (	28)
Payables	IV(16) and (28)	8,190,799	8,348,665 (	2)
Deposits and remittances	IV(17) and V(2)	454,075,352	437,944,350	4
Financial debentures payable	IV(18)	15,000,000	15,147,060 (	1)
Accrued pension liabilities	IV(19)	172,091	125,404	37
Other financial liabilities	IV(20)	16,747,503	5,826,442	187
Other liabilities	IV(21)	<u>836,006</u>	<u>791,407</u>	6
TOTAL LIABILITIES		<u>510,069,372</u>	<u>477,998,142</u>	7
STOCKHOLDERS' EQUITY				
Common stock	IV(22)	34,963,315	25,108,131	39
Additional paid-in capital	IV(23)	6,116,883	2,850,363	115
Legal reserve	IV(24)	1,040,404	528,484	97
Special reserve	IV(24)	72,797	22	330795
Unappropriated earnings	IV(25) and (28)	2,086,915	1,706,399	22
Other stockholders' equity				
Unrealized profit or loss on available-for-sale financial assets	IV(7)	242,180	(72,775) (	433)
Unrealized net loss on accrued pension cost		(<u>28,000</u>)	(<u>14,615</u>)	92
TOTAL STOCKHOLDERS' EQUITY		<u>44,494,494</u>	<u>30,106,009</u>	48
COMMITMENTS AND CONTINGENCIES VII				
TRUST ASSETS	X(4)			
SUBSEQUENT EVENTS	IX			
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		<u>\$ 554,563,866</u>	<u>\$ 508,104,151</u>	9

The accompanying notes are an integral part of these financial statements.

Yuanta Commercial Bank Co., Ltd.
Statements of Income
For the Years Ended December 31, 2012 and 2011

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

		2012		2011		Change
	Note	Amount		Amount		Percentage
						%
Interest income	V(2)	\$	9,481,346	\$	7,933,540	20
Less: Interest expense	V(2)	(	3,470,736)	(	2,898,601)	20
Net interest income			<u>6,010,610</u>		<u>5,034,939</u>	19
Net non-interest income						
Net service fee and commission income	V(2)		1,319,345		1,217,544	8
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	IV(3) , (15) and V(2)		1,069,767	(	692,225)	(255)
Net realized gain on available-for-sale financial assets	IV(7)		39,500		107,461	(63)
Net income on investment accounted for under the equity method	IV(9)		47,684		22,177	115
Net foreign exchange (loss) gain	X(3)	(	815,250)		998,390	(182)
Gain on reversal of asset impairment -net			5,346		1,096	388
Other non-interest income			<u>141,018</u>		<u>81,326</u>	73
Net non-interest income			<u>1,807,410</u>		<u>1,735,769</u>	4
Net revenues			7,818,020		6,770,708	15
Bad debts expense and gain on recovered bad debts	IV(6)	(	480,790)		294,923	(263)
Operating expenses						
Personnel expenses	IV(19), (27) and V(2)	(	2,767,532)	(	2,824,311)	(2)
Depreciation and amortization	IV(27)	(	495,859)	(	516,891)	(4)
Other general and administrative expenses	V(2)	(	1,712,283)	(	1,679,065)	2
TOTAL OPERATING COST			<u>(4,975,674)</u>		<u>(5,020,267)</u>	(1)
Income before income tax			2,361,556		2,045,364	15
Income tax expense	IV(28)	(	274,641)	(	338,965)	(19)
Net income		\$	<u>2,086,915</u>	\$	<u>1,706,399</u>	22
Basic earnings per share	IV(29)					
		<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>	
Net income		\$ 0.81	\$ 0.72	\$ 0.85	\$ 0.71	

The accompanying notes are an integral part of these financial statements.

Yuantia Commercial Bank Co., Ltd.
Statements of Changes in Stockholders' Equity
For the Years Ended December 31, 2012 and 2011
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings							Unrealized (loss) gain on available-for-sale financial assets	Unrealized net loss on accrued pension cost	Total
	Common Stock	Additional paid-in capital	Legal reserve	Special reserve	Unappropriated earnings					
For the year ended December 31, 2011										
Balance, January 1, 2011	\$ 21,811,335	\$ 1,377,456	\$ 133,429	\$ -	\$ 1,316,851	\$	217,213	(\$ 43,743)	\$	24,812,541
Appropriation and distribution of 2010 earnings (Note)										
Legal reserve appropriated	-	-	395,055	-(	395,055)		-	-		
Special reserve appropriated	-	-	-	22	-		-	-		22
Retained earnings transferred to capital	921,796	-	-	-(	921,796)		-	-		-
Cash capital increase	2,375,000	1,425,000	-	-	-		-	-		3,800,000
Change in unrealized (loss) gain on available-for-sale financial assets										
	-	-	-	-	-	-(	289,988)	-	-(	289,988)
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	29,128	-	29,128
Treasury stock of the parent company distributed to employee	-	47,783	-	-	-	-	-	-	-	47,783
Change in equities of investee company accounted for under equity method										
	-	124	-	-	-	-	-	-	-	124
Net income for the year ended December 31, 2011	-	-	-	-	-	-	-	-	-	1,706,399
Balance, December 31, 2011	<u>\$ 25,108,131</u>	<u>\$ 2,850,363</u>	<u>\$ 528,484</u>	<u>22</u>	<u>\$ 1,706,399</u>	<u>(\$ 72,775)</u>	<u>\$ 14,615</u>	<u>\$</u>	<u>30,106,009</u>	
For the year ended December 31, 2012										
Balance, January 1, 2012	\$ 25,108,131	\$ 2,850,363	\$ 528,484	\$ 22	\$ 1,706,399	(\$ 72,775)	(\$ 14,615)	\$ 30,106,009		
Appropriation and distribution of 2011 earnings (Note)										
Legal reserve appropriated	-	-	511,920	-(	511,920)		-	-		-
Special reserve appropriated	-	-	-	72,775	(	72,775)	-	-		-
Retained earnings transferred to capital	1,121,704	-	-	-(	1,121,704)		-	-		-
Cash capital increase	8,733,480	3,266,520	-	-	-		-	-		12,000,000
Change in unrealized (loss) gain on available-for-sale financial assets										
	-	-	-	-	-	314,955	-	-		314,955
Change in net loss not recognized as pension cost	-	-	-	-	-	-(	13,385)	-(		13,385)
Net income for the year ended December 31, 2012	-	-	-	-	-	-	-	-		2,086,915
Balance, December 31, 2012	<u>\$ 34,963,315</u>	<u>\$ 6,116,883</u>	<u>\$ 1,040,404</u>	<u>\$ 72,797</u>	<u>\$ 2,086,915</u>	<u>\$ 242,180</u>	<u>(\$ 28,000)</u>	<u>\$</u>	<u>44,494,494</u>	

(Note) Bonus to employees amounting to \$21,913 thousand and \$29,744 thousand, respectively, for the years 2012 and 2011 has been recognized under "Operating expenses", not "Appropriation of earnings".

The accompanying notes are an integral part of these financial statements.

Yuanta Commercial Bank Co., Ltd.
Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011
(Expressed in Thousands of New Taiwan Dollars)

	<u>2012</u>	<u>2011</u>
<u>Cash Flows From Operating Activities</u>		
Net income	\$ 2,086,915	\$ 1,706,399
Adjustments to reconcile net income to net cash provided by operating activities		
Share-based compensation	-	47,218
Depreciation	284,131	301,689
Amortization	211,728	215,202
Bad debts expense	1,195,963	(294,923)
Realized gains on disposal of available-for-sale financial assets	(39,500)	(107,461)
Investment income accounted for under the equity method	(47,684)	(21,801)
Gain on disposal of equity investments accounted for under the equity method	-	(376)
Cash dividends received from equity method investees	21,975	32,962
Loss on disposal and retirement of property, plant and equipment	9,735	32,219
Loss on disposal and retirement of idle assets	1,035	2,842
Loss on disposal and retirement of other assets	162	276
Gain on reversal of impairment loss on non-financial assets	(5,346)	(1,096)
Construction in progress transferred to expenses	-	438
Changes in assets and liabilities		
Increase in financial assets at fair value through profit or loss	(11,453,364)	(4,321,537)
Decrease in receivables	381,584	2,324,862
(Increase) decrease in other financial assets	(11,144)	7,197
Decrease in deferred income tax assets	252,948	476,577
Decrease in financial liabilities at fair value through profit or loss	(757,367)	(1,189,777)
Decrease in payables	(157,866)	(1,668,998)
Increase in income tax payable	-	64,799
Increase in accrued pension liabilities	35,134	41,584
Increase in other financial liabilities	<u>10,915,233</u>	<u>2,744,926</u>
Net cash provided by operating activities	<u>2,924,272</u>	<u>393,221</u>

(CONTINUED ON NEXT PAGE)

Yuanta Commercial Bank Co., Ltd.
Statements of Cash Flows (Continued)
For the Years Ended December 31, 2012 and 2011
(Expressed in Thousands of New Taiwan Dollars)

	<u>2012</u>	<u>2011</u>
<u>Cash Flows From Investing Activities</u>		
Decrease in due from Central Bank and call loans to banks	\$ 28,558,695	\$ 15,131,263
Decrease in investments in notes and bonds under resale agreements	1,546,544	145,034
Increase in notes discounted and loans	(28,142,199)	(63,459,700)
Increase in available-for-sale financial assets	(37,901,605)	(2,745,283)
Decrease in held-to-maturity financial assets	151,450	390
Proceeds from disposal of equity investments accounted for under the equity method	-	349,156
Increase in equity investments accounted for under the equity method	(600,000)	(1,401)
Acquisition of property, plant and equipment	(226,304)	(328,500)
Proceeds from disposal of property, plant and equipment	-	1,220
Increase in intangible assets	(5,772)	(4,286)
Proceeds from disposal of idle assets	5,670	53,700
Decrease in other assets	<u>216,031</u>	<u>693,502</u>
Net cash used in investing activities	(<u>36,397,490</u>)	(<u>50,164,905</u>)
<u>Cash Flows From Financing Activities</u>		
Increase (decrease) in cash in Central Bank and other banks	5,990,174	(9,726,958)
Decrease in investments in notes and bonds under repurchase agreements	-	(100,170)
Increase in savings and deposits	16,131,002	56,478,305
Proceeds from the issuance of financial debentures	-	10,000,000
Repayment of financial debentures	(147,060)	(9,947,060)
Increase (decrease) in lease payables	5,828	(37,757)
Increase in other liabilities	71,250	204,042
Capital injection with cash	<u>12,000,000</u>	<u>3,800,000</u>
Net cash provided by financing activities	<u>34,051,194</u>	<u>50,670,402</u>
Net increase in cash and cash equivalents	577,976	898,718
Cash and cash equivalents at beginning of year	<u>6,335,318</u>	<u>5,436,600</u>
Cash and cash equivalents at end of year	<u>\$ 6,913,294</u>	<u>\$ 6,335,318</u>
<u>Supplemental Disclosures of Cash Flow Information</u>		
Interest paid	<u>\$ 3,499,291</u>	<u>\$ 2,728,828</u>
Income tax paid	<u>\$ 127,793</u>	<u>\$ 104,842</u>

The accompanying notes are an integral part of these financial statements.

Yuanta Commercial Bank Co., Ltd.
Notes to Financial Statements
December 31, 2012 and 2011

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Indicated)

I. Organization and business

1. Yuanta commercial Bank ("the Bank"), formerly Asia Pacific Commercial Bank, acquired approval for establishment from the Ministry of Finance on January 14, 1992 and launched its operation on February 12, 1992. The Bank is principally engaged in commercial banking activities allowed by the Banking Laws of the Republic of China (R.O.C.) and in business activities authorized by the supervising authority of the central government. In accordance with the Financial Holding Company Act, the Bank joined Fuhwa Financial Holdings on August 1, 2002 through stock transfer and became a wholly-owned subsidiary. In September 2002, Asia Pacific commercial Bank was approved to be renamed Fuhwa Commercial Bank.
2. On April 2, 2007, Yuanta Core Pacific Securities merged with Fuhwa Financial Holdings through stock transfer and became a wholly-owned subsidiary. Under the approval of shareholders' meeting in June 2007, Fuhwa Financial Holdings was renamed Yuanta Financial Holdings and the Bank was also renamed Yuanta Commercial Bank on September 23, 2007.
3. As of December 31, 2012, the Bank has a trust department, an international banking department, an offshore banking unit, and 86 branches including the business department and 1 overseas representative office.
4. In order to increase the number of branches, improve business and enhance market status and competitiveness, the Bank acquired the operations, assets and liabilities of 18 branches of Chinfon Commercial Bank on April 3, 2010.
5. The Bank's parent company is Yuanta Financial Holdings Co., Ltd. As of December 31, 2012, the number of the Bank's employees was 2,549.

II. Summary of significant accounting policies

The accompanying financial statements of the Bank are prepared in conformity with the "Regulations Governing the Preparation of Financial Reports by Public Banks" and accounting principles generally accepted in the Republic of China. Due to the nature of the banking industry, assets and liabilities in the accompanying financial statements are not classified into current and non-current items. Nevertheless, accounts are properly categorized according to the nature of each account and sequenced by the liquidity of assets and liabilities. A summary of the Bank's significant accounting policies and the measurement basis used in preparing the financial statements is as follows:

1. Principles for preparation of the financial statements

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

- (2) Trust department of the Bank, for internal management purposes, should maintain separate accounts and prepare separate sets of financial statements for the entrusted funds managed by the Bank. All the entrusted assets are booked in the memo account.

2. Foreign currency transactions

- (1) Except for accounts of its offshore banking unit (OBU) that are maintained in US dollars, other accounts of the Bank are maintained in New Taiwan dollars.
- (2) Foreign currency transactions of non-derivative instruments are recorded based on the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates prevailing at the balance sheet date, and the exchange gains or losses are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies are measured at historical exchange rates at the date of the transaction. However, non-monetary assets or liabilities denominated in foreign currencies measured at fair value shall be translated based on the spot exchange rate at the balance sheet date. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. Conversely, when a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss shall be recognized directly in equity.

3. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those assumptions and estimates.

4. Preparation basis of cash flow

The statements of cash flows were prepared based on cash and cash equivalents.

5. Cash and cash equivalents

Cash on hand, foreign currency on hand, checks for clearing and due from banks are considered as cash and cash equivalents.

6. Financial assets and liabilities at fair value through profit or loss

- (1) The Bank recognizes the purchases or sales of such financial assets, including stocks, beneficiary certificates and convertible corporate bonds and derivative financial instruments, using trade date accounting and of other financial assets in this category using settlement date accounting. These financial instruments are initially recognized at fair value plus acquisition or issuance cost.
- (2) Financial assets and liabilities at fair value through profit or loss include debt securities, equity shares and derivative instruments held or issued by the Bank. These financial assets and liabilities can be classified into two subcategories:

financial assets and liabilities held for trading purposes and designated financial assets and liabilities at fair value through profit or loss. Derivative financial instruments are foreign exchange forward contracts, currency swaps, interest rate swaps, currency and interest rate swaps, and options, which are entered into by the Bank in foreign exchange, interest rate and capital markets. Derivative financial instruments are for trading purposes except those accounted for under hedge accounting. Trading purposes include market creation, customer services and other arbitrage relevant activities.

- (3) The main purpose for acquisition or issuance of financial instruments held for trading purposes is to be sold or repurchased within a short period. The criteria used to designated financial assets and liabilities at fair value through profit or loss are as follows:

A. Hybrid (combined) instruments;

B. The designation can eliminate or significantly reduce the inconsistency of accounting measurement or recognition; or

C. The designation is in compliance with the risk management or investment strategy specified by the Bank to evaluate the performance of assets or liabilities based on the fair values.

- (4) Financial instruments at fair value through profit or loss should be measured at their fair values. Fair values are the prices of financial instruments purchased or sold in an arm's-length transaction between transaction parties. A quoted market price, if available, in an active market is the best evidence of fair value. The fair value of listed or OTC stocks is the market closing price on the balance sheet date. The market price of open-end funds is the net value on the balance sheet date. The fair value of domestic bonds is the OTC's quoted market price on the balance sheet date. However, if a quoted market price is not available, the fair value of financial instruments should be estimated using information available or pricing models. Estimation of fair value is usually based on recent trading prices of similar financial instruments and supplemented by related valuation methods available.
- (5) The realized and unrealized gain or loss, including the amortization of discount and premium and the evaluation at fair values of derivative financial instruments for trading purpose, of financial instruments whose changes in fair value should be recognized in the current year's net income or loss. Cash dividends received during the holding period are recorded under "Net gain on financial instruments at fair value through profit or loss". Stock dividends are not recognized as income but treated as increases in the number of shares held.
- (6) After initial recognition, a financial instrument cannot be reclassified into the category of financial instruments at fair value through profit or loss and a derivative financial instrument cannot be reclassified out of such category. In accordance with explanatory letter Ji-Mi-Zih No. 296 issued in 2006 by the Accounting Research and Development Foundation, after the adoption of R.O.C. SFAS No. 34 "Financial Instruments: Recognition and Measurement", financial assets held for trading purposes which are provided as collateral for loans or refundable deposits should still be recognized as financial assets held for trading purposes.

- (7) Derivative financial instruments measured at fair value whose offsetting right has legal effect and are intended to be settled by net balance should be recorded as financial assets and liabilities at their net value.
- (8) When the embedded derivative financial instruments meet the requirements in R.O.C. SFAS No. 34, they shall be recognized separately with the main contract and shall be regarded as derivative financial instruments. The main contract shall be treated in accordance with related standards as financial or non-financial instruments.

7. Available-for-sale financial assets

- (1) Except for stocks, beneficiary certificates and convertible corporate bond recognized using trade date accounting; the Bank recognizes the purchases or sales of such financial assets using settlement-date accounting. These financial instruments are initially recognized at fair value plus acquisition or issuance cost.
- (2) Available-for-sale financial assets are recorded at fair value, and the change in market value will be recorded in the stockholders' equity adjustment account; the accumulated profit or losses at derecognition shall be recognized as profit or loss of the period. Fair value is based on the quoted market price or estimated amount if the quoted market price is not available. The settlement prices on the balance sheet date for stocks listed on the TSE or OTC and the net asset value of open-end funds on the balance sheet date are adopted.
- (3) When there is an indication of impairment in the value of available-for-sales financial assets, the impairment loss should be recognized. If there is an indication that the impairment loss recognized has decreased in a subsequent period, debt securities of available-for-sale financial assets should be recorded as gains or losses, and equity securities of available-for-sale financial assets should be recorded as the adjustments of stockholders' equity. Accumulated unrealized gain or loss recorded under the equity account is recognized in the current year's income or loss when those financial assets are sold or derecognized. Interest income and cash dividend are recorded under "Interest income" and "Realized gain on available-for-sale financial assets", respectively. Cash dividends are recognized as revenue on the ex-dividend date or the date of the shareholder's meeting. However, the dividend amount, if announced before the investment date, will be deducted from the investment cost. Stock dividends are not recognized as income but treated as increases in the number of shares held.

8. Held-to-maturity financial assets

- (1) The Bank recognizes the purchases or sales of held-to-maturity financial assets using settlement-date accounting. These financial instruments are initially recognized at fair values plus acquisition or issuance costs.
- (2) The amortized cost, interest income or interest expense of held-to-maturity financial assets are calculated by the effective interest rate. If there is any objective evidence that the financial asset is impaired, impairment loss is recognized in profit or loss. If the fair value of the financial assets subsequently increases, and the increase can be objectively related to an event occurring after the impairment was recognized in profit or loss, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss.

9. Financial assets carried at cost

- (1) Equity investments are recorded at cost using trade date accounting when their fair values are not measurable.
- (2) If there is any objective evidence of impairment, the impairment loss is recognized. Such impairment loss shall not be reversed.

10. Accounts receivable

- (1) The spending of the Bank's credit card holders is recorded as receivable based on the payment request for the products, not included as unearned profit. Interest income is recognized using the effective interest rate method on accrual basis.
- (2) The Bank engages in factoring and management businesses, and the interest and handling fees generated from such businesses are recorded as income of the period; possible allowance for doubtful loans is provided based on the assessment of factoring balance at period end. The unpaid factoring proceeds are accounted under "payables".
- (3) Principal, interest and other advances of credit card spending overdue for 90 days that has not been paid shall stop accruing interest and shall be recorded as overdue receivables. The interest is recognized as income upon receipt during the non-accrual period.
- (4) Starting from January 1, 2011, the Bank adopted the newly revised SFAS No. 34 "Financial Instruments: Recognition and Measurement", in which loans and receivables originated by the Bank are included in the scope. Please refer to Note 2 (11) for details of the policy of provision for doubtful loans and for accounts receivable.

11. Loans

- (1) All loans are recorded initially at the actual amount lent out and purchase price, and reported at their outstanding principal balances net of any allowance for credit losses. The credit period of short-term loans is within one year, the credit period of medium-term loans is one to seven years, and the credit period of long-term loans is more than seven years. Loans with pledged assets are recorded as secured loans
- (2) Principal or interest overdue over three months is categorized as non-performing loans. In addition, when principal or interest has not been paid for over six months, the said principal and interest are transferred to "non-accrual loans". When this occurs, interest is calculated and booked only in the memo account.
- (3) In accordance with SFAS No. 34 "Financial Instruments: Recognition and Measurement," loans and receivables (including overdue receivables and interest receivables) are assessed on the balance sheet date whether objective evidence exists which indicates material individual financial assets are impaired, and immaterial individual financial assets are considered impaired individually or on a collective basis. If objective evidence indicates that the financial asset is impaired, the impairment amount is the difference between the financial assets' book value and present value of estimated future cash flows discounted using the original effective

interest rate, and the impairment amount shall be recorded as bad debt expenses in the income statement. In the subsequent period, if the amount of the impairment loss decreases due to an event occurring after the impairment was originally recognized, the previously recognized impairment loss is reversed through profit and loss to the extent that the carrying amounts do not exceed the amortized cost that would have been determined had no impairment loss been recognized in prior years.

- (4) In accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans issued by the Financial Supervisory Commission (FSC) of the Executive Yuan, the Bank assesses the collectability of credit assets based on the clients' financial condition and principal and interest payments or overdue payments after taking into account the related collateral values. According to the abovementioned regulation, after the normal credit asset minus the loans to government institutions, the credit assets shall be classified as special mention, substandard, doubtful, and losses and calculate the loan loss provision based on 0.5%, 2%, 10%, 50% and 100% of the loan amount as the minimum provision to set aside allowance for doubtful debt and guarantee policy reserve.
- (5) Reserves for guarantee liability are provided when the possibility of doubtful loans is evaluated from the ending balance for guarantees receivable and acceptances receivable.

12. Notes and bonds under resale and repurchase agreements

Notes and bonds under resale or repurchase agreements are accounted for under the financing method. Notes and bonds sold under repurchase agreements are recorded as "Notes and bonds payable under repurchase agreements" at the sale date. Notes and bonds invested under resale agreements are recorded as "Investments in notes and bonds under resale agreements" at the purchase date. The difference between the cost and the repurchase price is recorded as interest expense between the sale date and the repurchase date. The difference between the cost and the resale price is recorded as interest income between the purchase date and the resale date.

13. Non-financial asset impairment

The Bank adopts ROC SFAS No. 35 "Impairment of Assets". In accordance with ROC SFAS No. 35, the Bank assesses on the balance sheet date whether there are any indications that assets (other than assets that are inapplicable and goodwill) may have been impaired. If such indications exist, the Bank estimates the recoverable amount of the assets (the higher of its fair value less costs to sell and its value in use). The Bank recognizes impairment losses for assets whose carrying values are higher than the recoverable amounts. The Bank assesses the goodwill of cash generating units on an annual basis and recognizes impairment losses for the excess of carrying value over the recoverable amount. The Bank reverses impairment losses recognized in prior periods for assets other than goodwill if there are any indications that the impairment losses recognized no longer exist or have decreased. The carrying amount of an asset after the reversal of impairment loss should not exceed the carrying amounts of the asset that would have been determined net of depreciation or amortization had no impairment loss been recognized for the asset in prior years.

14. Equity investments accounted for under the equity method

- (1) Equity investments in which the Bank owns at least 20% of the investees' voting stock interests or exercises significant influence over the investees are accounted for under the equity method. Such equity investments are evaluated pursuant to the investment costs plus or minus the net income or loss and changes in stockholders' equity of the investee recognized proportionally according to the percentage of the investee's ownership held by the Bank. For stock dividends received from the distribution by the investees, the Bank does not need to increase the investment amount and recognize the investment income, but makes a memorandum entry to record additional shares that have been received.
- (2) When the Bank disposes an equity investment accounted for under the equity method, the difference between the cost and the selling price at the disposal date is recorded as gain (loss) on disposal of equity investment. If there is any capital surplus arising from equity investment under the equity method, such capital surplus is transferred to current income or loss in proportion to the percentage of disposal.

15. Property, plant and equipment, leased assets and idle assets

- (1) Property, plant and equipment are stated at acquisition cost. Interest incurred on the loans used to bring the assets to the condition and location necessary for their intended uses are capitalized. Major renewals and betterments of fixed assets are capitalized, while maintenance and repairs are expensed.
- (2) Apart from land, depreciation is calculated on a straight-line method based on the asset's estimated useful lives. In addition, the residual value may be depreciated over the estimated remaining useful life of the fixed assets. Gains or losses on the disposal of property and equipment are recorded as non-interest income or losses. The estimated useful lives of property, plant and equipment are listed as follows:

Buildings	3~55 years
Office equipment	3~6 years
Transportation equipment	3~5 years
Leasehold improvements	3~10 years
Other equipment	3~20 years

- (3) Rents paid on capital leases are capitalized and depreciated accordingly. If the lease contract contains a bargain purchase option or allows the transfer of ownership at the end of the term, then the depreciation should be determined based on the leased property's useful economic life. The lease term is used otherwise.
- (4) The Bank adopted the ROC's SFAS No. 1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements", wherein the property, plant and equipment that are idle or have no value in use are reclassified to "Other assets - idle assets" at original cost together with their respective accumulated depreciation and accumulated impairment. The idle assets are depreciated continuously. In accordance with ROC SFAS No. 35 "Impairment of Assets", the Bank evaluates impairment of the idle assets and performs the impairment test accordingly.

16. Intangible assets

Computer software expenditures are stated at the acquisition cost and amortized over 3 to 5 years.

17. Goodwill

- (1) The net assets acquired by the Bank were carried into account at fair value in compliance with the accounting treatment for business combination; the net value of the excess of the acquisition cost over the fair value of tangible and identifiable intangible assets deducting liabilities assumed was recognized as goodwill. In accordance with ROC SFAS No. 35 “Impairment of Assets”, the Bank shall evaluate impairment and perform the impairment test accordingly. The impairment loss recognized shall not be reversed. Also, in accordance with the revised R.O.C. SFAS No. 1 “Conceptual Framework for Financial Accounting and Preparation of Financial Statements”, goodwill shall not be amortized.
- (2) The Bank determines allocation period for acquisition price in pursuant to R.O.C. SFAS No. 25 “Business Combinations – Accounting Treatment under Purchase Method”. It is a period of time that the acquiring company takes to allocate its acquisition costs to specific assets and liabilities so that the fair value of assets obtained and liabilities assumed may be identified and determined. When the acquiring company cannot obtain further information to identify and determine the fair value of assets obtained and liabilities assumed, the allocation period of the acquisition price is consummated. The allocation period of the acquisition price varies depending on circumstances but may not exceed one year after the date of acquisition.

18. Deferred expenses

Deferred expenses, mainly telecommunication system, renovation cost, computer network and CPU installation costs, are amortized on a straight-line basis over 3 to 5 years.

19. Bonds payable

Financial debentures are issued and stated at face value. The related interest expenses are calculated at face value multiplied by the stated interest rate every month. The annual fee paid to the GreTai Securities Market is recognized as operating expense.

20. Reserve for operation and liabilities

- (1) Securities trading loss reserve

According to the revised Regulations Governing Securities Firms dated on January 11, 2011 pursuant to the Letter from the Financial Supervisory Commission dated January 13, 2011, the provision for trade loss reserve shall be ceased. Additionally, trade loss reserve accrued as of December 2010 is transferred to special reserve after the Letter is pronounced.

(2) Reserve for losses on guarantees

The reserve for losses on guarantees is determined by evaluating the potential losses on guarantees and commitments. The aforementioned reserve is recorded as “Bad debts expense” and “Other liability”.

21. Retirement plan

- (1) The original employee retirement plan of the Bank was established in 1992 for the benefit of all eligible employees. Effective from May 1, 1997, such plan was modified in order to comply with the Labor Standards Law. Pension payments are computed based on employees’ years of service and average monthly salaries for the last six months prior to retirement. Effectively July 1, 2005, the Bank established a funded defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"). Employees have the option to be covered under the New Plan. Under the New Plan, the Bank contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The amounts contributed are recognized as expenses.
- (2) The year-end date is the measurement date of the actuarial report for the defined benefit plan. The minimum pension liability is recognized when the accumulated benefit obligation exceeds the fair value of pension plan assets. Under the defined contribution pension plan, net periodic pension cost are recognized as incurred, including service cost, amortization of net transition asset, prior service cost, and unrecognized pension gain or loss based on employees’ average residual service years using the straight-line method. The minimum pension liability usually occurs due to the existence of unrecognized prior service cost and unrecognized transitional net assets or net benefit obligation. If the minimum pension liability does not exceed the sum of unrecognized prior service cost and unrecognized transitional net assets or net benefit obligation, then the deferred pension cost should be charged; otherwise, net loss not yet recognized as net pension cost should be charged. Deferred pension cost is classified in other assets; unrecognized pension cost is classified as the reduction of stockholders' equity.

22. Income tax

- (1) Income tax is estimated based on the accounting income. Deferred income tax is determined based on the differences between the tax basis of an asset or liability and its book value that will result in taxable or deductible amounts by using the enacted tax rate in future year when the recorded asset or liability is recovered or settled, respectively. The income tax effects attributable to temporary differences are recognized as deferred income tax liabilities. The income tax effects attributable to deductible temporary differences, loss carryforwards, and income tax credits are recognized as deferred income tax assets. The realization of deferred income tax assets is evaluated, and a valuation allowance is recognized accordingly.
- (2) The 10% surtax on undistributed earnings, computed according to the ROC Income Tax Act, is accounted for as income tax expense in the year of earnings distribution based on the resolution of the shareholders.

- (3) In accordance with the Article 49 of the Financial Holding Company Act, Yuanta Financial Holdings, the parent company of the Bank and the taxpayer, has adopted the consolidated income tax return system for income tax filings and 10% surtax on undistributed earnings from 2003 with its qualified subsidiaries, including the Bank. When the Bank prepares its financial statements, the Bank accounts for its income tax in conformity with ROC SFAS No. 22 “Income Taxes”. However, the Bank also adjusts the income tax in a reasonable and systematic way to reflect the differences under filing a consolidated income tax return system with Yuanta Financial Holding, the taxpayer. The adjustments resulting from filing a consolidated income tax return system are recorded under receivable from (payable to) related parties.
- (4) Effective on January 1, 2006, in accordance with the Alternative Minimum Tax Act, the Bank calculates the alternative minimum tax in addition to the regular income tax. If the regular income tax is lower than the alternative minimum tax, the difference is accrued as an income tax adjustment.
- (5) When a change in the tax laws is enacted, the deferred tax liability or asset should be recomputed accordingly in the period of change. The difference between the new amount and the original amount, that is, the effect of changes in the deferred tax liability or asset, should be recognized as an adjustment to income tax expense (benefit) for income from continuing operations in the current period.

23. Share-based payment

In accordance with “Buyback of Own Shares and Transfer to Employees” set up by the parent company, Yuanta Financial Holdings Co., Ltd., eligible employees of the Bank are entitled to subscribe to the parent company’s shares. Treasury stocks transferred to employees as compensation are recognized as expenses using the fair value method pursuant to the Explanatory Note (96) Ji-Mi-Zi No. 266 “Interpretation of Accounting Treatments for Treasury Stocks Transferring to Employees” of the Accounting Research and Development Foundation of the R.O.C. dated October 12, 2007. The service costs are estimated based on the option valuation model on grant date, recorded as service cost expenses and amortized over the vesting period.

24. Employees’ bonuses and directors’ and supervisors’ remuneration

The Bank adopted R.O.C. SFAS No. 39, “Accounting for Share-based Payment” and EITF 96-052 of the Accounting Research and Development Foundation, R.O.C. “Accounting for Employees’ Bonuses and Directors’ and Supervisors’ Remuneration”, the costs of employees’ bonuses and directors’ and supervisors’ remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amounts can be estimated reasonably. However, if the accrued amounts for employees’ bonuses and directors’ and supervisors’ remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders’ meeting subsequently, the differences shall be recognized as gain or loss in the following year.

25. Recognition of revenues, costs and expenses

Revenues are recognized on the accrual basis when the earning process is substantially completed and are realized or realizable. Costs and expenses are recognized as incurred.

26. Contingency loss

If from the circumstances, it is probable that an asset has been impaired or a liability has been incurred by the date of the financial statements; and the amount of loss can be reasonably estimated, a loss should be recognized. If the loss cannot be reasonable estimated, the estimate amount of loss should be disclosed in the notes to the financial statements.

27. Operating segments

Information of operating segments of the Bank is reported in the same method as the internal management report provided to the Chief Operating Decision-Maker (CODM). The CODM is in charge of allocating resources to operating segments and evaluating their performance.

In accordance with SFAS No. 41 “Operating Segments”, the Bank discloses segment information in the financial statements.

28. Reclassification

The reclassification of certain accounts in the financial statements for the year ended December 31, 2011, is consistent with the financial statement presentation for the year ended December 31, 2012.

III. Changes in accounting principles

1. Loans and receivables

Starting from January 1, 2011, the Bank adopted the revised SFAS No. 34 “Financial Instruments: Recognition and Measurement”, which indicates that impairment (bad debts) losses of loans and receivables shall be recognized when objective evidence exists. This change in accounting principle had no significant impact on the net income and earnings per share for the year ended December 31, 2011.

2. Operating segments

Starting from January 1, 2011, the Bank adopted the revised SFAS No. 41 “Operating Segments” to replace SFAS No. 20 “Segment Reporting”. This change in accounting principle had no impact on the net income and earnings per share for the year ended December 31, 2011.

IV. Details of significant accounts

1. Cash and cash equivalents

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Cash on hand	\$ 2,725,392	\$ 2,634,333
Foreign currency on hand	217,317	262,221
Checks for clearing	2,184,698	2,108,988
Due from banks	<u>1,785,887</u>	<u>1,329,776</u>
Total	<u>\$ 6,913,294</u>	<u>\$ 6,335,318</u>

2. Due from Central Bank and call loans to banks

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Reserve for deposits – account A	\$ 6,440,358	\$ 5,341,690
Reserve for deposits – account B	12,186,464	11,495,413
Reserve for deposits – foreign currency account	58,272	60,580
Reserve for deposits - Inter-bank clearing fund	601,455	210,938
Time deposits	51,800,000	76,990,000
Call loans to banks	<u>4,436,929</u>	<u>9,983,552</u>
Total	<u>\$ 75,523,478</u>	<u>\$ 104,082,173</u>

3. Financial assets at fair value through profit or loss - net

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Financial assets held for trading purpose		
Government bonds	\$ 17,975,892	\$ 9,013,560
Commercial paper	2,706,886	2,342,889
Convertible corporate bonds	1,753,093	24,177
Corporate bonds	1,011,242	-
Stocks of companies listed on TSE or OTC	287,362	-
Beneficiary certificates	162,042	300,000
Derivatives	2,111,340	2,886,805
Valuation adjustment for financial assets for trading purposes – non-derivatives	<u>10,366</u>	<u>(18,398)</u>
Subtotal	<u>26,018,223</u>	<u>14,549,033</u>
Designated financial assets at fair value through profit or loss		
Convertible corporate bonds	5,497	22,444
Valuation adjustment for designated financial assets at fair value through profit or loss	<u>(713)</u>	<u>(1,834)</u>
Subtotal	<u>4,784</u>	<u>20,610</u>
Total	<u>\$ 26,023,007</u>	<u>\$ 14,569,643</u>

- (1) For the years ended December 31, 2012 and 2011, the net gain (loss) on financial assets at fair value through profit or loss (including dividend revenues) were gain \$2,199,213 and loss \$1,330,217, respectively.
- (2) Financial instruments designated at fair value through profit or loss is for hybrid (combined) instruments.

(3) The trading items and contract information of derivatives are as follows:

<u>Financial instruments</u>	<u>December 31, 2012</u>		<u>December 31, 2011</u>	
	<u>Contract amount (Notional amount)</u>	<u>Credit risk</u>	<u>Contract amount (Notional amount)</u>	<u>Credit risk</u>
For trading purpose:				
Exchange rate options purchased	\$ 68,355,185	\$ 484,949	\$ 22,380,065	\$ 251,100
Commodity options purchased	115,451	1,129	-	-
Equity options purchased	19,500	667	-	-
Options purchased – asset swaps	82,000	5,359	736,400	27,655
FX contracts (FX swaps, forwards and cross currency swap)	75,852,258	623,686	59,740,371	739,469
Non-delivery forwards	1,602,480	540	302,900	1,217
Asset swap, interest rate swap and other interest rate swap	99,704,049	885,869	141,283,482	1,783,967
Commercial paper commitment with a fixed interest rate	1,000,000	3,294	-	-
Futures contract (Note)	106,355	105,847	-	83,397

Note: The unrealized losses on unsettled futures contracts were \$718 and \$0 as of December 31, 2012 and 2011, respectively. The ending deposits were \$106,565 and \$83,397, respectively.

4. Investments in notes and bonds under resale agreement and notes and bonds payable under repurchase agreement

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Investments in notes and bonds under resale agreement	<u>\$ -</u>	<u>\$ 1,546,544</u>
Interest rate (%)	-	0.89%
Contract resale amount	<u>\$ -</u>	<u>\$ 1,547,868</u>

5. Receivables – net

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Accounts receivable factoring	\$ 3,156,992	\$ 3,235,528
Affiliated company receivable	2,878,045	2,771,945
Demand remittance receivable	2,519,168	2,684,284
Credit card receivable	1,517,000	1,758,480
Interest receivable	1,067,841	776,128
Acceptances receivable	867,293	694,582
Underwriting receivable and other receivables	<u>257,926</u>	<u>759,953</u>
Subtotal	12,264,265	12,680,900
Less: allowance for credit losses	(<u>110,509</u>)	(<u>147,309</u>)
Total	<u>\$ 12,153,756</u>	<u>\$ 12,533,591</u>

6. Bills discounted and loans-net

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Import-export negotiations and bills discounted	\$ 153,489	\$ 226,203
Short-term loans and overdrafts	50,901,591	46,253,980
Short-term loans and overdraft secured	35,246,501	27,600,177
Medium-term loans	91,969,785	84,383,737
Medium-term loans secured	75,798,283	72,702,404
Long-term loans	9,522,394	9,413,670
Long-term loans secured	115,887,637	111,901,173
Accounts receivable factoring	561,504	317,927
Non-performing loans	<u>604,157</u>	<u>543,882</u>
Subtotal	380,645,341	353,343,153
Less: allowance for credit losses	(<u>4,932,367</u>)	(<u>4,559,182</u>)
Total	<u>\$ 375,712,974</u>	<u>\$ 348,783,971</u>

Assessment of allowance for doubtful loans and receivables

Loans and interest receivables:

<u>Items</u>		<u>Loans and interest receivables (Note) December 31, 2012</u>	<u>Allowance for doubtful accounts (Note) December 31, 2012</u>
With individual objective evidence of impairment	Individual assessment	\$ 5,304,664	\$ 2,711,967
	Collective assessment	627,521	343,691
Without individual objective evidence of impairment	Collective assessment	<u>375,268,281</u>	<u>1,884,776</u>
Total		<u>\$ 381,200,466</u>	<u>\$ 4,940,434</u>

<u>Items</u>		<u>Loans and interest receivables (Note) December 31, 2011</u>	<u>Allowance for doubtful accounts (Note) December 31, 2011</u>
With individual objective evidence of impairment	Individual assessment	\$ 3,043,737	\$ 2,276,884
	Collective assessment	749,224	373,932
Without individual objective evidence of impairment	Collective assessment	<u>350,020,051</u>	<u>1,916,433</u>
Total		<u>\$ 353,813,012</u>	<u>\$ 4,567,249</u>

Receivables:

<u>Items</u>		<u>Receivables (Note) December 31, 2012</u>	<u>Allowance for doubtful accounts (Note) December 31, 2012</u>
With individual objective evidence of impairment	Individual assessment	\$ 11,167	\$ 11,167
	Collective assessment	14,359	13,996
Without individual objective evidence of impairment	Collective assessment	<u>85,375,268</u>	<u>94,277</u>
Total		<u>\$ 85,400,794</u>	<u>\$ 119,440</u>

<u>Items</u>		<u>Receivables (Note) December 31, 2011</u>	<u>Allowance for doubtful accounts (Note) December 31, 2011</u>
With individual objective evidence of impairment	Individual assessment	\$ -	\$ -
	Collective assessment	14,146	13,942
Without individual objective evidence of impairment	Collective assessment	<u>116,005,965</u>	<u>144,719</u>
Total		<u>\$ 116,020,111</u>	<u>\$ 158,661</u>

Note: As of December 31, 2012 and 2011, the amount of receivables is the original amount, (including due from Central Bank and call loans to banks, bills investments under resale agreement, receivables (not including spot exchange receivables, yield receivables and tax return receivables amounting to \$2,519,390 and \$2,684,632, respectively), short-term advances, non-accrual loans transferred from other accounts and refundable deposits) not deducting allowance for doubtful accounts and not deducting (adding) discount (premium) adjustments; not including interest receivable amounted to \$468,428 and \$397,622, respectively. In addition, the amount of the allowance for doubtful accounts-receivable (excluding the allowance for doubtful accounts-interest receivable) is both \$8,067 on December 31, 2012 and 2011.

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

<u>Loans</u>	2012	2011
	<u>Amount</u>	<u>Amount</u>
Beginning balance	\$ 4,559,182	\$ 5,143,460
Add: Provision for doubtful accounts	1,213,196	551,183
Foreign exchange translation adjustment and others	-	8,248
Less: Transferred to other allowance accounts	- (	238,242)
Write-off loans and advances	(833,521)	(905,467)
Foreign exchange translation adjustment and others	(6,490)	-
Ending balance	<u>\$ 4,932,367</u>	<u>\$ 4,559,182</u>
<u>Receivables</u>	2012	2011
	<u>Amount</u>	<u>Amount</u>
Beginning balance	\$ 166,728	\$ 93,372
Add: Provision for doubtful accounts	4,914	1,196
Recovery of written-off loans, advances and overdue receivables	-	41,409
Transferred from other allowance accounts	4,505	85,828
Less: Write-off loans and advances	(41,924)	(54,602)
Foreign exchange translation adjustment and others	(6,716)	(475)
Ending balance	<u>\$ 127,507</u>	<u>\$ 166,728</u>

As of December 31, 2012 and 2011, loans and advances not accruing interest were \$604,157 and \$543,882, respectively. As of December 31, 2012 and 2011, the amounts of interest receivable that were not accrued from loans and advances were \$53,524 and \$50,590, respectively.

7. Available-for-sale financial assets – net

	December 31, 2012		
	Cost / Cost after		
	<u>Amortization</u>	<u>Valuation adjustment</u>	<u>Fair value</u>
Government bonds	\$ 35,994,697	\$ 151,951	\$ 36,146,648
Corporate bonds	9,289,035	58,216	9,347,251
Financial debentures	3,328,400	9,389	3,337,789
Listed (TSE and OTC) stocks	<u>2,645,411</u>	<u>22,646</u>	<u>2,668,057</u>
Total	<u>\$ 51,257,543</u>	<u>\$ 242,202</u>	<u>\$ 51,499,745</u>

	December 31, 2011		
	Cost / Cost after		
	<u>Amortization</u>	<u>Valuation adjustment</u>	<u>Fair value</u>
Corporate bonds	\$ 6,221,352	\$ 55,156	\$ 6,276,508
Government bonds	5,083,854	31,116	5,114,970
Financial debentures	1,300,018	4,671	1,304,689
Listed (TSE and OTC) stocks	621,006	(163,835)	457,171
Beneficiary securities	<u>90,236</u>	<u>126</u>	<u>90,362</u>
Total	<u>\$ 13,316,466</u>	<u>(\$ 72,766)</u>	<u>\$ 13,243,700</u>

Please refer to Note VI for details of available-for-sale financial assets pledged as collateral as of December 31, 2012 and 2011.

8. Held-to-maturity financial assets

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Corporate bonds	<u>\$ -</u>	<u>\$ 151,450</u>

9. Equity investments accounted for under the equity method - net

	<u>December 31, 2012</u>		<u>December 31, 2011</u>	
	<u>Book Value</u>	<u>Percentage of ownership</u>	<u>Book Value</u>	<u>Percentage of ownership</u>
Equity method:				
Yuanta International Leasing Co., Ltd.	\$ 599,785	100.00	\$ -	-
Yuanta Life Insurance Agent Company	56,840	100.00	33,806	100.00
Yuanta Property Insurance Agent Company	<u>10,873</u>	100.00	<u>7,968</u>	100.00
	<u>\$ 667,498</u>		<u>\$ 41,774</u>	

For the years ended December 31, 2012 and 2011, the investment income of the Bank accounted for under the equity method was based on the investee's audited financial statements for the corresponding periods.

The Board of Directors resolved to establish a 100%-owned subsidiary, Yuanta International Leasing Co., Ltd. with capital amounting to \$600,000 on July 19, 2012. Its establishment was under the approval of FSC on October 16, 2012 and was registered with the approval by the Ministry of Economic Affairs on November 15, 2012.

The Bank acquired 20% of Yuanta Property Insurance Agent Company and 0.003% of Yuanta Life Insurance Agent Company from Yuanta Asset Management Co., Ltd. on October 20, 2011. From the same date onwards, Yuanta Property Insurance Agent Company and Yuanta Life Insurance Agent Company have been 100% owned subsidiaries of the Bank. Please refer to Notes V (2), XI(1), and XI (2).

Chinfon Asset Management Co., Ltd. and Yuanta Leasing Co., Ltd. resolved to be dissolved on May 27, 2010 and June 22, 2010, respectively. According to the explanatory letter Ji-Mi-Zih No. 233, the Bank shall not recognize the investment gains accounted for under the equity method starting from May 31, 2010 and October 31, 2010. The liquidation processes were completed on February 28, 2011 and April 30, 2011, respectively, and the gains on disposal were \$131 and \$245, respectively.

10. Other financial assets – net

	<u>December 31, 2012</u>		<u>December 31, 2011</u>	
	<u>Book value</u>	<u>Percentage of ownership</u>	<u>Book value</u>	<u>Percentage of ownership</u>
Financial assets carried at cost:				
Taiwan Asset Management Co., Ltd.	\$ 157,650	0.85	\$ 157,650	0.85
Financial Information Service Co., Ltd.	120,725	2.29	120,725	2.29
Grand Bills Finance Co., Ltd.	64,800	1.36	64,800	1.36
Taiwan Futures Exchange	39,302	0.45	39,302	0.45
VISA Inc.	15,853	-	15,853	-
Taiwan Depository & Clearing Corporation	9,749	0.08	9,749	0.08
Taiwan Aerospace Corp.	4,892	0.31	4,892	0.31
Mirae Asset Securities Investment Trust Co., Ltd (Note 1)	4,729	1.03	4,729	1.27
Yang Guang Asset Management Company	3,149	4.77	3,149	4.77
MasterCard International	2,665	-	2,665	-
Taipei Forex Inc.	800	0.40	800	0.40
Ornatube Enterprise Co., Ltd.	155	0.05	155	0.05
Fu-Chi Enterprise Management Advisor Co., Ltd. (Note 2)	<u>-</u>	1.97	<u>-</u>	1.97
Subtotal	424,469		424,469	
Less: accumulated impairment	(<u>155</u>)		(<u>155</u>)	
	<u>424,314</u>		<u>424,314</u>	
Others				
Advance and bills purchased	7,641		7,664	
Non-loans reclassified to non-accrual loans	<u>16,998</u>		<u>19,419</u>	
Subtotal	24,639		27,083	
Less: provision for credit losses	(<u>16,998</u>)		(<u>19,419</u>)	
	<u>7,641</u>		<u>7,664</u>	
Total	<u>\$ 431,955</u>		<u>\$ 431,978</u>	

Note 1: TLG Asset Management Co., Ltd. was renamed as Mirae Asset Securities Investment Trust Co., Ltd. in the first half year of 2011.

Note 2: Fubon Financial Securities Co. Ltd. was renamed as Fu-Chi Enterprise Management Advisor Co., Ltd. in 2010, and made a capital reduction announcement in December 2010 and June 2011. After the capital reduction, the book value is zero and the stocks held were decreased to 39 thousand shares.

The Bank exchanged existing debts of Taichung Machinery Works Co., Ltd. for 95 thousands shares of its stock in June 2006. Since full provision for such debts was made, the Bank recorded the number of shares received with zero cost.

In 2007, China Daily News Co., Ltd. reduced its capital by \$331,000 and then infused additional capital of \$452,200. The Bank has 83 shares of China Daily News Co., Ltd., with a shareholding percentage of 0.0002%.

The Bank acquired the operation and assets and liabilities of 18 branches of Chinfon Commercial Bank on April 3, 2010, including Asia Trust and Investment Corp. and Emivest Aerospace Corporation (“EAC”) that were accounted for at the fair value on the effective date, and such investment was listed under financial assets carried at cost. The fair value of Asia Trust and Investment Corp. and EAC was zero, so 2,142 thousand shares and 1,999 thousand shares, were noted respectively.

The financial assets carried at cost were accounted for by the cost method since there are no quoted market prices and fair values available.

11. Property, plant and equipment

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

	December 31, 2012		
	Cost	Accumulated depreciation	Net book value
Land	\$ 1,242,780	\$ -	\$ 1,242,780
Buildings	634,519	(93,696)	540,823
Office equipment	455,302	(270,278)	185,024
Transportation equipment	26,739	(24,367)	2,372
Miscellaneous equipment	779,763	(427,351)	352,412
Construction in progress	46,146	-	46,146
	<u>\$ 3,185,249</u>	<u>(\$ 815,692)</u>	<u>\$ 2,369,557</u>

	December 31, 2011		
	Cost	Accumulated depreciation	Net book value
Land	\$ 1,297,331	\$ -	\$ 1,297,331
Buildings	571,127	(78,205)	492,922
Office equipment	456,215	(219,216)	236,999
Transportation equipment	25,233	(20,894)	4,339
Miscellaneous equipment	811,257	(402,941)	408,316
Construction in progress	116,049	-	116,049
	<u>\$ 3,277,212</u>	<u>(\$ 721,256)</u>	<u>\$ 2,555,956</u>

12. Intangible assets

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Goodwill	\$ 1,924,395	\$ 1,924,395
Computer software	260,569	402,145
	<u>\$ 2,184,964</u>	<u>\$ 2,326,540</u>

13. Other assets - others

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Idle assets	\$ 185,554	\$ 192,259
Less: accumulated depreciation	(47)	(30)
accumulated impairment loss	(144,091)	(149,437)
Subtotal	<u>41,416</u>	<u>42,792</u>
Lease assets	203,021	108,303
Less: accumulated depreciation	(10,047)	(3,928)
Subtotal	<u>192,974</u>	<u>104,375</u>
Refundable deposit-out	576,230	765,665
Other deferred expenses	95,631	118,575
Others	<u>80,490</u>	<u>120,261</u>
Total	<u>\$ 986,741</u>	<u>\$ 1,151,668</u>

14. Due to Central Bank and other banks

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Due to other banks	\$ 1,212	\$ 1,028
Overdrafts from banks	68,569	7,729
Call loans from banks	7,708,838	1,917,987
Redeposits from the directorate general of postal remittance	<u>5,291,721</u>	<u>5,153,422</u>
Total	<u>\$ 13,070,340</u>	<u>\$ 7,080,166</u>

15. Financial liabilities at fair value through profit or loss - net

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Derivatives	<u>\$ 1,977,281</u>	<u>\$ 2,734,648</u>

(1) For 2012 and 2011, net (losses) gains of the financial liabilities at fair value through profit or loss were loss \$1,129,446 and gain \$637,992, respectively.

(2) The trading items and contract information of derivatives are as follows:

Financial instruments	December 31, 2012		December 31, 2011	
	Contract amount		Contract amount	
	(Notional amount)	Credit risk	(Notional amount)	Credit risk
For trading purpose:				
Exchange rate options written	\$ 67,565,677	\$ -	\$ 22,006,603	\$ -
Instrument options written	115,451	-	-	-
Equity options written	119,100	-	627,900	-
Asset swap options written	1,748,160	-	163,000	-
FX contracts (FX swaps, forwards and cross currency swap)	65,693,420	-	57,560,414	-
Non-delivery forwards	1,777,296	-	302,900	-
Asset swap, interest rate swap and other interest rate swap	115,878,750	-	151,288,506	-

16. Payables

	December 31, 2012	December 31, 2011
Demand remittance payable	\$ 2,513,270	\$ 2,684,130
Checks for clearing	2,184,698	2,108,988
Bankers' acceptances	871,240	700,812
Interest payable	683,849	712,404
Accrued expenses	631,123	709,777
Accounts payable	350,205	243,046
Underwriting payables	307,578	520,534
Collections payable for customers	176,196	108,677
Taxes payable	170,706	170,706
Compensation payable	11,750	29,004
Other payables	290,184	360,587
Total	<u>\$ 8,190,799</u>	<u>\$ 8,348,665</u>

The Bank provided reserves in accordance with the Financial Supervisory Commission, Executive Yuan and the Bankers Association of the Republic of China's resolution on principles for dealing with disputes of structured notes of Lehman Brothers. The Bank provided the compensation of structured notes amounting to \$215,461 and unpaid balance amounting to \$11,750 as of December 31, 2012.

17. Deposits and remittances

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Checking deposits	\$ 3,448,531	\$ 3,659,963
Demand deposits	54,971,171	52,000,467
Time deposits	140,957,647	148,513,801
Demand savings deposits	167,288,268	154,741,556
Time savings deposits	87,318,562	78,791,439
Remittances	<u>91,173</u>	<u>237,124</u>
Total	<u>\$ 454,075,352</u>	<u>\$ 437,944,350</u>

18. Financial debentures

In order to increase the regulatory capital adequacy ratio and raise medium-term and long-term operating funds, the Board of Directors of the Bank decided to issue financial debentures on December 22, 2005, September 21, 2006, March 4, 2010 and February 24, 2011. The issuances of financial debentures were approved by the Bureau of Monetary Affairs through the Financial Supervisory Commission in Executive Yuan Ruling Jin-Guan-Yin (6) No. 09500034970 on February 15, 2006, the Financial Supervisory Commission in Executive Yuan Ruling Jin-Guan-Yin (6) No. 09500480850 on November 2, 2006, the Financial Supervisory Commission in Executive Yuan Ruling Jin-Guan-Yin No. 009001490260 on April 29, 2010, and the Financial Supervisory Commission in Executive Yuan Ruling Jin-Guan-Yin No. 1000110840 on April 25, 2011.

In accordance with the original issuance plan, the Bank issued the first series of subordinate financial debentures at par on February 24, 2006 and made the principal repayment on August 24, 2011.

The second series of general financial debentures and subordinate financial debentures both within the quota of \$5,000,000 were approved on November 2, 2006. The second issuance of the first series of subordinate financial debentures totaling \$1,800,000 and the second issuance of the second series of accumulated subordinate financial debentures with no maturity date totaling \$3,000,000 were issued at par on December 22 and 27, 2006, respectively, and were redeemed prior to the maturity on December 22, 2011 and December 27, 2011, respectively in compliance with the Financial Supervisory Commission in Executive Yuan Ruling Jin-Guan-Yin No. 10000379600.

In accordance with the original issuance plan, the Bank issued the subordinate financial debentures within the quota of \$5,000,000 approved on April 29, 2010 at par on June 10, 2010.

In accordance with the original issuance plan, the Bank issued the long-term subordinate financial debentures within the quota of \$ 10,000,000 approved on April 25, 2011. The Bank issued the first series of subordinate financial debentures, the second series of subordinate financial debentures and the third series of subordinate financial debentures totaling to \$2,450,000, \$2,350,000 and \$5,200,000, issued at par on June 27, 2011, August 22, 2011 and October 27, 2011, respectively.

Also, the operation and assets and liabilities acquired from Chinfon Commercial Bank on April 3, 2010, included part of the unmatured subordinate financial debentures totaling \$441,920 , with repayment at maturity made on June 28, 2012.

The details of financial debentures as of December 31, 2012 were as follows:

First series of subordinate financial debentures in 2010

	<u>Fixed interest rate</u>
Par value	\$ 5,000,000
Stated interest rate	Fixed interest rate at 2.30%
Period	Seven years
Interest payment date	Payable every year
Term of principal payment	Payable on maturity
Issue price	Price at face value on issuing date

First series of subordinate financial debentures in 2011

	<u>Fixed interest rate</u>
Par value	\$ 2,450,000
Stated interest rate	Fixed interest rate at 1.75%
Period	Seven years
Interest payment date	Payable every year
Term of principal payment	Payable on maturity
Issue price	Price at face value on issuing date

Second series of subordinate financial debentures in 2011

	<u>Fixed interest rate</u>
Par value	\$ 2,350,000
Stated interest rate	Fixed interest rate at 1.85%
Period	Seven years
Interest payment date	Payable every year
Term of principal payment	Payable on maturity
Issue price	Price at face value on issuing date

Third series of subordinate financial debentures in 2011 (debenture A)

	Fixed interest rate
Par value	\$ 700,000
Stated interest rate	Fixed interest rate at 1.80%
Period	Seven years
Interest payment date	Payable every year
Term of principal payment	Payable on maturity
Issue price	Price at face value on issuing date

Third series of subordinate financial debentures in 2011 (debenture B).

	Fixed interest rate
Par value	\$ 4,500,000
Stated interest rate	Fixed interest rate at 1.95%
Period	Ten years
Interest payment date	Payable every year
Term of principal payment	Payable on maturity
Issue price	Price at face value on issuing date

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

	2012	2011
Beginning balance	\$ 15,147,060	\$ 15,094,120
Increase of the period	-	10,000,000
Repayment of the period	(147,060)	(9,947,060)
Ending balance	<u>\$ 15,000,000</u>	<u>\$ 15,147,060</u>

19. Accrued pension liabilities

- (1) The Bank has set up a defined benefit pension plan in accordance with the Labor Standards Law of the R.O.C., covering all formal employees who serve in the Company prior to the implementation of the Labor Pension Act on July 1, 2005 and who choose continuously to be applicable to the Labor Standards Law after the implementation of the Labor Pension Act. The payment of pension benefits is based on the length of the service period and average monthly compensation for the last six months prior to retirement. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one point for each additional year of service after the 15th year, subject to a maximum of 45 points. The Bank contributes monthly an amount equal to 2% of the employees' monthly salaries, and such funds are deposited with the Bank of Taiwan under the names of the Bank's independent retirement fund committees. Pension expenses recognized for the years ended December 31, 2012 and 2011 were \$43,039 and \$61,163, respectively.

(2) The following sets forth the pension information based on the actuarial report:

	<u>2012</u>	<u>2011</u>
Discounted rate	1.75%	1.90%
Expected rate of return on plan assets	2.50%	2.50%
Rate of compensation increase	1.75%	1.90%

(3) Funded status of the pension plan

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Vested benefit obligation	\$ 196,674	\$ 184,313
Non-vested benefit obligation	<u>428,840</u>	<u>410,096</u>
Accumulated benefit obligation	625,514	594,409
Effect of future salary increments	<u>259,381</u>	<u>259,798</u>
Projected benefit obligation	884,895	854,207
Fair value of plan assets	(<u>453,423</u>)	(<u>469,005</u>)
Funded status	431,472	385,202
Unrealized net transition obligation	(6,272)	(8,363)
Unrecognized service cost in prior period	1,380	1,639
Unrecognized loss on plan assets	(287,381)	(274,413)
Additional minimum pension liabilities	<u>32,892</u>	<u>21,339</u>
Accrued pension	<u>\$ 172,091</u>	<u>\$ 125,404</u>
Vested benefit	<u>\$ 245,454</u>	<u>\$ 236,057</u>

(4) Net pension cost comprises the following:

	<u>2012</u>	<u>2011</u>
Service cost	\$ 22,771	\$ 39,573
Interest cost	16,230	14,551
Actual return on plan assets	(8,911)	(7,941)
Amortization	<u>12,949</u>	<u>14,980</u>
Net pension cost	<u>\$ 43,039</u>	<u>\$ 61,163</u>

(5) Effective from July 1, 2005, the Bank established a defined contribution plan (the "New plan") for employees who are R.O.C. nationals pursuant to the Labor Pension Act (the "Act"). In accordance with the New Plan, the Bank contributes monthly an amount based on 6% of the employees' monthly salaries to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are portable when the employment is terminated. Under the New plan, pension expenses recognized for the years ended December 31, 2012 and 2011 were \$86,568 and \$86,856, respectively.

20. Other financial liabilities

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Principal of structured notes on the fixed-income	\$ 16,667,180	\$ 5,722,465
Appropriated loan fund	68,653	98,135
Lease payables	<u>11,670</u>	<u>5,842</u>
Total	<u>\$ 16,747,503</u>	<u>\$ 5,826,442</u>

21. Other liabilities

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Collections in advance	\$ 558,786	\$ 513,438
Reserve for losses on guarantees	202,359	229,034
Others	<u>74,861</u>	<u>48,935</u>
Total	<u>\$ 836,006</u>	<u>\$ 791,407</u>

22. Common stock

- (1) As of December 31, 2012, the Bank's authorized and issued capital was \$35,000,000 and \$34,963,315, respectively, consisting of 3,500,000 thousand shares and 3,496,331 thousand shares of common stock with \$10 (in dollars) par value per share. As of December 31, 2011, the Bank's authorized and issued capital was \$27,000,000 and \$25,108,131, respectively, consisting of 2,700,000 thousand shares and 2,510,813 thousand shares of common stock with \$10 (in dollars) par value per share.
- (2) The Board of Directors resolved on May 24, 2012 on behalf of stockholders to increase cash capital amounting to \$12,000,000 (with par value at \$13.74 per share) through private equity. The Board has set the effective date of capital increase on September 5, 2012, which had been approved by FSC. The registration for capital change has been completed.
- (3) The Board of Directors resolved on May 10, 2012 on behalf of stockholders to transfer undistributed earnings amounting to \$1,121,704 to increase its capital. The Board has set the effective date of stock distribution for capital increase and earnings transferred to new stocks issuance on June 28, 2012. The registration for capital change has been completed.
- (4) The Board of Directors resolved on August 25, 2011 on behalf of stockholders to increase cash capital amounting to \$3,800,000 (with par value at \$16 per share) through private equity. The Board has set the effective date of capital increase on November 25, 2011, which had been approved by FSC. The registration for capital change has been completed.
- (5) On May 19, 2011, The Board of Directors resolved to transfer earnings amounting to \$921,796 to increase its capital, effective on June 28, 2011, which had been approved by FSC. The related registration of the capital increase has been completed.

23. Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from issuance of common stock in excess of par value and donations to the Bank can be used to offset accumulated deficits or to distribute stock or cash dividends to shareholders in proportion to the number of shares being held by shareholders, provided that the company has no accumulated deficit. Further, according to the R.O.C. Securities and Exchange Act, the amount of capital surplus mentioned above to be capitalized should not exceed 10% of the common stock issued each year. Capital surplus should not be used to offset accumulated deficit unless the legal reserve and special reserve is insufficient.

24. Legal reserve and special reserve

The Bank's Articles of Incorporation states that 30% of current year's earnings after paying all taxes and offsetting any accumulated deficit, should be set aside as the legal reserve. Until the legal reserve balance equals the total amount of capital, the maximum cash earnings distribution shall not exceed 15% of total amount of capital. Provided that the legal reserve equals the total amount of capital or the criteria of sound financial structure outlined by the competent authorities is met, the above rule may be exemptible. Special reserve for unrealized loss of financial instruments accounted for in current year's stockholders' equity should be recognized from the current year's earnings after tax and prior year's undistributed earnings. Unless there is a reversal for the unrealized loss of financial instruments in stockholders' equity, distribution of earnings may be allowed only for the reversal amount and no other purpose is allowed.

25. Unappropriated earnings and dividend policy

- (1) According to the Bank's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes, to offset prior years' operating losses, and then to set aside as legal reserve and special reserve in accordance with provisions under the applicable laws and regulations. The remaining earnings are then distributed as follows: (1) 0.01% ~ 5% as employees' bonus (2) the remaining earnings are subject to the Board of Directors' decision to propose a distribution plan and to be submitted to the Ordinary Stockholders' Meeting for approval.
- (2) In order to continuously expand its operations, increase earning capacity, and to maintain the capital adequacy ratio, the Bank has adopted the residual dividend policy. The ratio between cash dividends and stock dividends distributed is determined by the resolution of the Board of Directors in consideration of the related industry conditions, market perceptions, and the Bank's business strategies. During the growth period of the Bank, in principle, stock dividends distributed shall not be lower than 80% of the distributed earnings unless the change is approved by the Board of Directors and at the shareholders' meeting as deemed necessary. Cash dividends shall be distributed after the distribution of earnings proposal is resolved by the stockholders, while stock dividends are distributed after obtaining approval documents from the supervising authority.
- (3) After the Bank became a subsidiary of Yuanta Financial Holding Company, the rights of the stockholders were exercised by the Board of Directors.

- (4) The Board of Directors has approved for the distribution of earnings for the year 2011 on May 10, 2012 and the distribution of earnings for the year 2010 on May 19, 2011, and details are shown as follows :

	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>Stock dividends per share (dollar)</u>	<u>Amount</u>	<u>Stock dividends per share (dollar)</u>
Legal reserve	\$ 511,920		\$ 395,055	
Special reserve	72,775		-	
Stock dividends	<u>1,121,704</u>	\$ 0.4467	<u>921,796</u>	\$ 0.4226
	<u>\$ 1,706,399</u>		<u>\$ 1,316,851</u>	

- (5) Earnings distribution for the year 2012 with the approval of the Board of Directors on March 7, 2013 are as follows:

	<u>2012</u>	
	<u>Amount</u>	<u>Stock dividends per share (dollar)</u>
Legal reserve	\$ 626,074	
Special reserve	(72,775)	
Stock dividends	<u>1,533,616</u>	\$ 0.4386
	<u>\$ 2,086,915</u>	

The appropriation of the Bank's 2012 earnings has been approved by the Board of Directors on March 7, 2013 and is pending until the confirmation from the Board of Directors on behalf of stockholders. More information regarding the earnings distribution is available at the website of the Market Observation Post System provided by the Taiwan Stock Exchange.

- (6) Through the approval from the Board of Directors on behalf of stockholders' meeting on May 10, 2012, the Bank's employee bonus for the year 2011 was set to be \$29,744 which is in consistency with the employee bonus recognized in the financial statements of 2011. The Bank's Board of Directors has approved for the employee bonus for year 2012 amounting to \$21,913 and is pending until the confirmation from the Board of Directors on behalf of stockholders. The estimate of the Bank is based on the net income after tax for the current period minus legal reserve that should be set aside as required by the Bank and then multiple the amount with the most appropriate estimate according to allocated threshold. Any difference should then be recognized as gain (loss) of next year.

26. SHARE-BASED PAYMENT – EMPLOYEE INDEMNIFICATION PLAN

- (1) There was no transaction regarding share-based payment for the year ended December 31, 2012. As of December 31, 2011, the Bank's share-based payment transactions are set forth below :

Type of arrangement	Grant date	Quantity Granted	Contract Period	Vesting conditions	Actual resignation rate in the current Period	Estimated future resignation Rate
Treasury stock of the parent company transferred to employees	Note	6,052	100.4.18~ 100.4.29	The vested service period is 0.03 year	0.00%	0.00%

Note: The grant day is in the second quarter of 2011.

- (2) The above stock option plan are as follows:

	December 31, 2011	
	No. of shares (in thousand shares)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of period	-	-
Options granted	6,052	11.89
Options exercised	(6,052)	(11.89)
Stock warrants can be issued by the end of 2011	-	-

- (3) The Bank uses Black-Scholes option evaluation module to estimate the fair value of stock options. Details are as follows:

Type of arrangement	Contract period	Stock price	Exercise Price	Expected price volatility	Expected vesting period	Expected dividend yield rate	Risk-free interest rate	Fair value per unit
Treasury stock of the parent company transferred to employees	100.4.18~ 100.4.29	\$19.75	\$11.89	29.88%	0.03	4.56%	0.16%	\$7.8021

(4) Expenses from the above-mentioned share-based transactions:

	<u>2011</u>
Equity settled	<u>\$ 47,218</u>

27. Personnel, depreciation, and amortization expenses

Personnel, depreciation, and amortization expenses incurred for the years ended December 31, 2012 and 2011 were summarized as follows:

	<u>2012</u>	<u>2011</u>
Personnel expenses	\$ 2,767,532	\$ 2,824,311
Salaries	2,381,098	2,427,735
Labor and health insurance	163,136	159,483
Pension	129,607	148,019
Others	93,691	89,074
Depreciation	284,131	301,689
Amortization	211,728	215,202

28. Income tax

(1) Income tax expense and income tax payable are reconciled as follows:

	<u>2012</u>	<u>2011</u>
Income tax at the statutory tax rate	\$ 401,465	\$ 347,712
Tax effect of permanent differences	(88,332)	(40,172)
Tax effect of valuation allowance	(45,325)	(45,325)
Under provision of prior year's income tax	<u>6,833</u>	<u>76,750</u>
Income tax expense	274,641	338,965
Net changes on deferred income tax assets	(252,948)	(476,577)
Under provision of prior year's income tax	(6,833)	(76,750)
Effects of adopting the consolidated income tax return system	(14,860)	214,362
Prior years' income tax payable	<u>170,706</u>	<u>170,706</u>
Income tax payable	<u>\$ 170,706</u>	<u>\$ 170,706</u>

(2) The details of adopting the consolidated income tax return system are as follows:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Consolidated income tax return receivable – parent company	<u>\$ 2,878,045</u>	<u>\$ 2,771,945</u>

- (3) Details of temporary differences, loss carryforwards and investment tax credits resulting in deferred income tax assets and liabilities were as follows:

	<u>December 31, 2012</u>		<u>December 31, 2011</u>	
	<u>Amount</u>	<u>Tax effect</u>	<u>Amount</u>	<u>Tax effect</u>
Deferred income tax assets (liabilities)				
Unrealized exchange loss (gain)	\$ 82,467	\$ 14,019	(\$ 163,244)	(\$ 27,751)
Increase in allowance for credit losses in excess of tax limitation	484,826	82,420	415,133	70,572
Unrealized valuation gain on derivatives	(199,742)	(33,956)	(91,117)	(15,490)
Unrealized valuation gain on commercial paper	(90)	(15)	(106)	(18)
Unrealized impairment loss on idle assets	144,091	24,495	149,437	25,404
Unrealized compensation loss	11,750	1,998	29,004	4,931
Other financial assets impairment loss	155	26	155	26
Effect of amortization of goodwill	1,180,809	200,738	1,447,428	246,063
Loss carryforwards	<u>46,526</u>	<u>7,910</u>	<u>1,718,652</u>	<u>292,171</u>
Subtotal	<u>\$ 1,750,792</u>	<u>297,635</u>	<u>\$ 3,505,342</u>	<u>595,908</u>
Valuation allowance		(<u>200,738</u>)		(<u>246,063</u>)
Deferred income tax assets – net		<u>\$ 96,897</u>		<u>\$ 349,845</u>

- (4) According to the revised Income Tax Act dated January 21, 2009, the losses could be carried forward for 10 years as deduction against the future taxable income. As of December 31, 2012, the details of the Bank's loss carryforwards were as follows:

<u>Year loss was incurred</u>	<u>Declared amount of loss</u>	<u>Year of expiration</u>	<u>Assessed by tax authority</u>
2006	<u>\$ 46,526</u>	2016	Assessed

- (5) Imputation tax credit account for stockholders and its related information

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Balances of the imputation tax credit account for stockholders	<u>\$ 14,677</u>	<u>\$ 20,830</u>

The actual creditable tax rates were 1.67% and 15.52% for 2011 and 2010, respectively.

- (6) Unappropriated earnings

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Prior 1997 (including 1997)	<u>\$ -</u>	<u>\$ -</u>
Post 1998	<u>2,086,915</u>	<u>1,706,399</u>
	<u>\$ 2,086,915</u>	<u>\$ 1,706,399</u>

- (7) The Bank's annual income tax returns through 2006 were assessed by the Tax Authority. The Bank and the National Tax Authority agreed that the withholding taxes on interest income from bonds pertaining to the former purchaser as of December 31, 2006 to be deducted by 65% based on the related tax returns, which has been appropriately treated in its accounting.

The Bank's annual income tax returns for 2003 to 2006 were assessed by the Tax Authority and received assessment reports. The Tax Authority disallowed the amortization of goodwill and bond investments. The Bank disagreed with the assessment and has filed a petition for reexamination. A tax payable accrual has been made regarding the above income tax reexamination.

29. Earnings per common share

For the year ended December 31, 2012					
Amount		Adjusted weighted average outstanding common stock (In thousand shares)	Earnings per share (in NT dollars)		
Before tax	After tax		Before tax	After tax	
Net income	\$ 2,361,556	\$ 2,086,915	2,904,555	\$ 0.81	\$ 0.72

For the year ended December 31, 2011					
Amount		Adjusted weighted average outstanding common stock (In thousand shares)	Earnings per share (in NT dollars)		
Before tax	After tax		Before tax	After tax	
Net income	\$ 2,045,364	\$ 1,706,399	2,400,024	\$ 0.85	\$ 0.71

The above weighted-average outstanding stocks have been adjusted retrospectively according to the ratio of capital increase from retained earnings for the year ended December 31, 2012. The retained earnings per share before and after tax for the year ended December 31, 2011 were 0.89 and 0.74 dollars, respectively.

30. Capital adequacy ratio

- (1) In compliance with the Banking Act and other relevant regulations, the ratio between eligible capital and risk assets of banks shall not be less than eight percent (8%). If the actual ratio of banks is lower than the required ratio, the Competent Authority may prohibit such banks from paying dividends and/or take other necessary actions.
- (2) As of December 31, 2012 and 2011, capital adequacy ratio was 14.45% and 11.66%, respectively.

V. Related party transactions

1. Names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Bank</u>
Yuanta Financial Holdings Co., Ltd. ("Yuanta Financial Holdings")	Parent company of the Bank
Yuanta Asset Management Co., Ltd. ("Yuanta Asset Management")	Affiliated company controlled by the same company as the Bank
Yuanta Securities Finance Co., Ltd. ("Yuanta Securities Finance")	Affiliated company controlled by the same company as the Bank
Yuanta Securities Investment Consulting Co., Ltd. ("Yuanta Securities Investment Consulting")	Affiliated company controlled by the same company as the Bank
Yuanta Venture Capital Co., Ltd. ("Yuanta Venture Capital")	Affiliated company controlled by the same company as the Bank
Yuanta Securities Asia Financial Services Co., Ltd. ("Yuanta Securities Asia Financial Services")	Affiliated company controlled by the same company as the Bank
Yuanta International Insurance Broker Co., Ltd. ("Yuanta International Insurance Broker")	Affiliated company controlled by the same company as the Bank
Yuanta I Venture Capital Co., Ltd. ("Yuanta I Venture Capital")	Affiliated company controlled by the same company as the Bank
Yuanta Securities Holding (BVI) Limited ("Yuanta Securities Holding (BVI)")	Affiliated company controlled by the same company as the Bank
Yuanta International Financial Consultant Co., Ltd.	Affiliated company controlled by the same company as the Bank
Yuanta Securities (Hong Kong) Co., Ltd. ("Yuanta Securities ("Hong Kong"))	Affiliated company controlled by the same company as the Bank
Yuanta Securities Co., Ltd. ("Yuanta Securities")	Affiliated company controlled by the same company as the Bank (Note 1)
Yuanta Securities Investment Trust Co., Ltd. ("YSIT")	Affiliated company controlled by the same company as the Bank (Note 1)
Yuanta Futures Co., Ltd. ("Yuanta Futures")	Affiliated company controlled by the same company as the Bank (Note 1)
Yuanta Futures Co., Ltd. (Pre-dissolution)	Affiliated company controlled by the same company as the Bank (Note 1)
Polaris Investment Management (Cayman) Ltd (Note)	Affiliated company controlled by the same company as the Bank (Note 2)
Polaris Insurance Agency Co., Ltd. (P.I.A. Co.)	Affiliated company controlled by the same company as the Bank (Note 2)
Polaris Holdings (Cayman) Ltd	Affiliated company controlled by the same company as the Bank (Note 2)
Polaris Securities (Hong Kong) Limited (P.S.H.K)	Affiliated company controlled by the same company as the Bank (Note 2)
Polaris Securities (Hong Kong) Co., Ltd.	Affiliated company controlled by the same

Names of related parties	Relationship with the Bank
	company as the Bank (Note 2)
Polaris Securities Investment Advisory Co., Ltd. (P.S.I.A. Co.)	Affiliated company controlled by the same company as the Bank (Note 2)
Pao Jiu Insurance Agents Co., Ltd. (P.J.I.A. Co.)	Affiliated company controlled by the same company as the Bank (Note 2)
Polaris Capital (Asia) Limited	Affiliated company controlled by the same company as the Bank (Note 2)
Yuanta Futures (Hong Kong) Co., Ltd.	Affiliated company controlled by the same company as the Bank (Note 1 、Note 2)
Polaris Securities Co., Ltd. (P.S. Co.)	Affiliated company controlled by the same company as the Bank (Note 1 、Note 2)
Polaris Securities Investment Trust Co., Ltd.("PSIT")	Affiliated company controlled by the same company as the Bank (Note 1 、Note 2)
Yuanta Life Insurance Agent Company (Yuanta Life Insurance Agent)	Investee controlled by the Bank
Yuanta Property Insurance Agent Company (Yuanta Property Insurance Agent)	Investee controlled by the Bank
Yuanta International Leasing Co., Ltd. ("Yuanta International Leasing")	Investee controlled by the Bank (Note 3)
Chinfon Asset Management Co., Ltd.	Investee controlled by the Bank (completed the liquidation on February 28, 2011)
Yuanta Leasing Co., Ltd. ("Yuanta Leasing")	Investee controlled by the Bank (completed the liquidation on April 30, 2011)
Funds managed by Yuanta Securities Investment Trust	Funds managed by the same group (Note 1 、Note 2)
Yuanta Foundation	Related party in substance
Polaris Research Institute	Related party in substance (Note 2)
Others (each related party's deposits and loans are not over 1% of total deposits and loans)	The Bank's affiliated companies and directors, supervisors and managers, and their relatives

(Note 1): For the first six months ended June 30, 2012, Yuanta Securities Co., Ltd. and Yuanta Securities Investment Trust Co., Ltd. remained its names as they are. While Polaris MF Global Futures Co., Ltd. and Polaris MF Global Futures (HK) Ltd. changed their names into Yuanta Futures Co., Ltd. and Yuanta Futures (Hong Kong) Co., Ltd due to the group restructure and reorganization. Within the same day, the former Polaris Securities Co., Ltd., Polaris Securities Investment Trust Co., Ltd., and Yuanta Futures were the companies dissolved.

(Note 2): Yuanta Financial Holdings Co., Ltd. acquired Polaris Securities Co., Ltd. and its subsidiary on October 3, 2011. The above affiliates became related parties of the Company on the same day.

(Note 3): The Board of Directors resolved to establish a 100%-owned subsidiary, Yuanta International Leasing Co., Ltd. on July 19, 2012. It was registered with the approval by the Ministry of Economic Affairs on November 15, 2012.

2. Significant transactions and balances with related parties

(1) Deposits

December 31, 2012			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by each related party not over 1% of total deposits	<u>\$ 23,419,381</u>	<u>5.16</u>	0.00~6.42

December 31, 2011			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by each related party not over 1% of total deposits	<u>\$ 20,088,325</u>	<u>4.59</u>	0.00~6.42

Apart from 6.42% interest rate on employees' certain demand savings deposits, for the years ended December 31, 2012 and 2011, the range of interest rate on other related parties' demand savings deposits was 0.00%~5.40%. The interest rates and other terms provided to related parties were the same as those offered to the general public.

For the years ended December 31, 2012 and 2011, interest expenses on the above deposits were \$206,752 and \$133,762, respectively.

(2) Loans

December 31, 2012

(Expressed in thousands of New Taiwan dollars)

Types	Number of accounts or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties
				Normal loans	Overdue accounts		
Consumer loans	82	\$ 17,403	\$ 8,953	\$ 8,953	\$ -	None, movables	None
Home mortgage loans	233	2,497,067	1,709,393	1,709,393	-	Real estate	None
	Yuanta Securities	19,928	-	-	-	Real estate	None
Other loans	28	99,230	63,597	60,866	2,731	Real estate & deposits	None
Total			1,781,943	1,779,212	2,731		

December 31, 2011

(Expressed in thousands of New Taiwan dollars)

Types	Number of accounts or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties
				Normal loans	Overdue accounts		
Consumer loans	73	\$ 14,486	\$ 8,377	\$ 8,377	\$ -	None, movables	None
Home mortgage loans	189	2,351,108	1,844,909	1,844,909	-	Real estate	None
	HannStar Display	732,170	193,840	193,840	-	Real estate & Equipment	None
Other loans	24	89,866	46,027	41,990	4,037	Real estate & deposits	None
Total			2,093,153	2,089,116	4,037		

For the years ended December 31, 2012 and 2011, loans to related parties were under the same terms as those to other customers, except for interest rates on loans to affiliated companies, ranging from 2.62% and 1.92% to 2.67%, respectively, and on loans to bank staffs, ranging from 1.42% to 5.25% and 1.19% to 5.25%, respectively.

During 2012 and 2011, interest income resulting from the above loans were \$29,551 and \$32,637, respectively.

(3) Fee and commission income

As of and for the years ended December 31, 2012 and 2011, details of fee and commission income and related receivables were as follows:

Name	For the year ended December 31, 2012	
	Fee and commission income	Accounts receivable
Yuanta Life Insurance Agent	\$ 342,095	\$ 21,847
Yuanta Securities Investment Trust	11,938	2,480
Yuanta Property Insurance Agent	6,282	281
Polaris Securities Investment Trust	1,148	-
Total	<u>\$ 361,463</u>	<u>\$ 24,608</u>

Name	For the year ended December 31, 2011	
	Fee and commission income	Accounts receivable
Yuanta Life Insurance Agent	\$ 248,019	\$ 24,942
Yuanta Securities Investment Trust	14,534	2,070
Yuanta Property Insurance Agent	5,173	272
Polaris Securities Investment Trust	161	39
Total	<u>\$ 267,887</u>	<u>\$ 27,323</u>

The above income was mainly from commissions from sales of mutual funds and insurance.

(4) Rental expenses

Name	Usage	For the years ended December 31,	
		2012	2011
Yuanta Securities	Office premises	\$ 189,618	\$ 177,909
Polaris Securities	Office premises	11,667	2,451
Yuanta Securities Finance	Office premises	2,539	2,538
Total		<u>\$ 203,824</u>	<u>\$ 182,898</u>

(5) Donations

Name	For the years ended December 31,	
	2012	2011
Yuanta Foundation	\$ 5,000	\$ 5,000
Polaris Research Institute	3,000	-
	<u>\$ 8,000</u>	<u>\$ 5,000</u>

(6) Consulting fee

Name	For the years ended December 31,	
	2012	2011
Yuanta Securities Investment Consulting	\$ 11,856	\$ 11,856
Yuanta Securities	-	2,475
	<u>\$ 11,856</u>	<u>\$ 14,331</u>

(7) Commission expense

Name	For the years ended December 31,	
	2012	2011
Yuanta Securities	\$ 14,856	\$ 13,966
Polaris Securities	5,788	-
	<u>\$ 20,644</u>	<u>\$ 13,966</u>

(8) Consolidated tax receivables (recognized under accounts receivable)

Name	December 31, 2012	December 31, 2011
Yuanta Financial Holding, Co., Ltd.	<u>\$ 2,878,045</u>	<u>\$ 2,771,945</u>

(9) Property transactions

- A. As of and for the years ended December 31, 2012 and 2011, the details of the Bank's investments in open-end funds were as follows:

There are no transactions in 2012.

	For the year ended December 31, 2011		
	Investment during the period	Ending balance	Gain on disposal
Funds managed by Yuanta Securities Investment Trust	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ 2,322</u>

B. The index funds issued by the affiliated parties are as follows:

		<u>For the year ended December 31, 2012</u>		
		<u>Investment</u>	<u>Ending balance</u>	<u>Gain</u>
		<u>during the period</u>		<u>on disposal</u>
Funds managed by Polaris Securities Investment Trust		\$ <u>651,444</u>	\$ <u>112,042</u>	\$ <u>2,392</u>
		<u>For the year ended December 31, 2011</u>		
		<u>Investment</u>	<u>Ending balance</u>	<u>Loss</u>
		<u>during the period</u>		<u>on disposal</u>
Funds managed by Polaris Securities Investment Trust		\$ <u>142,708</u>	\$ <u>-</u>	\$ <u>1,366</u>

C. For the years ended December 31, 2012 and 2011, the details of the Bank's engaging in outright purchase and sell transactions with affiliates in the open market were as follows:

		<u>For the year ended December 31, 2012</u>		
		<u>Type</u>	<u>Purchase price</u>	<u>Selling price</u>
Yuanta Securities		Bond	\$ <u>566,658</u>	\$ <u>1,262,792</u>
Polaris Securities Co., Ltd.		Bond	<u>100,179</u>	<u>-</u>
			\$ <u>666,837</u>	\$ <u>1,262,792</u>
		<u>For the year ended December 31, 2011</u>		
		<u>Type</u>	<u>Purchase price</u>	<u>Selling price</u>
Yuanta Securities		Bond	\$ <u>2,118,066</u>	\$ <u>311,649</u>

D. For the years ended December 31, 2012 and 2011, the details of the Bank's engaging in beneficiary securities transactions with affiliates in the open market were as follows:

There are no transactions in 2012.

		<u>For the year ended December 31, 2011</u>		
		<u>Ending balance</u>	<u>Highest balance</u>	<u>Interest income</u>
Yuanta Securities		\$ <u>-</u>	\$ <u>45,243</u>	\$ <u>5,229</u>

(10) Others

A. Securities lending from the related parties:

<u>For the year ended December 31, 2012</u>		
	<u>Ending balance</u>	<u>Highest balance</u>
Yuanta Securities	<u>\$ -</u>	<u>\$ 186,022</u>
		<u>Borrowing</u>
		<u>Income</u>
		<u>\$ 647</u>
<u>For the year ended December 31, 2011</u>		
	<u>Ending balance</u>	<u>Highest balance</u>
Yuanta Securities	<u>\$ -</u>	<u>\$ 114,814</u>
		<u>Borrowing</u>
		<u>Income</u>
		<u>\$ 600</u>

B. The Bank acquired 20% of Yuanta Property Insurance Agency Ltd. and 0.003% of Yuanta Life Insurance Agent with a price of \$1,400 and \$1, respectively, on October 20, 2011. From the same day onwards, Yuanta Property Insurance Agency Ltd. and Yuanta Life Insurance Agent are 100% owned subsidiaries of the Bank.

(11) Information on remunerations to the Bank's directors, supervisors, general managers and vice general managers:

	<u>2012</u>	<u>2011</u>
Salaries	\$ 47,670	\$ 45,071
Bonus	58,237	49,588
Service execution	3,876	4,172
Earnings distribution	<u>547</u>	<u>767</u>
Total	<u>\$ 110,330</u>	<u>\$ 99,598</u>

A. Salaries include salary, extra pay for duty, pension and severance pay.

B. Bonus includes bonus and reward.

C. Service execution fee includes transportation allowance, special expenditures, various allowances, dormitory, housing and vehicle benefits, etc.

D. Earnings distribution includes estimated remunerations to be paid to supervisors and directors and bonus to be paid to employees in 2012.

E. Please refer to the Bank's annual report for relevant information.

VI. Pledged assets

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

<u>Items</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>Purpose of pledge</u>
Available-for-sale financial assets – government bonds	\$ 80,250	\$ 72,642	Trust fund reserve
Available-for-sale financial assets – government bonds	50,264	51,887	Operating deposits of proprietary trading bills
Available-for-sale financial assets – government bonds	36,279	25,722	Provisional seizure
Available-for-sale financial assets – government bonds	10,053	10,377	Operating deposits of proprietary trading securities
Available-for-sale financial assets – government bonds	3,719	3,836	VISA International card payment reserves
Total	<u>\$ 180,565</u>	<u>\$ 164,464</u>	

VII. Commitments and contingencies

1. Operating leases

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

<u>Fiscal year</u>	<u>Rental amount</u>
2013	\$ 422,707
2014	293,733
2015	165,069
2016	79,671
2017 and thereafter	74,868
	<u>\$ 1,036,048</u>

2. Significant purchase agreements

As of December 31, 2012 and 2011, the Bank entered into agreements for asset acquisitions amounting to \$143,003 and \$257,099, respectively. The unpaid amounts of those agreements were \$96,857 and \$141,050, respectively.

3. Others

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Consignment collection for others	\$ 17,437,206	\$ 11,463,639
Traveler's checks held on consignment for sale	90,793	92,935
Consignment securities, underwriting goods and custodial goods	25,777,599	14,077,400
Trust assets	<u>99,722,115</u>	<u>109,380,522</u>
	<u>\$ 143,027,713</u>	<u>\$ 135,014,496</u>
Credit lines provided but not used	<u>\$ 3,346,178</u>	<u>\$ 2,296,202</u>
Credit commitment on credit card	<u>\$ 32,064,022</u>	<u>\$ 67,836,746</u>
Other guarantees	<u>\$ 30,939,198</u>	<u>\$ 36,698,280</u>
Unused L/C balance	<u>\$ 3,674,260</u>	<u>\$ 3,801,459</u>
Securities commitment under resale agreement	<u>\$ -</u>	<u>\$ 1,547,868</u>

VIII. Significant catastrophe loss: None.

IX. Significant subsequent events: None.

X. Others

1. Disclosure of financial instruments

(1) Fair value of financial instruments

<u>Non-Derivative financial instruments</u>	<u>December 31, 2012</u>		
	<u>Book value</u>	<u>Fair value</u>	
		<u>Quotations in an</u>	<u>Estimated using a</u>
		<u>active market</u>	<u>valuation technique</u>
<u>Assets</u>			
Financial assets with fair value			
equal to book value	\$ 95,166,758	\$ -	\$ 95,166,758
Financial assets at fair value			
through profit or loss-net	23,911,667	1,884,046	22,027,621
Bills discounted and loans-net	375,712,974	-	375,712,974
Available-for-sale financial assets-			
net	51,499,745	10,559,558	40,940,157
Other financial assets	7,641	-	7,641
<u>Liabilities</u>			
Financial liabilities with fair value			
equal to book value	\$ 21,279,829	\$ -	\$ 21,279,829
Deposits and remittances	454,075,352	-	454,075,352
Financial debentures	15,000,000	-	15,000,000
Other financial liabilities	16,747,503	-	16,747,503

	December 31, 2012		
	<u>Book value</u>	<u>Fair value</u>	
		<u>Quotations in an</u>	<u>Estimated using a</u>
<u>Derivative financial instruments</u>		<u>active market</u>	<u>valuation technique</u>
Assets			
Exchange rate options purchased	\$ 484,949	\$ -	\$ 484,949
Instrument options purchased	1,129	-	1,129
Equity options purchased	667	-	667
Options purchased – asset swaps	5,359	-	5,359
FX contracts (FX swaps, forwards and cross currency swap)	623,686	-	623,686
Non-delivery forwards	540	-	540
Asset swap, interest rate swap and other interest rate swap	885,869	-	885,869
Commercial paper commitment with a fixed interest	3,294	-	3,294
Futures contracts	105,847	105,847	-
Liabilities			
Exchange rate options written	\$ 478,154	\$ -	\$ 478,154
Instrument options written	1,129	-	1,129
Equity options written	6,709	-	6,709
Asset swap options written	50,750	-	50,750
FX contracts (FX swaps, forwards and cross currency swap)	577,338	-	577,338
Non-delivery forwards	3,101	-	3,101
Asset swap, interest rate swap and other interest rate swap	860,100	-	860,100

December 31, 2011			
<u>Non-Derivative financial instruments</u>	<u>Book value</u>	<u>Fair value</u>	
		<u>Quotations in an</u>	<u>Estimated using a</u>
		<u>active market</u>	<u>valuation technique</u>
Assets			
Financial assets with fair value equal to book value	\$ 125,263,291	\$ -	\$ 125,263,291
Financial assets at fair value through profit or loss-net	11,682,838	1,897,035	9,785,803
Bills discounted and loans-net	348,783,971	-	348,783,971
Available-for-sale financial assets- net	13,243,700	457,171	12,786,529
Held-to-maturity financial assets	151,450	-	151,450
Other financial assets	7,664	-	7,664
Liabilities			
Financial liabilities with fair value equal to book value	\$ 15,455,656	\$ -	\$ 15,455,656
Deposits and remittances	437,944,350	-	437,944,350
Financial debentures	15,147,060	-	15,147,060
Other financial liabilities	5,826,442	-	5,826,442

	December 31, 2011		
		Fair value	
<u>Derivative financial instruments</u>	<u>Book value</u>	<u>Quotations in an active market</u>	<u>Estimated using a valuation technique</u>
Assets			
Exchange rate options purchased	\$ 251,100	\$ -	\$ 251,100
Options purchased-asset swaps	27,655	-	27,655
FX contracts (FX swaps, forwards and cross currency swap)	739,469	-	739,469
Non-delivery forwards	1,217	-	1,217
Asset swap, interest rate swap and other interest rate swap	1,783,967	-	1,783,967
Futures contracts	83,397	83,397	-
Liabilities			
Exchange rate options written	\$ 242,958	\$ -	\$ 242,958
Equity options written	26,828	-	26,828
Asset swap options written	1,733	-	1,733
FX contracts (FX swaps, forwards and cross currency swap)	622,537	-	622,537
Non-delivery forwards	1,098	-	1,098
Asset swap, interest rate swap and other interest rate swap	1,839,494	-	1,839,494

(2) The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- A. The book values of the financial instruments which have a short maturity period are considered as their fair value. This assumption is used in evaluating the following accounts: cash and cash equivalents, due from Central Bank and call loans to banks, investments in notes and bonds under resale agreements, receivables, refundable deposit-out, other financial assets (excluding financial assets carried at costs and debt investments with non-active market), due to Central Bank and other banks, notes and bonds payable under repurchase agreements, payables, refundable deposits-in, financial debentures (excluding designated financial liabilities at fair value through profit or loss), other financial liabilities.

- B. If financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity financial assets have quoted prices in an active market, the quoted prices are regarded as fair values. If there is no quoted market price for reference, a valuation technique will be adopted to measure the fair value. The estimations and assumptions of the valuation technique are consistent with those used by market participants for the pricing of financial instruments. The discounted rates used are consistent with the expected rates of returns of financial instruments with the same terms and conditions. The terms and conditions include debtor's credit rating, the remaining period of the fixed interest rate contract, the remaining period for principal repayment, and the currency paid, etc.

Among the derivative financial instruments, evaluation parameters come from Thompson Reuters or Bloomberg; exchange rate options are evaluated by the Black-Scholes model; stock options embedded in convertible bonds and interest rate swaps, fixed rate commercial paper, forward contracts, interest rate swaps and currency swaps are evaluated by discounting future cash flows.

- C. Since bills discounted and loans are interest-earning assets, the fair values of bills discounted and loans are their book values.
- D. Deposits and remittances are financial liabilities bearing interests; therefore, the book values approximate the fair values.
- E. The fair value measurement is not applicable to equity investments accounted for under the equity method. In addition, there is no quoted market price in an active market for the unlisted stocks under financial assets carried at cost, and the variances in the range of reasonable fair value estimates is significant and their probability of the various estimates within the range cannot be reasonably assessed, so the fair value of the unlisted stocks cannot be reliably measured. As a result, information of the book value and the fair value with respect to these financial assets is not disclosed.

(3) Information of fair value hierarchy of financial instruments :

	December 31, 2012			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purposes				
Stock investment	\$ 311,000	\$ 311,000	\$ -	-
Bond investments	20,731,765	1,411,120	19,320,645	-
Others	2,864,118	157,142	2,706,976	-
Financial instruments designated at fair value at initial recognition	4,784	4,784	-	-
Available-for-sale financial assets				
Stock investments	2,668,057	2,668,057	-	-
Bond investments	48,831,688	7,891,531	40,213,165	726,992

	December 31, 2012			
	Total	Level 1	Level 2	Level 3
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	\$ 2,111,340	\$ 105,847	\$ 1,598,711	\$ 406,782
Liabilities				
Financial liabilities at fair value through profit or loss	1,977,281	-	1,570,499	406,782

	December 31, 2011			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purposes				
Bond investments	\$ 9,018,541	\$ 1,575,733	\$ 7,442,808	\$ -
Others	2,643,687	300,692	2,342,995	-
Financial instruments designated at fair value at initial recognition	20,610	20,610	-	-
Available-for-sale financial assets				
Stock investments	457,171	457,171	-	-
Bond investments	12,696,167	-	12,696,151	16
Others	90,362	-	90,362	-

	December 31, 2011			
	Total	Level 1	Level 2	Level 3
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	\$ 2,886,805	\$ 83,397	\$ 2,754,447	\$ 48,961
Liabilities				
Financial liabilities at fair value through profit or loss	2,734,648	-	2,685,687	48,961

Note 1: The table shows the Bank's measurement method of financial assets and liabilities, which can be applied on financial assets or liabilities at fair value through profit or loss and available-for-sale financial assets.

Note 2: Level 1: In accordance with R.O.C SFAS No. 34, if the market for the financial instrument is active, the fair value of the financial instrument is represented by the quoted prices of the same instruments. An active market refers to a market that meets all of the following conditions:

- (A) the financial instrument traded in the market are homogeneous;
- (B) willing sellers and buyers can be found at all times;
- (C) price information is available to the public.

Note 3: Level 2: Observable prices other than the quoted prices in an active market comprise direct (e.g. prices) or indirect (e.g. derived by prices) observable inputs obtained from an active market.

- (A) The quoted prices of similar financial instruments in an active market represent the fair value of the financial instruments held by the Bank are derived by recent transaction prices of similar financial instruments, which are decided based on their features and transaction terms. The fair value of financial instruments needs to be adjusted based on observable transaction prices of similar financial instruments; adjustment elements might include time lag of the last financial instrument transactions, differences of transaction terms, transaction prices involving related parties, relevance between observable transaction prices of similar financial instruments and the prices of financial instruments held.
- (B) Public quotation of the same or similar financial instruments in a non-active market.
- (C) Fair value is measured with valuation model, and the inputs (e.g. interest rate, yield curve, volatility rate) used in the model are based on obtainable data from the market (e.g. observable inputs obtained from market data, which reflect market participants' expectation).
- (D) Most inputs are derived from observable market data, or that the relevance can be verified by observable market data.

Note 4: Level 3: The inputs adopted to evaluate fair value at this level are not based on available data from the markets (Non-observable inputs, e.g. option pricing model using historical volatility rate, because historical volatility rate cannot represent the expectation value of market participants for future volatility rate).

Note 5: The classification of this table is consistent with the relative book value stated in the balance sheet.

Note 6: When using valuation model to measure the fair value of financial instruments, if the inputs include observable market data and non-observable inputs, the Bank shall judge if the non-observable inputs would have significant impact on the measurement; if so, the fair value of such financial instruments shall be classified to the lowest level.

Note 7: There was no significant change in the valuation model or hierarchy level for the same financial instruments of the Bank for the years ended December 31, 2012 and 2011.

(4) Movements of financial assets and liabilities classified into Level 3 of fair value are as follows:

2012						
Item	Beginning balance	Valuation gain (loss) recognized as gain (loss) of the period or as stockholders' Equity	Addition		Reduction	
			Purchased or issued	Transferred to Level 3 (Note 1)	Sold, disposed or settled	Transferred from Level 3
Financial assets at fair value through profit or loss						Ending balance
Derivative financial assets	\$ 48,961	\$ 286,507	\$ 32,127	\$ 14,019	(\$ 25,168)	\$ -
Available-for-sale financial assets	16	(1,406)	728,400	-	18	-
Total	<u>\$ 48,977</u>	<u>\$ 285,101</u>	<u>\$ 760,527</u>	<u>\$ 14,019</u>	<u>(\$ 25,150)</u>	<u>\$ 1,133,774</u>
Item	Beginning balance	Valuation gain (loss) recognized as gain (loss) of the period or as stockholders' Equity	Addition		Reduction	
			Purchased or issued	Transferred to Level 3 (Note 1)	Sold, disposed or settled	Transferred from Level 3
Financial liabilities at fair value through profit or loss						Ending balance
Derivative financial liabilities	\$ 48,961	\$ 77,520	\$ 253,746	\$ 14,019	(\$ 12,536)	\$ -
Total	<u>\$ 48,961</u>	<u>\$ 77,520</u>	<u>\$ 253,746</u>	<u>\$ 14,019</u>	<u>(\$ 12,536)</u>	<u>\$ 406,782</u>
2011						
Item	Beginning balance	Valuation gain (loss) recognized as gain (loss) of the period or as stockholders' Equity	Addition		Reduction	
			Purchased or issued	Transferred to Level 3 (Note 1)	Sold, disposed or settled	Transferred from Level 3
Financial assets at fair value through profit or loss						Ending balance
Derivative financial assets	\$ 24,414	\$ 97,447	\$ 1,158	\$ 5,713	\$ 79,771	\$ -
Available-for-sale financial assets	292	3	-	-	279	-
Total	<u>\$ 24,706</u>	<u>\$ 97,450</u>	<u>\$ 1,158</u>	<u>\$ 5,713</u>	<u>\$ 80,050</u>	<u>\$ 48,977</u>
Item	Beginning balance	Valuation gain (loss) recognized as gain (loss) of the period or as stockholders' Equity	Addition		Reduction	
			Purchased or issued	Transferred to Level 3 (Note 1)	Sold, disposed or settled	Transferred from Level 3
Financial liabilities at fair value through profit or loss						Ending balance
Derivative financial liabilities	\$ 24,242	\$ 28,450	\$ 83,304	\$ 5,713	\$ 92,748	\$ -
Total	<u>\$ 24,242</u>	<u>\$ 28,450</u>	<u>\$ 83,304</u>	<u>\$ 5,713</u>	<u>\$ 92,748</u>	<u>\$ 48,961</u>

Note 1: These are financial assets and liabilities of Level 3 mutually transferred.

- (5) The Bank has recognized net (losses) profits on changes in fair value arising from valuation technique amounting to \$1,083,143 and (\$596,262) for the years ended December 31, 2012 and 2011, respectively.
- (6) As of December 31, 2012 and 2011, the Bank had financial assets with fair value risk arising from interest rate changes amounting to \$217,010,811 and \$206,062,365, respectively.
- (7) As of December 31, 2012 and 2011, the Bank had financial assets with cash flow risk arising from interest rate changes amounting to \$307,090,190 and \$274,979,149, respectively.
- (8) For the years ended December 31, 2012 and 2011, total interest income for financial assets or financial liabilities that are not at fair value through profit or loss amounted to \$9,175,614 and \$7,835,420, respectively; total interest expense on financial assets or financial liabilities that are not at fair value through profit or loss amounted to \$3,470,736 and \$2,898,601, respectively. For available-for-sale financial assets, (losses) gains recognized directly in equity were \$354,440 and (\$182,527), and the amounts removed from equity and recognized in profit and loss were \$39,500 and \$107,461 during the years ended December 31, 2012 and 2011, respectively. Adjustments from available-for-sale financial assets accounted for under the equity method were \$15 for the year ended December 31, 2012.
- (9) Risk management and hedging strategy (including financial hedge)
 - A. The Bank engages in risk management and hedge under the principles of not only serving customers but also conforming to the Bank's operational goals, overall risk tolerance limit, and legal compliance to achieve risk diversification, risk transfer, and risk avoidance, and, moreover, to maximize the benefits of customers, shareholders, and employees. The Bank mainly faces the credit risk, market risk (including the interest rate, foreign exchange rate, equity securities, and instrument risk), operation risk, and liquidity risk regardless whether those risks are on or off balance sheets.
 - B. The Bank's Board of Directors has the ultimate approval right in risk management. Major risk control items which include the bank-wide risk management policy, risk tolerance limit, and authority must be approved by the Board of Directors. The Bank has set up a risk management committee, which is responsible to review, supervise, report, and coordinate bank-wide risk management.
 - C. The goal of market risk (interest rate risk) management of the Bank is to achieve optimal risk position, maintain proper liquidity position, and manage all market risk as a whole by considering the economic environment, competition condition, market value risk, and impact on net interest income. In order to achieve this risk management goal, the hedge activities of the Bank were concentrated on risk transfer and risk management of net interest income and market value risk. The Bank sets the strategy of fair value hedge of interest rate exposures according to the fund transfer pricing principle. The Bank primarily uses interest rate swaps for financial hedge purpose, and also to hedge interest rate exposures of certain fixed-rate loans and fixed-rate liabilities.

(10)Financial risk information

To build a good risk management system and improve business development, the Bank established a risk management policy to achieve operation goals and to increase stockholders' values. The risk management policy approved by the Board of Directors is to fulfill the implementation of the risk control system and to create stable and high-quality profits for stockholders.

The Bank follows the risk management policy and strives to quantify, assess, and manage risks for risk pricing and to obtain the optimal capital allocation.

The risks the Bank encountered were as follows:

A. Market risk

Market risk means changes of market prices such as interest rates, exchange rates, and the prices of equity securities and instruments which may result in losses, either on or off the balance sheet. The Bank has developed a market risk management standard. Through the market risk management system, the Bank is able to evaluate and control the market risk of all positions. The Bank also sets the limit approval, position limit, and stop loss limit and management control procedures for its investments in marketable securities according to different degrees of risk for each specific product.

B. Credit risk

Credit risk is the risk that borrowers or counterparties may not be able to fulfill contracts. The Bank has developed a credit risk management standard which is able to evaluate and control possible credit risk resulting from business operations by establishing and implementing the management structure.

For all financial instruments held by the Bank, the maximum credit exposures were as follows:

	December 31, 2012	
	Book value	Maximum credit exposure
<u>Non-derivative financial assets</u>		
Financial assets with fair value equal to book value	\$ 95,166,758	\$ 95,166,758
Financial assets at fair value through profit or loss-net	23,911,667	23,911,667
Bills discounted and loans-net	375,712,974	375,712,974
Available-for-sale financial assets-net	51,499,745	51,499,745
Other financial assets	7,641	7,641
Off-balance sheet accounts		
Guarantees receivable	-	30,939,198
L/C receivable	-	3,674,260

	<u>December 31, 2012</u>	
		Maximum credit
<u>Derivative financial assets</u>	<u>Book value</u>	<u>exposure</u>
Exchange rate options purchased	\$ 484,949	\$ 484,949
Instrument options purchased	1,129	1,129
Equity options purchased	667	667
Options purchased – asset swaps	5,359	5,359
FX contracts (FX swaps, forwards and cross currency swap)	623,686	623,686
Non-delivery forwards	540	540
Asset swap, interest rate swap and other interest rate swap	885,869	885,869
Commercial paper commitment with a fixed interest	3,294	3,294
Futures contracts	105,847	105,847

	<u>December 31, 2011</u>	
		Maximum credit
<u>Non-derivative financial assets</u>	<u>Book value</u>	<u>exposure</u>
Financial assets with fair value equal to book value	\$ 125,263,291	\$ 125,263,291
Financial assets at fair value through profit or loss-net	11,682,838	11,682,838
Bills discounted and loans-net	348,783,971	348,783,971
Available-for-sale financial assets-net	13,243,700	13,243,700
Held-to-maturity financial assets	151,450	151,450
Other financial assets	7,664	7,664
Off-balance sheet accounts		
Guarantees receivable	-	36,698,280
L/C receivable	-	3,801,459

	<u>December 31, 2011</u>	
		Maximum credit
<u>Derivative financial assets</u>	<u>Book value</u>	<u>exposure</u>
Exchange rate options purchased	\$ 251,100	\$ 251,100
Options purchased – asset swaps	27,655	27,655
FX contracts (FX swaps, forwards and cross currency swap)	739,469	739,469
Non-delivery forwards	1,217	1,217
Asset swap, interest rate swap and other interest rate swap	1,783,967	1,783,967
Futures contracts	83,397	83,397

The Bank conducts cautious credit assessments before providing loans, loan commitments, and guarantees. Loans with collateral amounted to 59.72% of the total loans. In order to obtain credit lines from the Bank, borrowers and guarantors are asked to provide collaterals such as cash, real estate, marketable securities, and other assets. Furthermore, in order to reduce credit risk, the Bank follows credit policies and negotiates credit limits with counterparties. In addition, the Bank may sign master netting agreements with the counterparty to reduce credit risk.

Concentration of credit risk refers to the significant concentration of credit risks from all financial instruments, whether the risks are from an individual counterparty or a group of counterparties. Group concentration of credit risks exists if a number of counterparties are engaged in similar activities or activities in the same region, or have similar economic characteristics that would cause their abilities to fulfill contractual obligations simultaneously affected by changes in economic or other conditions. There was no significant concentration of credit risk from counterparties of the Bank. The related information can be found as follows:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
<u>Loans by regions</u>		
Domestic	\$ 339,855,766	\$ 321,712,223
Overseas	<u>40,876,272</u>	<u>31,703,167</u>
Total	<u>\$ 380,732,038</u>	<u>\$ 353,415,390</u>

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
<u>Loans by industries</u>		
Manufacturing	\$ 84,961,484	\$ 76,978,069
Private enterprises	34,777,263	31,059,590
Construction	4,684,041	3,889,401
Private individual	152,617,245	148,351,680
Others	<u>103,692,005</u>	<u>93,136,650</u>
Total	<u>\$ 380,732,038</u>	<u>\$ 353,415,390</u>

C. Liquidity risk

Liquidity risks include market liquidity risk and funding liquidity risk. Market liquidity risk is the risk that market prices may encounter obvious changes due to market disorder. Capital liquidity risk is the risk that payment obligations cannot be fulfilled due to inability to convert assets into cash or acquire enough cash. The Bank made related regulations for various funding demands to control overall market liquidity risks. The treasury department of the Bank manages daily funding and responds to funding demands for various situations or events that may cause systematic risk.

In addition, the Bank and its subsidiaries plan their future cash demands with financing tools, including money markets, foreign exchange markets and suitable current assets.

The liquidity reserve ratio for the Bank was 29.6% and 29.2% for the years ended December 31, 2012 and 2011, respectively. In addition, the Bank's capital and working capital were sufficient to fulfill all obligations. Thus, there was no material liquidity risk that could prevent the Bank from meeting the obligation.

Analyses for time to maturity of the Bank's assets and liabilities were as follows:

December 31, 2012

	0-30 days	31-90 days	91-180 days	181 days-1 year	1-3 years	Over 3 years	Total
	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)
Financial instruments							
Assets							
Non-derivative financial instruments							
Cash and cash equivalents	\$ 6,913,294	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,913,294
Due from Central Bank and call loans to banks	64,836,958	2,172,744	1,170,760	2,202,589	5,140,427	-	75,523,478
Financial assets held for trading purpose							
Government bonds	17,951,468	-	-	-	-	-	17,951,468
Corporate bonds	1,010,877	-	-	-	-	-	1,010,877
Convertible corporate bonds	13,430	-	-	301,231	1,454,759	-	1,769,420
Beneficiary certificates	157,142	-	-	-	-	-	157,142
Commercial paper	2,706,976	-	-	-	-	-	2,706,976
Listed (TSE and OTC) stocks	311,000	-	-	-	-	-	311,000
Designated financial assets at fair value through profit or loss							
Convertible corporate bonds	4,784	-	-	-	-	-	4,784
Bills discounted and loans	46,489,578	33,278,735	21,843,837	28,302,243	65,091,887	185,639,061	380,645,341
Available-for-sale financial assets							
Government bonds	350,237	-	-	1,369,496	1,360,489	33,066,426	36,146,648
Corporate bonds	-	-	251,977	202,782	1,563,297	7,329,195	9,347,251
Financial debentures	-	-	500,640	-	2,110,157	726,992	3,337,789
Listed (TSE and OTC) stocks	2,668,057	-	-	-	-	-	2,668,057
Derivative financial instruments							
Financial assets at fair value through profit or loss – derivatives							
Option contracts purchased	33,070	14,821	26,485	367,944	49,784	-	492,104
FX contracts (forwards, swaps and cross currency swap)	105,486	196,230	207,513	87,141	27,316	-	623,686
Non delivery forward	540	-	-	-	-	-	540
Interest rate swap contracts (including asset swap interest rate swap and other interest rate swap)	17,720	9,850	49,263	122,025	563,204	123,807	885,869
Commercial paper commitment with a fixed interest	-	-	-	-	3,294	-	3,294
Futures contracts	105,847	-	-	-	-	-	105,847
Total assets	143,676,464	35,672,380	24,050,475	32,955,451	77,364,614	226,885,481	540,604,865

	December 31, 2012					
	0-30 days	31-90 days	91-180 days	181 days-1 year	1-3 years	Over 3 years
	Amount	Amount	Amount	Amount	Amount	Amount
	(recoverable	(recoverable	(recoverable	(recoverable	(recoverable	(recoverable
	amount or	amount or	amount or	amount or	amount or	amount or
	repayment amount)	repayment amount)	repayment amount)	repayment amount)	repayment amount)	repayment amount)
Financial instruments						
Liabilities						
Non-derivative financial instruments						
Due to Central Bank and other banks	\$ 8,394,826	\$ 1,341,316	\$ 2,958,488	\$ 375,710	\$ -	\$ -
Deposits and remittances	80,387,649	79,243,516	46,109,398	81,476,003	166,858,786	-
Financial debentures	-	-	-	-	-	15,000,000
Other financial liabilities	567,506	596	867	1,512	8,008,369	8,168,653
Derivative financial instruments						
Financial liabilities held for trading						
purpose - derivatives	32,333	13,802	26,481	378,406	85,720	-
Option contracts written						
FX contracts (forwards, swaps and cross						
currency swap)	87,572	170,348	199,980	92,122	27,316	-
Non delivery forwards	1,624	1,477	-	-	-	-
Interest rate swap contracts (including asset						
swap interest rate swap and other interest rat						
swap)	18,782	12,602	42,123	154,281	506,686	125,626
	89,490,292	80,783,657	49,337,337	82,478,034	175,486,877	23,294,279
Total liabilities	\$ 54,186,172	\$ 45,111,277	\$ 25,286,862	\$ 49,522,583	\$ 98,122,263	\$ 203,591,202
Net liquidity gap						\$ 39,734,389

December 31, 2011

	0-30 days	31-90 days	91-180 days	181 days-1 year	1-3 years	Over 3 years	Total
	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)
Financial instruments							
Assets							
Non-derivative financial instruments							
Cash and cash equivalents	\$ 6,335,318	\$ -	\$ -	\$ -	\$ -	\$ -	6,335,318
Due from Central Bank and call loans to banks	64,683,033	12,407,895	15,268,859	8,066,204	3,656,182	-	104,082,173
Investments in notes and bonds under resale agreements	1,546,544	-	-	-	-	-	1,546,544
Financial assets held for trading purpose							
Government bonds	8,994,999	-	-	-	-	-	8,994,999
Convertible corporate bonds	23,542	-	-	-	-	-	23,542
Beneficiary certificates	300,692	-	-	-	-	-	300,692
Commercial paper	2,342,995	-	-	-	-	-	2,342,995
Designated financial assets at fair value through profit or loss							
Convertible corporate bonds	20,610	-	-	-	-	-	20,610
Bills discounted and loans	30,304,164	31,608,493	18,600,817	26,603,160	64,032,301	182,194,218	353,343,153
Available-for-sale financial assets							
Government bonds	-	1,057,738	-	-	2,514,790	1,542,442	5,114,970
Corporate bonds	-	-	-	-	1,850,315	4,426,193	6,276,508
Financial debentures	-	16	-	-	1,304,673	-	1,304,689
Beneficiary securities	-	90,362	-	-	-	-	90,362
Listed (TSE and OTC) stocks	457,171	-	-	-	-	-	457,171
Held-to-maturity financial assets							
Corporate bonds	-	-	151,450	-	-	-	151,450
Derivative financial instruments							
Financial assets at fair value through profit or loss – derivatives							
Option contracts purchased	65,550	15,793	93,078	83,961	20,373	-	278,755
FX contracts (forwards, swaps and cross currency swap)	184,021	362,142	154,385	38,921	-	-	739,469
Non delivery forward	-	841	376	-	-	-	1,217
Interest rate swap contracts (including asset swap interest rate swap and other interest rate swap)	8,660	24,724	216,322	179,978	1,001,068	353,215	1,783,967
Futures contracts	83,397	-	-	-	-	-	83,397
Total assets	115,350,696	45,568,004	34,485,287	34,972,224	74,379,702	188,516,068	493,271,981

	December 31, 2011						Total
	0-30 days	31-90 days	91-180 days	181 days-1 year	1-3 years	Over 3 years	
	Amount	Amount	Amount	Amount	Amount	Amount	Amount
	(recoverable	(recoverable	(recoverable	(recoverable	(recoverable	(recoverable	(recoverable
	amount or	amount or	amount or	amount or	amount or	amount or	amount or
	repayment amount)	repayment amount)	repayment amount)	repayment amount)	repayment amount)	repayment amount)	repayment amount)
Financial instruments							
Liabilities							
Non-derivative financial instruments							
Due to Central Bank and other banks	\$ 2,542,952	\$ 1,178,462	\$ 2,962,532	\$ 396,220	\$ -	\$ -	\$ 7,080,166
Deposits and remittances	66,477,301	67,179,749	71,029,322	109,616,546	123,637,092	4,340	437,944,350
Financial debentures	-	-	147,060	-	-	15,000,000	15,147,060
Other financial liabilities	273,209	1,451	1,764	1,464	3,500,419	2,048,135	5,826,442
Derivative financial instruments							
Financial liabilities held for trading							
purpose - derivatives							
Option contracts written	62,302	13,726	92,598	81,396	21,497	-	271,519
FX contracts (forwards, swaps and cross							
currency swap)	186,450	326,605	93,916	15,566	-	-	622,537
Non delivery forwards	-	794	304	-	-	-	1,098
Interest rate swap contracts (including asset							
swap interest rate swap and other interest							
rate swap)	14,469	38,255	252,032	159,253	966,430	409,055	1,839,494
Total liabilities	69,556,683	68,739,042	74,579,528	110,270,445	128,125,438	17,461,530	468,732,666
Net liquidity gap	\$ 45,794,013	\$ 23,171,038	\$ 40,094,241	\$ 75,298,221	\$ 53,745,736	\$ 171,054,538	\$ 24,539,315

D. Operation risk

Operation risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Bank and its subsidiaries have prepared guidelines for operational risk management; procedures and flow of operational risk management are made based on the analysis of operation and transaction flows to effectively supervise and control operational risk.

E. Legal risk

Legal risk is the risk of potential loss resulting from noncompliance with related statutory regulations of the government and from ineffective contract which lacks legal effect, has omissions. The Legal Affairs Department is set up to assist the Bank and its subsidiaries to comply with regulations of the competent authority, provide professional legal consultancy and review procedures on the legality of internal regulations and various transaction agreements to make sure the Bank comply with the regulations in its overall financial and operational activities.

In order for the risk management system to be successful, other than the abovementioned criteria, the support from the high level decision makers is also crucial. Under full authorization of high level management, the Bank has gradually implemented risk management system, which has been showing management results.

F. Cash flow risk and fair value risk arising from changes in interest rates

Cash flow risk arising from changes in interest rates for future cash flows of floating rate assets and liabilities held by the Bank may fluctuate due to changes in interest rates. Thus, the Bank has entered into the interest rate swap contract after consideration of risk level and operation requirements to mitigate such risk.

(A) Expected repricing date or expected maturity date

As of December 31, 2012 and 2011, the expected repricing date or expected maturity date were not affected by the contract date. The following table presents the book values of financial assets and financial liabilities classified by the earlier of the expected repricing date or expected maturity date; it also shows the interest rate risk of the Bank:

December 31, 2012

	0~30 days	31~90 days	91~180 days	181 days~1 year	1~3 years	Over 3 years	Total
	Amount	Amount	Amount	Amount	Amount	Amount	Amount
Financial instruments							
Assets							
Non-derivative financial instruments							
Due from other banks	\$ 1,785,887	\$ 876,141	\$ -	\$ -	\$ -	\$ -	1,785,887
Due from Central Bank and call loans to banks	55,360,788		12,139,741	-	-	-	68,376,670
Financial assets held for trading purpose							
Government bonds	17,951,468	-	-	-	-	-	17,951,468
Corporate bonds	1,010,877	-	-	-	-	-	1,010,877
Convertible corporate bonds	13,430	-	-	301,231	1,454,759	-	1,769,420
Commercial paper	2,706,976	-	-	-	-	-	2,706,976
Designated financial assets at fair value through profit or loss							
Convertible corporate bonds	4,784	-	-	-	-	-	4,784
Bills discounted and loans	139,357,296	214,592,248	7,011,081	2,648,249	6,145,516	10,286,794	380,041,184
Available-for-sale financial assets							
Government bonds	350,237	-	-	1,369,496	1,360,489	33,066,426	36,146,648
Corporate bonds	-	500,611	251,977	202,782	1,062,686	7,329,195	9,347,251
Financial debentures	-	-	500,640	-	2,110,157	726,992	3,357,789
Derivative financial instruments							
Financial assets held for trading purpose -derivatives							
Option contracts purchased	-	-	-	5,359	-	-	5,359
FX contracts (forwards, swaps and cross currency swap)	105,486	196,230	207,513	87,141	27,316	-	623,686
Interest rate swap contracts (including asset swap interest rate swap and other interest rate swap)	17,720	9,850	49,263	122,025	563,204	123,807	885,869
Commercial paper commitment with a fixed interest	-	-	-	-	3,294	-	3,294
Futures contracts	103,839	-	-	-	-	-	103,839
Total assets	218,768,788	216,175,080	20,160,215	4,736,283	12,727,421	51,533,214	524,101,001

December 31, 2012						
	0-30 days	31-90 days	91-180 days	181 days-1 year	1-3 years	Over 3 years
Financial instruments	Amount	Amount	Amount	Amount	Amount	Amount
Liabilities						Total
Non-derivative financial instruments						
Due to Central Bank and other banks	\$ 13,070,340	\$ -	\$ -	\$ -	\$ -	\$ 13,070,340
Deposits and remittances	121,669,164	58,453,839	223,917,089	43,604,390	2,476,464	450,120,946
Financial debentures	-	-	-	-	-	15,000,000
Other financial liabilities	567,180	-	-	-	8,000,000	16,667,180
Derivative financial instruments						
Financial liabilities held for trading purpose – derivatives						
Option contracts written	-	-	-	14,814	35,936	50,750
FX contracts (forwards, swaps and cross currency swap)	87,572	170,348	199,980	92,122	27,316	577,338
Interest rate swaps (including asset swap interest rate swaps and other interest rate swaps)	18,782	12,602	42,123	154,281	506,686	860,100
Total liabilities	135,413,038	58,636,789	224,159,192	43,865,607	11,046,402	496,346,654
Interest-rate-sensitivity gap	\$ 83,355,750	\$ 157,538,291	(\$ 203,998,977)	(\$ 39,129,324)	\$ 1,681,019	\$ 27,754,347

December 31, 2011						
	0~30 days	31~90 days	91~180 days	181 days~1 year	1~3 years	Over 3 years
Financial instruments	Amount	Amount	Amount	Amount	Amount	Amount
Assets						
Non-derivative financial instruments						
Due from other banks	\$ 1,329,776	\$ -	\$ -	\$ -	\$ -	\$ -
Due from Central Bank and call loans to banks	57,983,552	10,600,000	24,827,758	5,000,000	-	-
Investments in notes and bonds under resale agreements	1,546,544	-	-	-	-	-
Financial assets held for trading purpose						
Government bonds	8,994,999	-	-	-	-	-
Convertible corporate bonds	23,542	-	-	-	-	-
Commercial paper	2,342,995	-	-	-	-	-
Designated financial assets at fair value through profit or loss						
Convertible corporate bonds	20,610	-	-	-	-	-
Bills discounted and loans	116,933,830	196,148,843	6,064,481	3,094,274	15,423,724	15,134,119
Available-for-sale financial assets						
Government bonds	-	1,057,738	-	-	2,514,790	1,542,442
Corporate bonds	-	500,421	-	-	1,850,315	3,925,772
Financial debentures	-	16	-	-	1,304,673	-
Beneficiary securities	-	90,362	-	-	-	-
Held-to-maturity financial assets						
Corporate bonds	-	-	151,450	-	-	-
Derivative financial instruments						
Financial assets held for trading purpose -derivatives						
Option contracts purchased	-	-	-	7,282	20,373	-
FX contracts (forwards, swaps and cross currency swap)	184,021	362,142	154,385	38,921	-	-
Interest rate swap contracts (including asset swap interest rate swap and other interest rate swap)	8,660	24,724	216,322	179,978	1,001,068	353,215
Futures contracts	83,397	-	-	-	-	-
Total assets	189,451,926	208,784,246	314,143,396	8,320,455	22,114,943	20,955,548
						481,041,514

	December 31, 2011					
	0-30 days	31-90 days	91-180 days	181 days-1 year	1-3 years	Over 3 years
Financial instruments	Amount	Amount	Amount	Amount	Amount	Amount
Liabilities						Total
Non-derivative financial instruments						
Due to Central Bank and other banks	\$ 7,080,166	\$ -	\$ -	\$ -	\$ -	\$ 7,080,166
Deposits and remittances	116,845,473	41,373,167	226,889,577	47,220,333	1,444,939	433,775,329
Financial debentures	147,060	-	-	-	-	15,000,000
Other financial liabilities	272,465	-	-	-	3,500,000	1,950,000
Derivative financial instruments						5,722,465
Financial liabilities held for trading purpose – derivatives						
Option contracts written	-	-	914	6,150	21,497	-
FX contracts (forwards, swaps and cross currency swap)	186,450	326,605	93,916	15,566	-	622,537
Interest rate swaps (including asset swap interest rate swaps and other interest rate swaps)	14,469	38,255	252,032	159,253	966,430	409,055
Total liabilities	124,546,083	41,738,027	227,236,439	47,401,302	5,932,866	464,215,612
Interest-rate-sensitivity gap	\$ 64,905,843	\$ 167,046,219	(\$ 195,822,043)	(\$ 39,080,847)	\$ 16,182,077	\$ 16,825,902

(B) Effective interest rates

As of December 31, 2012 and 2011, the effective interest rates for financial instruments (except for financial instruments at fair value through profit or loss) held or issued by the Bank were as follows:

Items	December 31, 2012	
	NTD	USD
Available-for-sale financial assets		
Government bonds	0.90%~2.02%	-
Corporate bonds	1.15%~3.05%	-
Financial debentures	1.02%~1.37%	1.72%
Loans and advances		
Short-term loans	1.66%	1.69%
Short-term secured loans	2.16%	2.46%
Mid-term loans	1.89%	1.97%
Mid-term secured loans	2.56%	1.72%
Long-term loans	2.71%	1.07%
Long-term secured loans	2.11%	1.48%
Financial debentures	1.75%~2.30%	-
Deposits		
Demand deposits	0.17%	0.03%
Time deposits	0.43%~1.40%	0.10%~1.00%
Redeposits from the Directorate general of postal remittance	1.36%	-
Demand savings deposits	0.27%	-
Time savings deposits	0.52%~1.42%	-

December 31, 2011		
Items	NTD	USD
Available-for-sale financial assets		
Government bonds	1.06%~2.09%	-
Corporate bonds	1.33%~3.05%	-
Beneficiary securities	2.20%~2.43%	-
Financial debentures	1.03%~1.37%	2.90%
Loans and advances		
Short-term loans	1.72%	2.08%
Short-term secured loans	2.30%	2.67%
Mid-term loans	1.94%	2.12%
Mid-term secured loans	2.52%	2.20%
Long-term loans	2.82%	1.40%
Long-term secured loans	2.16%	2.33%
Financial debentures	1.75%~2.75%	-
Deposits		
Demand deposits	0.17%	0.03%
Time deposits	0.43%~1.40%	0.10%~1.00%
Redeposits from the Directorate general of postal remittance	1.38%	-
Demand savings deposits	0.27%	-
Time savings deposits	0.52%~1.42%	-

2. Disclosures in accordance with the Statement of Financial Accounting Standards No. 28 “Disclosure in the Financial Statements of Banks”.

(1) Non-performing loans and non-performing loan asset quality

Expressed in Thousands of New Taiwan Dollars, %

		December 31, 2012					December 31, 2011				
Business / Items		Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (Note 2)	Allowance for credit losses	Coverage ratio (Note 3)	Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (Note 2)	Allowance for credit losses	Coverage ratio (Note 3)
Corporate Banking	Secured loans	305,869	101,656,716	0.30%	1,822,854	595.96%	140,656	94,556,376	0.15%	1,155,583	821.57%
	Unsecured loans	140,079	150,529,985	0.09%	2,830,550	2020.68%	258,106	137,015,657	0.19%	3,024,586	1171.84%
Consumer banking	Residential mortgage loans (Note 4)	207,858	81,582,226	0.25%	103,656	49.87%	178,062	80,610,769	0.22%	122,146	68.60%
	Cash card services	-	-	-	-	-	-	-	-	-	-
	Small amount of credit loans (Note 5)	55,717	1,477,249	3.77%	137,966	247.62%	69,982	2,164,799	3.23%	191,177	273.18%
	Others	22,104	44,360,939	0.05%	30,631	138.58%	29,828	37,643,827	0.08%	65,478	219.52%
Unsecured loans (Note 6)		617	1,124,923	0.05%	6,710	1087.52%	239	1,423,962	0.02%	212	88.70%
Gross loan business		732,244	380,732,038	0.19%	4,932,367	673.60%	676,873	353,415,390	0.19%	4,559,182	673.57%
					Allowance for doubtful accounts	Coverage ratio		Balance of accounts receivable	Overdue account ratio (%)	Allowance for doubtful accounts	Coverage ratio
Credit card services		Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio (%)	98,268	1685.38%	7,205	1,782,845	0.40%	115,904	1608.66%
Without recourse factoring (Note 7)		5,831	1,525,120	0.38%	-	-	-	-	-	-	-
		-	3,156,992	-	-	-	-	3,235,529	-	-	-

Note 1: The amount recognized as non-performing loans was in compliance with the “Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”. The amount included in overdue accounts for credit cards was in compliance with the Banking Bureau (4) Letter No.0944000378 dated July 6, 2005.

Note 2: Non-performing loan ratio=non-performing loans/gross loans. Overdue account ratio for credit cards=overdue accounts/balance of accounts receivable.

Note 3: Coverage ratio for loans=allowance for credit losses for loans/non-performing loans. Coverage ratio for accounts receivable of credit cards=allowance for credit losses for accounts receivable of credit cards/overdue accounts.

Note 4: For residential mortgage loans, the borrower provides his/her (or spouse's or minor child's) house as collateral in full and mortgages it to the financial institution for the purpose of obtaining funds to purchase or add improvements to a house.

Note 5: Small amount of credit loans apply to the norms of the Banking Bureau (4) Letter No. 09440010950 dated December 19, 2005, excluding credit card and cash card services.

Note 6: Other consumer banking is specified as secured or unsecured consumer loans other than residential mortgage loan, cash card services and small amount of credit loans, and excluding credit card services.

Note 7: Pursuant to the Banking Bureau (5) Letter No. 09850003180 dated August 24, 2009, the amount of without recourse factoring will be recognized as overdue accounts within three months after the factor or insurance company resolves not to compensate the loss.

Non-performing loans and overdue receivables exempted from reporting to the competent authority

Expressed in Thousands of New Taiwan Dollars

	December 31, 2012		December 31, 2011	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Amounts exempted from reporting to the competent authority under debt negotiation (Note 1)	676,574	130,153	941,244	10,430
Perform in accordance with debt liquidation program and restructuring program (Note 2)	311,350	106,063	384,638	4,615
Total	987,924	236,216	1,325,882	15,045

Note 1: The additional disclosure requirement pertaining to way and information disclosure of the total amount of non-performing loan is in accordance with the Explanatory Letter Jin-Guan-Yin (1) No. 09510001270 of the FSC dated April 25, 2006.

Note 2: The additional disclosure requirement pertaining to the way and information disclosure of loan in the process of debt liquidation and restructuring program is in accordance with the Explanatory Letter Jin-Guan-Yin (1) No. 09700318940 of the FSC dated September 15, 2008.

(2) Contract amounts of remarkable credit risk concentration were as follows:

Expressed In Thousands of New Taiwan Dollars, %

December 31, 2012			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total Amounts of Outstanding Loans (Note 3)	Total Amounts of Outstanding Loans / Total stockholders' Equity
1	Group A – Integrated Circuits Manufacturing	\$ 5,741,730	12.90
2	Group B – Investment Consulting Industry	4,262,560	9.58
3	Group C – Liquid Crystal Panel and Components Manufacturing	3,408,497	7.66
4	Group D –Other Metalworking Machinery Manufacturing	3,277,670	7.37
5	Group E –Ocean Water Transportation	2,785,332	6.26
6	Group F –Liquid Crystal Panel and Components Manufacturing	2,009,896	4.52
7	Group G –Real Estate Development	2,004,710	4.51
8	Group H –Building Construction	1,869,000	4.20
9	Company I –Real Estate Development	1,597,000	3.59
10	Company J– Real Estate Leasing	1,543,782	3.47

Expressed In Thousands of New Taiwan Dollars, %

December 31, 2011			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total Amounts of Outstanding Loans (Note 3)	Total Amounts of Outstanding Loans / Total stockholders' Equity
1	Group A – Integrated Circuits Manufacturing	\$ 5,258,321	17.47
2	Group B – Integrated Circuits Manufacturing	4,731,580	15.72
3	Group C – Liquid Crystal Panel and Components Manufacturing	3,401,579	11.30
4	Group D –Buildings Construction	2,808,340	9.33
5	Group E –Liquid Crystal Panel and Components Manufacturing	2,070,245	6.88
6	Group F –Other Metalworking Machinery Manufacturing	1,987,913	6.60
7	Group G –Real Estate Leasing	1,732,740	5.76
8	Group H –Ocean Water Transportation	1,585,332	5.27
9	Company I –Real Estate Leasing	1,222,742	4.06
10	Company J– Pulp Manufacturing	1,211,600	4.02

Note 1: Ranking the top ten enterprise groups other than government and government enterprise according to their total amounts of outstanding loans. If an outstanding loan belongs to an enterprise group, the outstanding loan of enterprise group should be categorized and listed in total, and disclosed by “code” plus “industry type” (for example, company (or group) A – Liquid Crystal Panel and Components Manufacturing). If it is an enterprise group, industry type of maximum exposure of the enterprise group should be disclosed. Industry type should be filled in accordance with “Standard Industrial Classification System” of Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

Note 2: Definition of enterprise group is based on the Article 6 of “Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Reviews of Securities Listings”.

Note 3: Total amounts of credit extensions were various loans (including import negotiations, export negotiations, bills discounted, overdrafts, short-term loans, short-term loans secured, securities financing receivable, mid-term loans, mid-term loan secured, long-term loans, long-term loans secured, and overdue accounts), remittances purchased, advance accounts for factoring receivable, acceptances receivable, and guarantees receivable.

(3) Sensitivity analysis of interest rate for assets and liabilities

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

December 31, 2012

Expressed in Thousands of New Taiwan Dollars, %

Items	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	376,932,981	13,967,493	5,303,795	68,505,061	464,709,330
Interest-rate-sensitive liabilities	149,791,463	215,811,569	33,626,167	33,584,833	432,814,032
Interest-rate-sensitive gap	227,141,518	(201,844,076)	(28,322,372)	34,920,228	31,895,298
Total stockholders' equity					43,977,562
Ratio of interest-rate-sensitive assets to liabilities					107.37
Ratio of interest-rate-sensitive gap to stockholders' equity					72.53

Note: The amounts listed above represent the items denominated in NT dollars (i.e., excluding foreign currency) for both head office and domestic branches and overseas branches.

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

December 31, 2012

Expressed in Thousands of US Dollars, %

Items	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	1,452,128	195,312	827	4,984	1,653,251
Interest-rate-sensitive liabilities	1,299,317	244,111	331,019	-	1,874,447
Interest-rate-sensitive gap	152,811	(48,799)	(330,192)	4,984	(221,196)
Total stockholders' equity					17,742
Ratio of interest-rate-sensitive assets to liabilities					88.20
Ratio of interest-rate-sensitive gap to stockholders' equity					(1,246.74)

Note: The amounts listed above represent the items denominated in U.S. dollars for head office, domestic branches, OBU, and overseas branches, excluding contingent assets and contingent liabilities.

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

December 31, 2011

Expressed in Thousands of New Taiwan Dollars, %

Items	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	368,086,554	26,293,653	11,131,768	28,648,043	434,160,018
Interest-rate-sensitive liabilities	127,973,627	219,397,815	41,293,896	21,896,779	410,562,117
Interest-rate-sensitive gap	240,112,927	(193,104,162)	(30,162,128)	6,751,264	23,597,901
Total stockholders' equity					29,861,205
Ratio of interest-rate-sensitive assets to liabilities					105.75
Ratio of interest-rate-sensitive gap to stockholders' equity					79.03

Note: The amounts listed above represent the items denominated in NT dollars (i.e., excluding foreign currency) for both head office and domestic branches and overseas branches.

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

December 31, 2011

Expressed in Thousands of US Dollars, %

Items	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	664,642	154,313	24,865	436,492	1,280,312
Interest-rate-sensitive liabilities	1,052,055	223,442	187,531	-	1,463,028
Interest-rate-sensitive gap	(387,413)	(69,129)	(162,666)	436,492	(182,716)
Total stockholders' equity					8,082
Ratio of interest-rate-sensitive assets to liabilities					87.51
Ratio of interest-rate-sensitive gap to stockholders' equity					(2,260.78)

Note: The amounts listed above represent the items denominated in U.S. dollars for head office, domestic branches, OBU, and overseas branches, excluding contingent assets and contingent liabilities.

(4) Profitability

Expressed in%

Items		December 31,	
		2012	2011
Return on total assets	Before tax	0.44	0.42
	After tax	0.39	0.35
Return on stockholders' equity	Before tax	6.33	7.45
	After tax	5.59	6.21
Net profit margin ratio		26.69	25.20

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

Note 2: Return on stockholders' equity = Income before (after) income tax / average stockholders' equity.

Note 3: Net profit margin ratio = Income after income tax / total operating revenues.

Note 4: The term "Income before (after) income tax" represents net income from January 1 to the reporting period of the balance sheet date.

(5) Structure analysis of time to maturity

Structure analysis of time to maturity (NTD)

December 31, 2012

Expressed in Thousands of New Taiwan Dollars

	1~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Primary funds inflow upon maturity	132,612,054	29,272,559	22,621,387	39,015,106	271,377,288	494,898,394
Primary funds outflow upon maturity	58,329,187	72,427,359	41,520,487	72,749,371	245,762,030	490,788,434
Gap	74,282,867	(43,154,800)	(18,899,100)	(33,734,265)	25,615,258	4,109,960

Note: The amounts listed above represent the funds denominated in NT dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

Structure analysis of time to maturity (USD)

December 31, 2012

Expressed in Thousands of U.S. Dollars

	1~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Primary funds inflow upon maturity	509,108	402,489	246,334	106,274	548,752	1,812,957
Primary funds outflow upon maturity	1,090,331	284,519	255,793	338,107	22,036	1,990,786
Gap	(581,223)	117,970	(9,459)	(231,833)	526,716	(177,829)

Note : The amounts listed above represent the funds denominated in US dollars for Head Office, domestic branches and offshore banking units.

Structure analysis of time to maturity (NTD)

December 31, 2011

Expressed in Thousands of New Taiwan Dollars

	1~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Primary funds inflow upon maturity	105,426,416	41,370,889	35,117,654	45,791,557	233,366,691	461,073,207
Primary funds outflow upon maturity	41,522,117	63,130,197	67,518,651	104,988,574	177,108,327	454,267,866
Gap	63,904,299	(21,759,308)	(32,400,997)	(59,197,017)	56,258,364	6,805,341

Note: The amounts listed above represent the funds denominated in NT dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

Structure analysis of time to maturity (USD)

December 31, 2011

Expressed in Thousands of US Dollars

	1~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Primary funds inflow upon maturity	434,469	349,114	178,746	26,289	431,777	1,420,395
Primary funds outflow upon maturity	945,679	183,957	232,412	189,298	9,830	1,561,176
Gap	(511,210)	165,157	(53,666)	(163,009)	421,947	(140,781)

Note : The amounts listed above represent the funds denominated in US dollars for Head Office, domestic branches and offshore banking units.

(6) Average value and average interest rates of interest-earning assets and interest-bearing liabilities

	2012	
	Average value	Average rate of return (%)
<u>Interest-earning assets</u>		
Due from other banks	\$ 1,247,420	0.04
Due from Central Bank and call loans to other banks (excluding account A)	87,080,755	0.87
Financial assets at fair value through profit or loss	19,293,953	1.58
Investment in notes and bonds under resale agreements	853,042	0.84
Bills discounted and loans (excluding non-accrual loan)		
– Gross	365,290,242	2.15
Available-for-sale financial assets	27,259,919	1.27
Held-to-maturity financial assets	69,501	-
Credit card receivables	1,114,482	7.41
Accounts receivables factoring	2,289,201	1.69
<u>Interest-bearing liabilities</u>		
Due to Central Bank and other banks	\$ 10,313,485	0.91
Notes and bonds payable under repurchase agreements	2,885	0.22
Demand deposits	220,721,903	0.15
Time deposits	185,649,860	1.21
Negotiable certificates of deposit	34,109,683	1.03
Financial debentures	15,074,994	2.01
Appropriated loan funds	86,119	1.20
Structured notes (deposit)	16,505,320	0.76

	2011	
	Average value	Average rate of return (%)
<u>Interest-earning assets</u>		
Due from other banks	\$ 1,615,636	0.01
Due from Central Bank and call loans to other banks (excluding account A)	99,511,853	0.81
Financial assets at fair value through profit or loss	8,019,729	1.22
Investment in notes and bonds under resale agreements	2,751,207	0.81
Bills discounted and loans (excluding non-accrual loan)		
– Gross	316,469,031	2.09
Available-for-sale financial assets	10,001,699	1.77
Held-to-maturity financial assets	147,394	-
Credit card receivables	1,267,430	7.72
Accounts receivables factoring	2,297,803	1.46
<u>Interest-bearing liabilities</u>		
Due to Central Bank and other banks	\$ 9,431,192	1.12
Notes and bonds payable under repurchase agreements	222,715	0.42
Demand deposits	204,923,528	0.15
Time deposits	163,021,967	1.11
Negotiable certificates of deposit	27,896,126	0.95
Financial debentures	16,203,407	2.46
Appropriated loan funds	116,078	1.26
Structured notes (deposit)	7,500,374	0.32

3. Net position for major foreign currency transactions

	December 31, 2012			December 31, 2011		
	Currency (in thousands)	NTD (in thousands)		Currency (in thousands)	NTD (in thousands)	
Net position for major foreign currency transactions (Market Risk)	USD	22,293	649,536	USD	26,635	806,757
	CNY	62,588	292,661	CNY	14,069	67,643
	AUD	1,049	31,750	EUR	1,507	59,070
	JPY	92,563	31,240	AUD	1,188	36,536
	EUR	625	24,117	JPY	58,127	22,716

Note 1: The major foreign currencies are the top 5 currencies by position, which is expressed in New Taiwan dollars after exchange rate conversion.

Note 2: Net position represents an absolute value of each currency.

The exchange rate the Bank adopted on December 31, 2012 and 2011 was 1 USD: 29.136 NTD and 1 USD:30.29 NTD, respectively. The major foreign currency position (including forward contracts) is mainly US dollar assets, amounting to USD\$4,338,846 thousand and USD\$3,439,419 thousand as of December 31, 2012 and 2011,

respectively; liabilities were USD\$4,316,553 thousand and USD\$3,412,784 thousand, respectively.

4. Trust assets and liabilities

In accordance with Article 17 of the Trust Enterprise Law, the disclosures of the trust balance sheet, income statement and schedule of investments for trust business are as follows:

Trust Balance Sheet			
December 31, 2012			
Trust assets		Trust liabilities	
Bank deposits	\$ 2,478,187	Payable- Customers' securities under custody	\$ 28,536,901
Stocks	8,886,106	Pecuniary trust	57,267,018
Funds (Note)	50,179,902	Securities trust	6,163,979
Bonds	3,010,936	Real estate trust	6,324,292
Real estate	6,178,803	Monetary claim trust and the related security interests (including financial asset securitization)	453,140
Customers' securities under custody	28,536,901	Money market fund	578,749
Other	451,280	Total net income	77,521
		Retained earnings	320,515
Total trust assets	<u>\$ 99,722,115</u>	Total trust liabilities	<u>\$ 99,722,115</u>

Trust Balance Sheet			
December 31, 2011			
Trust assets		Trust liabilities	
Bank deposits	\$ 2,105,263	Payable- Customers' securities under custody	\$ 33,723,334
Stocks	15,410,947	Pecuniary trust	56,441,928
Funds (Note)	49,824,152	Securities trust	14,159,982
Bonds	3,029,519	Real estate trust	5,371,683
Real estate	5,287,307	Co-Trust Fund	580,403
Customers' securities under custody	33,723,334	Total net income	10,220
		Accumulated deficit	(907,028)
Total trust assets	<u>\$ 109,380,522</u>	Total trust liabilities	<u>\$ 109,380,522</u>

Note: Includes mutual funds in money market.

Trust Income Statement			
For the years ended December 31,			
	2012		2011
Trust income:			
Interest income	\$ 18,807	\$	13,533
Rental income	26,145		25,358
Dividend income	58,852		33,798
Investment income	29,248		17,846
	<u>133,052</u>		<u>90,535</u>
Trust expenses:			
Management fees	32,348		26,840
Tax expenses	7,342		21,639
Service fees	330		6
Loss on investment	14,028		30,809
	<u>54,048</u>		<u>79,294</u>
Net income before income tax	79,004		11,241
Income tax expense	(1,483)	(	1,021)
Net income after income tax	<u>\$ 77,521</u>	\$	<u>10,220</u>

Schedule of investments for trust business			
December 31, 2012		December 31, 2011	
Invested items	Book value	Invested items	Book value
Bank deposits	\$ 2,478,187	Bank deposits	\$ 2,105,263
Stocks	8,886,106	Stocks	15,410,947
Funds	50,179,902	Funds	49,824,152
Bonds	3,010,936	Bonds	3,029,519
Real estate Land	6,178,803	Real estate Land	5,287,307
Customers' securities		Customers' securities	
under custody	28,536,901	under custody	33,723,334
Others	451,280	Others	-
	<u>\$ 99,722,115</u>		<u>\$ 109,380,522</u>

Foreign currency pecuniary trust operated by the Offshore Banking Unit (OBU) as of December 31, 2012 and 2011, was included in the trust balance sheet and schedule of investments for the trust business.

5. Capital adequacy ratio

			December 31, 2012	December 31, 2011
Eligible capital		Tier 1 Capital	\$ 41,626,014	\$ 27,435,491
		Tier 2 Capital	14,129,465	13,525,822
		Tier 3 Capital	-	-
		Self-owned capital-net	55,755,479	40,961,313
Total risk - weighted assets	Credit risk	Standardized Approach	357,301,405	332,266,318
		Internal Ratings-Based Approach	-	-
		Asset securitization	-	45,591
	Operation risk	Basic Indicator Approach	-	-
		Standardized Approach / Alternative Standardized Approach	12,561,150	11,744,813
		Advanced Measurement Approaches	-	-
	Market risk	Standardized Approach	16,003,613	7,140,763
		Internal Models Approach	-	-
	Total risk-weighted assets		385,866,168	351,197,485
Capital adequacy ratio			14.45%	11.66%
Tier 1 Risk-based Capital Ratio			10.79%	7.81%
Tier 2 Risk-based Capital Ratio			3.66%	3.85%
Tier 3 Risk-based Capital Ratio			-	-
Stockholders' equity/Total assets			6.30%	4.94%
Gearing ratio			7.87%	5.72%

Note 1: The consolidated capital adequacy ratio as of December 31, 2012 and 2011 was 14.62% and 11.67%, respectively.

Note 2: The eligible capital and risk-weighted assets in the table above should be filled in accordance with "Regulations Governing the Capital Adequacy Ratio of Banks" and "calculation method and table of self-owned capital and risk-weighted assets".

Note 3: The relevant formulas are as follows:

1. Eligible capital = Tier 1 capital + Tier 2 capital + Tier 3 capital
2. Total risk-weighted assets = credit risk-weighted assets + (operation risk + market risk) * 12.5
3. Capital adequacy ratio = Eligible capital / Total risk-weighted assets
4. Tier 1 Risk-based Capital Ratio = Tier 1 capital / Total risk-weighted assets
5. Tier 2 Risk-based Capital Ratio = Tier 2 capital / Total risk-weighted assets
6. Tier 3 Risk-based Capital Ratio = Tier 3 capital / Total risk-weighted assets
7. Stockholders' equity to total assets ratio = Shareholder's equity/Total assets
8. Gearing ratio = Tier 1 capital / averaged assets after adjustments (average assets – tier 1 capital – goodwill – unamortized loss on sale of non-performing loans and amounts should be deducted from the tier 1 capital pursuant to "calculation method and table of self-owned capital and risk-weighted assets").

6. Cross-selling marketing strategies implemented between the Bank, the Yuanta Financial Holding Co. and its subsidiaries

(1) In order to achieve the integrated benefit for financial holding company, the Group adopts the cross-selling marketing approach to take advantage of the operation channels, branches and staff to satisfy various needs of the clients, to increase the Group's sales performance and to enhance cost-saving efficiency. The cross-selling marketing approach was conducted in conformance with "Yuanta Financial Holdings Company Group Cross-selling Marketing Rules" to regulate the Bank, the Yuanta Financial Holdings Co. and its subsidiaries, to ensure clients' rights.

(2) Information exchange

As the Bank, the Yuanta Financial Holdings Co. and its subsidiaries or other third parties adopted cross-selling marketing approach; such entities should comply with Article 11 of "Yuanta Financial Holdings Company Group Cross-selling Marketing Rules" to disclose, transfer or exchange client information. Details of the rules are as follows:

- A. Transaction information and other related information shall be based on clients' written agreement and cannot be gathered or utilized outside the permitted range;
- B. Once the clients cease to permit the exchange of their personal information, transaction information and other related information, the Bank, the Yuanta Financial Holdings Co. and its subsidiaries shall stop using the information immediately.

(3) Common use of operation facilities or place

As the Bank, the Yuanta Financial Holdings Co. and its subsidiaries or other third parties adopted cross-selling marketing approach, such entities should comply with Article 3 of "Yuanta Financial Holdings Company Group Cross-selling Marketing Rules" to apply for approval from the Financial Supervisory Commission of the Executive Yuan and should comply with Articles 6 and 8 of the Rules for the scope and method in adopting cross-selling business.

There was no major common business marketing and information exchanged as of December 31, 2012.

7. Others

The Board of Directors resolved to apply for capital increase amounting to \$27,000 for Yuanta Life Insurance Agent Co., Ltd.. The procedure to obtain the approval of the FSC was completed on November 6, 2012, while the approval of Insurance Bureau is being undertaken.

XI. Other Disclosure Items

1. Related information on material transaction items:

- (1) Information regarding stock of 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:

Name of the Investor	Category and name of securities	Account name	Transaction counter-party	Relationship	Beginning balance		Acquisition		Disposal		Ending balance			
					Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount (Note 1)	Number of shares (in thousands)	Amount	Book value	Gain / loss on Disposal	Number of shares (in thousands)	Amount
Yuanta Commercial Bank	Stock:	Equity investment accounted for under equity method	-	Investee controlled by the Bank	-	\$ -	60,000	\$ 599,785	-	\$ -	-	\$ -	60,000	\$ 599,785

Note 1: The amount including investment loss was 215.

- (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:

The company listed accounts receivable	Counterparty	Relationship	Accounts receivable from related party	Turnover rate	Amount overdue		Amount received subsequently	Amount of allowance
					Amount	Handling method		
Yuanta Commercial Bank	Yuanta Financial Holdings	Parent Company	\$ 2,878,045 (Note 1)	-	-	-	-	-

Note 1: The amount above represents income tax refundable arising from the consolidated income tax return system.

(6) Information regarding selling non-performing loans: None.

(7) Information on and categories of securitized commodities which are approved by the Financial Asset Securitization Act or the Real Estate Securitization Act: None.

(8) Other material transaction items which were significant to decision maker who use the information in the financial statement: None.

2. Supplementary disclosure regarding investee companies:

(1) Supplementary disclosure regarding investee companies

Expressed in Thousands of New Taiwan Dollars, Thousands of shares									
Name of the Investee	Investee Location	Investee's main operations	Percentage of ownership (%) at the end of current period	Carrying value of investments	Investment income recognized by the Bank for current period (\$ 215)	The combined ownership of the investee company's common shares held by the Bank and its related parties			
						Number of ready shares	Number of pro-forma shares	Number of shares	Note
Yuanta International Leasing Co., Ltd.	7F., No.69, Baoqing Rd., Taipei, Taiwan	Agency and leasing business of real estate and movables	100	\$599,785		60,000	-	60,000	100
Yuanta Life Insurance Agent	7F., No. 66, Sec. 1, Dunhua S. Rd., Taipei, Taiwan	Life insurance agency	100	56,840	42,816	300	-	300	100
Yuanta Property Insurance Agent	7F., No. 66, Sec. 1, Dunhua S. Rd., Taipei, Taiwan	Property insurance agency	100	10,873	5,083	-	-	-	100

(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 the 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) Information on and categories of securitized commodities which are approved by the Financial Asset Securitization Act or the Real Estate Securitization Act: None.
- (8) Other material transaction items which were significant to people who use the information in the financial statements: None.
- (9) Lending to other parties: not applicable to Yuanta Leasing, for which this is one of its registered operating activities. Other investees: None.
- (10) Guarantees and endorsements for other parties: None.
- (11) Information regarding securities held as of December 31, 2012:

Expressed in Thousands of New Taiwan Dollars

As of December 31, 2012			
Name of company which holds securities	Category and name of securities (or name of issuer of securities)	Relationship between issuer of securities and the company	Account
Yuanta Life Insurance Agency Co., Ltd	Government bond 2011 central bond A9		- Available-for-sale financial assets
Yuanta Property Insurance Agency Ltd.	Government bond 2011 central bond A9		- Available-for-sale financial assets
Note 1: It is pledged as operating guarantee deposits.			
As of December 31, 2012			
Number of Shares (In thousands)	Book value	Percentage of ownership (%)	Market value
-	\$ 1,010	-	\$ 1,010
-	\$ 404	-	\$ 404
			Note 1
			Note 1

- (12) 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.
- (13) Information regarding trading in derivative financial instruments: None.
3. Investments in People's Republic of China: None.

XII. Segment Information:

1. General information –the products and services of income sources for each reporting segment

The Bank has three reporting segments: corporate banking, consumer banking and wealth management. The products and services of main income sources are set out below:

Corporate banking: general corporate loans, policy finance, guarantees and acceptances, receivables finance and small and medium enterprise loans, etc.

Consumer banking: mortgage loans, auto loans, consumer loans and credit cards, etc.

Wealth management: The segment consolidates deposits, wealth management, trust business and various financial products, and provides clients with tailor-made recommendations and advice according to their asset portfolio and financial position.

2. Measurement of segment information

(1) Measurement of the profit and loss and assets and liabilities of operating segments

The Bank's measurement principles of profit and loss and assets and liabilities of operating segments are consistent with significant accounting policies stated in Note 2, and the measurement of profit and loss performance is based on pre-tax profit and loss.

In order to create a fair and reasonable evaluation system, the funding among segments is regarded as a lending to the third party and interest incomes and expenses should be calculated according to internal funding rates which refer to market conditions. Incomes and expenses among internal segments shall be offset in the financial reports published.

Incomes and expenses attributable to each operating segments shall be classified as profits or losses of the segment; the indirect expenses that are not attributable to any segment and back office expenses should be reasonably allocated to operating segments. Expenses that cannot be reasonably allocated should be listed under "other segments".

(2) Recognition element for reporting segment

The performance appraisal for the Bank's reporting segments based on specific performance indicators which are reviewed and evaluated by the management on a regular basis is a reference for resource allocation.

Unit: Expressed in Thousands of New Taiwan Dollars

2012

Segment Information

	Corporate banking	Consumer banking	Wealth management	Other segments	Consolidated
	\$	\$	\$	\$	\$
Net interest income	2,445,483	1,493,257	1,291,693	780,177	6,010,610
Net service fee and commission income (loss)	347,215	71,154	918,792	(17,816)	1,319,345
Other operating income (Note 1)	153,987	42,135	158,070	80,843	435,035
Operating expenses	1,072,034	869,216	2,187,972	846,452	4,975,674
Other significant non-cash accounts	-	-	-	5,346	5,346
Gains on reversal of asset impairment	-	-	-	-	-
Bad debts expense and gain on recovered bad debts	(788,344)	312,430	-	(4,876)	(480,790)
Net income on investment accounted for under the equity method	-	-	-	47,684	47,684
Segmental income before tax	<u>\$ 1,086,307</u>	<u>\$ 1,049,760</u>	<u>\$ 180,583</u>	<u>\$ 44,906</u>	<u>\$ 2,361,556</u>

Segment assets

Equity investments accounted for under the equity method— net	\$ -	\$ -	\$ -	\$ 667,498	\$ 667,498
Bills discounted and loans—Total	252,186,700	128,545,338	-	-	380,732,038

Note 1: It includes net gain (loss) on financial assets and liabilities at fair value through profit or loss, net realized gain (loss) on available-for-sale financial assets, net foreign exchange gain (loss) and other non-interest income.

Unit: Expressed in Thousands of New Taiwan Dollars

2011

Segment Information

	Corporate banking	Consumer banking	Wealth management	Other segments	Consolidated
	\$	\$	\$	\$	\$
Net interest income					
Net service fee and commission income (loss)	\$ 2,010,588	1,470,987	1,103,361	450,003	5,034,939
Other operating income (Note 1)	310,910	80,266	842,328	(15,960)	1,217,544
Operating expenses	90,536	32,713	124,504	247,199	494,952
Other significant non-cash accounts	1,448,620	1,202,008	2,350,397	19,242	5,020,267
Gains on reversal of asset impairment	-	-	-	1,096	1,096
Bad debts expense and gain on recovered bad debts	(157,644)	452,567	-	-	294,923
Net income on investment accounted for under the equity method	-	-	-	22,177	22,177
Segmental income (loss) before tax	\$ 805,770	\$ 834,525	\$ (280,204)	\$ 685,273	\$ 2,045,364

Segment assets

Equity investments accounted for under the equity method— net	\$ -	\$ -	\$ -	\$ 41,774	\$ 41,774
Bills discounted and loans—Total	231,572,033	121,843,357	-	-	353,415,390

Note 1: It includes net gain (loss) on financial assets and liabilities at fair value through profit or loss, net realized gain (loss) on available-for-sale financial assets, net foreign exchange gain (loss) and other non-interest income.

XIII. Relevant Information on the Adoption of IFRSs

In accordance with the Financial Supervisory Commission, R.O.C. (hereinafter referred to as the FSC), domestic banks, should prepare their financial reports in accordance with International Financial Reporting Standards (IFRSs), International Accounting Standards, International Financial Reporting Standards Interpretations (IFRICs), Interpretations of the International Accounting Standards (SICs) approved by the FSC, and Regulations Governing the Preparation of Financial Reports by Public Banks, starting from the fiscal year of 2013.

The Bank should pre-disclose the information below before the adoption of IFRSs in accordance with Jin-Guan-Zheng-Shen Letter No. 0990004943 dated on Feb 2, 2010 and Jin-Guan-Yi-Fa Letter No. 10000073410 dated on Apr 7, 2011:

1. Important information and summary regarding IFRSs adoption plan

The Bank has already set up an ad hoc team with regards to IFRSs adoption following Yuanta Financial Holdings. The CFO is in charge of the conversion to IFRSs for the Yuanta Group and the Bank's accounting manager is in charge of the conversion to IFRSs for the Bank. Important content and executive statuses are as follows:

Working Items for IFRSs Conversion Project	Responsible department	Status and estimated completion date
1. Set up an ad hoc team.	Accounting department	Completed as of August 2009.
2. Establish an adoption plan for IFRSs conversion.	Accounting department	Completed as of October 2010 and June 2011.
3. Complete the identification of differences between current accounting policy and IFRSs.	Accounting department	Completed as of March 2011.
4. Complete the identification of consolidation entities under the IFRSs framework.	Accounting department	Completed as of December 2012.
5. Complete the evaluation of the impact of various exemptions and options under IFRS No. 1 First-time Adoption of International Financial Reporting Standards.	Accounting department	Completed as of September 2011 and March 2012.
6. Complete the evaluation of adjustments required for information systems.	Information technology department & Accounting department	Completed as of October 2011.

Working Items for IFRSs Conversion Project	Responsible department	Status and estimated completion date
7. Complete the evaluation of adjustments required for internal controls.	Related departments	Completed as of June 2012
8. Decide on adopted IFRSs accounting policies.	Accounting department	Completed as of December 2011.
9. Decide on selection of various exemptions and options under IFRS No. 1.	Accounting department	Completed as of September 2011 and March 2012.
10. Complete the preparation of IFRSs statement of financial position on the transition date.	Accounting department	Completed as of March 2012
11. Complete the preparation of IFRSs comparative financial information for 2012.	Accounting department	In progress (to be completed by March 2013)
12. Complete the adjustments required for relevant internal controls (including financial reporting processes and relevant information systems).	Related departments	Completed as of December 2012.

2. The significant differences and effects that may occur between current accounting standards and the standards adopted in accordance with IFRSs and “Regulation Governing the Preparation of Financial Reports by Public Banks” in the future are as follows:

The Bank evaluates the above significant differences based on IFRSs approved by the FSC and the “Regulations Governing the Preparation of Financial Reports by Public Banks” which become effective in 2013. The current assessment result may be affected by the revisions of IFRSs endorsed by the FSC and the revised “Regulations Governing the Preparation of Financial Reports by Public Banks” in the future. Therefore, the assessment result may be different from the actual adoption of IFRSs in the future.

Material differences identified by the Bank that may arise between current accounting policies used in the preparation of financial statements and IFRSs and “Regulation Governing the Preparation of Financial Statements by Public Banks” in the future, together with impact of exemptions chosen according to IFRS No. 1 “First-time Adoption of International Financial Reporting Standards” are set forth below. Please refer to Note XIII 4:

1. Financial position reconciliation as of January 1, 2012

	Accounting standards of R.O.C.	Adjustments	IFRSs	Note
Cash and cash equivalents	\$ 6,335,318	\$ 83,397	\$ 6,418,715	(1)
Financial assets at fair value through profit or loss – net	14,569,643	(83,397)	14,486,246	(1)
Available-for-sale financial assets – net	13,243,700	764,647	14,008,347	(2) and (3)
Receivables – net	12,533,591	(2,771,945)	9,761,646	(4)
Current income tax assets	-	2,771,945	2,771,945	(4)
Other financial assets – net	431,978	(424,314)	7,664	(3)
Investment property-net	-	147,167	147,167	(5)
Deferred income tax assets – net	349,845	93,531	443,376	(6), (8), (9) and (15)
Other assets	1,151,668	(153,891)	997,777	(5) and (9)
Others	459,488,408	-	459,488,408	
Total assets	\$ 508,104,151	\$ 427,140	\$ 508,531,291	
Payables	\$ 8,348,665	(\$ 113,073)	\$ 8,235,592	(2), (7)and (8)
Current income tax liabilities	-	294,282	294,282	(7) and (15)
Accrued pension liabilities	125,404	(125,404)	-	(9)
Liabilities reserve	-	636,909	636,909	(9) and (10)
Deferred income tax liabilities – net	-	105,284	105,284	(3), (6), (11) and (15)
Other liabilities	791,407	(212,915)	578,492	(8), (10) and (11)
Others	468,732,666	-	468,732,666	
Total liabilities	\$ 477,998,142	\$ 585,083	\$ 478,583,225	
Retained earnings	\$ 1,706,399	(\$ 388,211)	\$ 1,318,188	(8), (9), (12), and (15)
Unrealized profit or loss on available-for-sale financial assets (Note 1)	(72,775)	215,653	142,878	(3) and (12)
Unrealized net loss on accrued pension cost	(14,615)	14,615	-	(9)
Others	28,487,000	-	28,487,000	
Total stockholders' equity	\$ 30,106,009	(\$ 157,943)	\$ 29,948,066	

Note 1: According to “Regulation Governing the Preparation of Financial Reports by Public Banks” to be effective in year 2013, “Unrealized profit or loss on available-for-sale financial assets” will be shown as “Other equity item”.

2. Financial position reconciliation as of December 31, 2012

	Accounting standards of R.O.C.	Adjustments	IFRSs	Note
Cash and cash equivalents	\$ 6,913,294	\$ 103,839	\$ 7,017,133	(1)
Financial assets at fair value through profit or loss – net	26,023,007	(103,839)	25,919,168	(1)
Available-for-sale financial assets – net	51,499,745	677,923	52,177,668	(2) and (3)
Receivables – net	12,153,756	(2,777,409)	9,376,347	(2) and (4)
Current income tax assets	-	2,878,045	2,878,045	(4)
Other financial assets – net	431,955	(424,314)	7,641	(3)
Investment property – net	-	234,390	234,390	(5)
Deferred income tax assets – net	96,897	97,067	193,964	(6), (8), (9) and (15)
Other assets	986,741	(239,282)	747,459	(5) and (9)
Others	456,458,471	-	456,458,471	
Total assets	\$ 554,563,866	\$ 446,420	\$ 555,010,286	
Payables	\$ 8,190,799	(\$ 219,106)	\$ 7,971,693	(2), (7) and (8)
Current income tax liabilities	-	324,970	324,970	(7), (9) and (15)
Accrued pension liabilities	172,091	(172,091)	-	(9)
Liabilities reserve	-	670,381	670,381	(9) and (10)
Deferred income tax liabilities – net	-	119,218	119,218	(3), (6), (11) and (15)
Other liabilities	836,006	(176,283)	659,723	(8), (10) and (11)
Others	500,870,476	-	500,870,476	
Total liabilities	\$ 510,069,372	\$ 547,089	\$ 510,616,461	
Retained earnings	\$ 2,086,915	(\$ 447,170)	\$ 1,639,745	(2), (8), (9), (12), and (15)
Unrealized profit or loss on available-for-sale financial assets (Note 1)	242,180	318,501	560,681	(2), (3) and (12)
Unrealized net loss on accrued pension cost	(28,000)	28,000	-	(9)
Others	42,193,399	-	42,193,399	
Total stockholders' equity	\$ 44,494,494	(\$ 100,669)	\$ 44,393,825	

Note 1: According to “Regulation Governing the Preparation of Financial Reports by Public Banks” to be effective in year 2013, “Unrealized profit or loss on available-for-sale financial assets” will be shown as “Other equity item”.

3. Comprehensive income statement reconciliation of 2012

	Accounting standards of R.O.C.	Adjustments	IFRSs	Note
Interest income	\$ 9,481,346	(\$ 305,732)	\$ 9,175,614	(13)
Less: Interest expense	(3,470,736)	55,721	(3,415,015)	(14)
Net interest income	6,010,610	(250,011)	5,760,599	
Net non-interest income				
Net service fee and commission income	1,319,345	(2,801)	1,316,544	(8)
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	1,069,767	305,732	1,375,499	(13)
Net realized gain (loss) on available-for-sale financial assets	39,500	53,666	93,166	(2), (3) and (12)
Net income on investment accounted for under the equity method (Note1)	47,684	-	47,684	
Other non-interest income	141,018	(43,403)	97,615	(3) and (5)
Other	(809,904)	-	(809,904)	
Net non-interest income	1,807,410	313,194	2,120,604	
Net revenues	7,818,020	63,183	7,881,203	
Bad debt expense and gain on recovered bad debt(Note2)	(480,790)	-	(480,790)	
Operating expenses				
Personnel expenses (Note3)	(2,767,532)	(42,819)	(2,810,351)	(9) and (14)
Depreciation and amortization	(495,859)	(2,951)	(498,810)	(5)
Other general and administrative expenses	(1,712,283)	17	(1,712,266)	(5)
Total operating cost	(4,975,674)	(45,753)	(5,021,427)	
Income from continuing operations before income tax	2,361,556	17,430	2,378,986	
Income tax expense	(274,641)	(44,920)	(319,561)	(8), (9) and (15)
Net income	\$ 2,086,915	(\$ 27,490)	\$ 2,059,425	

	Accounting standards of R.O.C.	Adjustments	IFRSs	Note
Other comprehensive income (Note4)				
Unrealized gain on available-for-sale financial assets	\$ -	\$ 420,418	\$ 420,418	(2), (3), (12) and (16)
Share of other comprehensive income of subsidiaries recognized under equity method, associates, and joint ventures	-	15	15	(16)
Actuarial gain and loss of defined benefit plans	-	(37,915)	(37,915)	(9)
Income tax relating to components of other comprehensive income	-	3,816	3,816	(3) and (9)
Current other comprehensive income	\$ -	\$ 386,334	\$ 386,334	
Current comprehensive income	\$ 2,086,915	\$ 358,844	\$ 2,445,759	

Note 1: According to “Regulation Governing the Preparation of Financial Reports by Public Banks” to be effective in 2013, “Net income on investment accounted for under equity method” are to be presented as “Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for under equity method” in the comprehensive income statement.

Note 2: According to “Regulation Governing the Preparation of Financial Reports by Public Banks” to be effective in 2013, “Bad debts expense and gain on recovered bad debts” are to be presented as “Bad debts expense and reserve for guarantee liabilities” in the comprehensive income statement.

Note 3: According to “Regulation Governing the Preparation of Financial Reports by Public Banks” to be effective in 2013, “Personnel expenses” are to be presented as “Employee benefits expenses” in the comprehensive income statement.

Note 4: According to IAS No.1, information regarding other comprehensive income shall be disclosed in the comprehensive income statement.

Reasons for adjustment

- (1) According to the accounting principles generally accepted in R.O.C., margin deposited for futures trading shall be recognized as “Financial assets at fair value through profit or loss-net”. However, according to IAS No. 7 “Statement of Cash Flow”, the excess margin that may be withdrawn with regard to the margin call from the futures trading are considered “Cash and cash equivalents”. As a result, amounts of \$83,397 and \$103,839 shall be reclassified to “Cash and cash equivalent” respectively on January 1 and December 31, 2012.
- (2) According to the accounting principles generally accepted in R.O.C., stocks and bonds may adopt trade date accounting or settlement date accounting, respectively. However, according to IAS No. 39 “Financial Instruments: Recognition and Measurement”, financial assets of the same classification shall apply for the consistent accounting treatment. As a result, bond trading was replaced settlement date accounting by trade date accounting, which resulted in “Available-for-sale financial assets-net” and “Payables” increased by both \$98,857 on January 1, 2012, and “Available-for-sale financial assets-net”, “Payables” and “Other equity” decreased by \$100,674, \$38 and \$592, respectively, and “Receivables-net” and “Unappropriated retained earnings” increased by \$100,636 and \$592, respectively, on December 31, 2012. In addition, the effect on the comprehensive income statements for the year ended December 31, 2012 resulted in “Realized gain or loss on available-for-sale financial assets-net” increased by \$592, and the effect on other comprehensive income led to “Unrealized gain or loss on available-for-sale financial assets- net” decreased by \$592.
- (3) The unlisted stocks which the Bank held without significant influence are accounted as financial assets carried at cost under other financial assets-net, according to “Regulation Governing the Preparation of Financial Reports by Public Banks”. However, according to IAS No. 39 “Financial Instruments: Recognition and Measurement”, equity instrument traded in non-active market while its fair value can be measured reliably (that is, the range of variability for reasonable fair value estimates of the equity instrument is not significant or the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value) shall be measured at fair value. The Bank therefore designates financial assets carried at cost as “Available-for-sale financial assets at fair value” and recognized the effects on the comprehensive income. As a result, “Available-for-sale financial asset-net” increased by \$665,790 and \$778,597, “Deferred income tax liability- net” increased by \$4,798 and \$7,428, “Other equity” increased by \$236,678 and \$346,855, and “Other financial asset-net” decreased by both \$424,314 on January 1 and December 31, 2012. The effects on the comprehensive income statement for the year ended December 31, 2012, are cash dividends of \$46,337, from the unlisted stocks which the Bank held without significant influence (originally accounted under “Net other

non-interest income”), shall be reclassified to “Realized gain on available-for-sale financial assets”; the effect on other comprehensive income resulted in “Unrealized gain on available-for-sale financial assets” increased by \$112,807 and “Income tax of components of other comprehensive income” decreased by \$2,630.

- (4) According to IAS No. 12 “Income Taxes”, affiliated company receivables of current and prior periods for the adoption of consolidated income tax return system (originally accounted under “Receivable-net”) are current income tax assets, and amounts of \$2,771,945 and \$2,878,045 shall be respectively reclassified to “current income tax asset” on January 1 and December 31, 2012.
- (5) According to the accounting principles generally accepted in R.O.C., idle assets and lease assets are accounted under “Other assets-others”; however, the above assets of the Bank satisfy the definition of IAS No. 40 “Investment Property”, and amounts of \$147,167 and \$234,390 shall be reclassified to “Investment property” on January 1 and December 31, 2012, respectively. In addition, according to the accounting principles generally accepted in R.O.C., the depreciation expenses of idle assets and lease assets shall be accounted under “Other general and administrative expenses” and “Net other non-interest income”, respectively; however, according to IFRSs, the effect on the comprehensive income statement for the year ended December 31, 2012 would lead to the depreciation expenses of idle assets and lease assets, amounting to \$17 and \$2,934, respectively, to be reclassified to “Depreciation and amortization”.
- (6) According to the accounting principles generally accepted in R.O.C., deferred income tax assets and liabilities of the same taxable entity can be offset. However, according to IAS No. 12 “Income taxes”, the requirement to offset deferred income tax assets and liabilities is different from the accounting principles generally accepted in R.O.C.. As a result, the net amounts presented under “Deferred income tax assets-net” amounted to \$43,259 and \$33,971 shall be reclassified to “Deferred income tax liabilities- net” on January 1 and December 31, 2012.
- (7) In accordance with IAS No. 12 “Income taxes”, income tax payable (accounted under “Payables”) of current and prior periods are current income tax liabilities and amounts of both \$170,706 shall be reclassified to “Current income tax liabilities” on January 1 and December 31, 2012.
- (8) For clients who have joined a customer loyalty program with the Bank, according to accounting principles generally accepted in R.O.C., relevant expenses and payables are recognized when the credit reward occurs and payables should be reversed upon the actual conversion. According to IFRIC No.13 “Customer Loyalty Program”, a credit reward should be estimated based on the exchange rate and the fair value and the revenue should be

deferred. The revenue deferred should be recognized as revenue upon clients exchange for the rewards and related income tax effects should be considered. The adjustments have resulted in “Payables” respectively decreased by \$41,224 and \$48,362, “Other liabilities” respectively increased by \$37,279 and \$47,218, “Deferred income tax assets-net” respectively increased by \$6,337 and \$8,027, and “Unappropriated retained earnings” respectively increased by \$10,282 and \$9,171 on January 1 and December 31, 2012. In addition, the effect on the comprehensive income statement for the year ended December 31, 2012 led to “Net service fee and commission income” and “Income tax expense” respectively decreased by \$2,801 and \$1,690.

- (9) According to the accounting principles generally accepted in R.O.C., the amount of accumulated obligation exceeding the pension fund assets at fair value should be the minimum pension liability. However, there is no such requirement set out in IAS No. 19 “Employee Benefits” and additional pension liabilities shall be reversed, which led to deferred pension cost accounted under “Other assets-others” respectively decreased by \$6,724 and \$4,892, “Accrued pension liabilities” respectively decreased by \$125,404 and \$172,091, “Unrealized net loss on accrued pension cost” respectively increased by \$14,615 and \$28,000, and “Liabilities reserve” respectively increased by \$104,065 and \$126,297 on January 1 and December 31, 2012.

In addition, according to the accounting standards generally accepted in R.O.C., the balance of unamortized actuarial gains and losses exceeding 10% of the greater value of pension fund assets at fair value in the beginning period or projected obligation payables in the beginning period (whichever is greater), the excess amounts are to be amortized by the straight-line method through the remaining service life and are recognized as current net pension costs. After the conversion to IFRSs, the accounting policy chosen by the Bank allows the actuarial gains and losses to be immediately recognized in other comprehensive income, which led to “Liabilities reserve” respectively increased by \$303,810 and \$341,725, “Deferred income tax assets-net” respectively increased by \$69,339 and \$79,564, “Current income tax liabilities” respectively increased by \$0 and \$5,973, and “Unappropriated retained earnings” respectively decreased by \$234,471 and \$255,232 on January 1 and December 31, 2012. The effects on the comprehensive income statement for the year ended December 31, 2012, are “Employee benefits expense” decreased by \$12,902, and “Income tax expense” increased by \$2,194; the effect on other comprehensive income would result in “Actuarial gain or loss of defined benefit plans” decreased by \$37,915, and “Income tax of components of other comprehensive income” increased by \$6,446.

- (10) According to “Regulation Governing the Preparation of Financial Reports by Public Banks” to be effective in 2013, “Reserve for guarantee liabilities” (accounted under “Other liabilities”) shall be accounted under “Liabilities reserve”. As a result, amounts of \$229,034 and \$202,359 shall be respectively reclassified to “Liabilities reserve” on January 1 and December 31, 2012.

- (11) The Bank sets aside tax reserve for land valuation increment in relation to assets reassessment according to regulation which shall be accounted under “Other liabilities” according to the accounting principles generally accepted in R.O.C.. However, according to IAS No. 12 “Income Taxes”, it shall be recognized as “Deferred income tax liabilities”. As a result, amounts of \$21,160 and \$21,142 shall be respectively reclassified to “Deferred income tax liabilities-net” on January 1 and December 31, 2012.
- (12) According to the accounting principles generally accepted in R.O.C., in relation to equity securities investment, except for financial assets at fair value through profit or loss, cash dividends received in the year invested should be recognized as the return of capital. However, no rules regarding to liquidating dividends has been set out in IFRSs and it should therefore be recognized as dividend incomes. “Unappropriated retained earnings” are adjusted on the conversion date. This adjustments resulted in “Other equity” respectively decreased by \$21,025 and \$27,762 and “Unappropriated retained earnings” respectively increased by \$21,025 and \$27,762. In addition, the effects on the comprehensive income statement for the year ended December 31, 2012 resulted in “Realized gain or loss on available-for-sale financial assets-net” increased by \$6,737 and “Unrealized gain or loss on available-for-sale financial assets-net” decreased by \$6,737.
- (13) According to “Regulation Governing the Preparation of Financial Reports by Public Banks” to be effective in 2013, interests generated from financial assets and liabilities at fair value through profit or loss (accounted under “Interest income”) shall be reclassified to “Gain or loss on financial assets and liabilities at fair value through profit or loss”. As a result, for the year 2012, the amount of \$305,732 shall be reclassified to “Gain or loss on financial assets and liabilities at fair value through profit or loss”.
- (14) According to “Regulation Governing the Preparation of Financial Reports by Public Banks” to be effective in 2013, the interests excess incurred due to preferential interest rate on deposits for incumbent employees (originally accounted under “Interest expense”) shall be presented as “Employee benefits expense”. Therefore, the effects on the comprehensive income statement for the year ended December, 31, 2012 resulted in “Employee benefits expense” increased by \$55,721 and “Interest expense” decreased by \$55,721.
- (15) Income taxes are recalculated in accordance with IAS No. 12 “Income taxes”, which led to “Deferred income tax assets-net” respectively decreased by \$25,404 and \$24,495, “Current income tax liabilities” respectively increased by \$123,576 and \$148,291, “Deferred income tax liabilities-net” respectively increased by \$36,067 and \$56,677, and “Unappropriated retained earnings” respectively decreased by \$185,047 and \$229,463 on January 1 and December 31, 2012. In addition, the effect on the comprehensive income statement for the year ended December 31, 2012 resulted in “Income tax expense” increased by \$44,416.

- (16) In accordance with IAS No. 1, information regarding other comprehensive income shall be disclosed in the comprehensive income statement, and unrealized gain or loss on available-for-sale financial assets resulting from subsidiaries recognized under equity method shall be presented separately under other comprehensive income. Therefore, the effects on the other comprehensive income for the year ended December 31, 2012 resulted in “Unrealized gain on available-for-sale financial assets” and “Share of other comprehensive income of subsidiaries, associates and joint ventures recognized under equity method,” respectively increased by \$314,940 and \$15.
3. On December 31, 2012, the Bank, based on the IFRSs approved by FSC, reassessed the effect, if IFRSs to be applied, on January 1, 2012. The reassessment resulted in “Unappropriated retained earnings” decreased by \$139,323, which was adjusted on accounts of the effects resulting from liquidating dividends and income tax.
4. The exemption that the Bank chose in accordance with IFRS No. 1 “First-time Adoption of International Financial Reporting Standards” and “Regulation Governing the Preparation of Financial Reports by Public Banks” to be effective in year 2013 are as follows:
- A. Business combinations
- The Bank chose not to retrospectively restate in relation to the business combinations that occurred before the date of conversion to International Financial Reporting Standards (hereinafter “the conversion date”).
- B. Employee benefits
- The Bank chose to recognize immediately cumulative actuarial gains and losses related to employee benefits as retained earnings on the conversion date. Also, based on each accounting period from the conversion date in which the amounts are determined, the present value of defined benefits obligations, fair value of the plan assets, the surplus or deficit of the plan, and information adjusted by experience required by paragraph 120A (P) set out in IAS No. 19 “Employee benefits” shall be disclosed prospectively.
- C. Designation of recognized financial instruments
- The Bank chose to designate financial assets carried at cost as available-for-sale financial assets on the conversion date.
- D. Share-based payments
- The Bank chose not to retrospectively restate equity instruments arising from share-based transactions prior to the conversion date.
- The above exemptions may be different from the actual situation due to the regulations announced by competent authorities, changes in economic environment or the changes in evaluation on impacts over various exemptions.

3. Risk Management and Other Significant Issues

(1) Information of Credit Risk Management:

A. Credit Risk Management System in 2012

Item	Contents
1. Strategies, objectives, policies and procedure of credit risk	<ol style="list-style-type: none"> Strategies and objectives: <ol style="list-style-type: none"> Follow Basel II requirements to improve the Bank's ability in risk management in order to meet the international standards. Well found and fully implement the various risk management systems and control procedures. Strengthen the information integration, analysis and precautionary effect to exert the risk management actively. Policies: <ol style="list-style-type: none"> Cultivate the business strategies and organizations valuing credit risk management, and master the qualitative and quantitative management approaches as the reference in strategy making. Establish the overall credit risk management system to control possible business risks within the risk tolerance during the process of operation, in hopes of ensuring the Bank's achievement of credit risk strategic objectives. Authorize independent credit risk management units and personnel to exercise job duties to ensure that the Bank's credit risk management systems is implemented effectively and to help the Board of Directors and management group perform their duties fully to fulfill the bank's credit risk management systems. Establish effective methods and monitoring procedures to ensure the adequacy of capital reservation, and express business performance in a proper manner through the risk adjustment, and maximize shareholders' value. Management procedure: Credit risk identification, measurement, monitoring and management, credit risk report and performance management of credit risk.
2. Structure and organization of credit risk management	<ol style="list-style-type: none"> Board of Directors: <ol style="list-style-type: none"> The Board of Directors is the Bank's supreme policy-making entity for risk management, responsible for authorizing the Bank's risk management policies and guidelines and supervising fulfillment of the various systems to achieve the Bank's entire credit risk management objectives. Establish Audit Committee to review the risk-related proposal before proposing to the Board of Directors and communicate with the risk implementation entities. Senior managers: Asset & Liability Management Committee, Risk Management Committee, Non-Performing Loan Management Committee and Credit Evaluation Committee are subordinated to the president. Risk Management Dept: <ol style="list-style-type: none"> Responsible for researching or suggesting the amendments of the Bank's credit risk management policies and guidelines to be proposed to Board of Directors for approval. Establish the Bank's entire structure of measuring, controlling and evaluating quantitative risk. Responsible for enforcing and controlling the Bank's credit risk management and credit risk management regulations for the various businesses to ensure that all businesses may apply strictly with the Bank's credit risk management policies and guidelines. Risk Management Dept. and other business units: Manage credit risks of crediting cases according to stratified empowerment, including crediting review, crediting management and post-loan management. Internal audit: The independent internal audit entities will review the enforcement of the Bank's credit risk management systems periodically and disclose it in the audit report truly, and ensure that the relevant entities have taken the corrective actions in a timely manner.

Item	Contents
3. Scope and characteristics of credit risk report and measurement systems	<ol style="list-style-type: none"> 1. Scope and characteristics of credit risk report: <ol style="list-style-type: none"> (1) Report to Board of Directors. (Regularly)/(Integrated risk report) (2) Report to Audit Committee. (Regularly)/(Integrated risk report) (3) Monthly report to Asset & Liability Management Committee. (Integrated risk report) (4) Monthly report to Risk Management Committee. (Integrated risk report) (5) Monthly corporate and consumer banking asset quality report. (6) Monthly disclosure of limit information about the individual, country and industry. 2. Credit risk measurement systems include: <ol style="list-style-type: none"> (1) Capital charge calculation platform information system. (2) The credit information and investigation system Credit rating. (3) The collection system: Asset appraisal. (4) The Bank's credit risk alarming system: The credit risk alarming mechanism. (5) Mid-term crediting management platform (Including post loan management and the review platform.) (6) Scorecards of consumer banking and probability of default models of corporate banking. (7) Large exposure system.
4. Credit risk hedging or risk reduction policies, and strategies and procedures for controlling the ongoing effectiveness of hedging and risk reduction tools	<ol style="list-style-type: none"> 1. Credit risk hedging or risk reduction policies: <ol style="list-style-type: none"> (1) Review the credit risk hedging plan and execution of the centralized risk or higher risk businesses. (2) Plan to amend the Bank's regulations of risk reduction and controlling system to follow the risk reduction regulations in the Basel II. 2. Strategies and procedures for controlling effectiveness of hedging and risk reduction: Establish the collateral management system in accordance with Basel II risk reduction regulations, and ensure the ongoing effective mess of risk reduction of collaterals through periodical revaluation of collaterals, loan-to-value ratio alert, analysis of centralization and stress testing.
5. Approach for regulatory capital charge	Standardized Approach.

B. Exposure and accrued capital charge upon risk reduction under credit risk standardized approach

Unit: NT\$1,000 ; December 31, 2012

Type of Risk Exposure	Risk Exposure after Risk Mitigation	Capital Charge
Sovereigns	107,573,794	932
Non Central –Government Public Sector Entities	413,556	6,617
Banks (Multilateral Development Banks included)	20,318,180	856,140
Cooperates(Securities firms and insurance companies included)	248,057,341	18,287,718
Retailed credit	67,153,618	4,655,067
Residential Property	95,677,618	4,453,560
Equity-securities investment	4,892	1,565
Other assets	8,712,838	322,513
Total	547,911,837	28,584,112

(2) Information of Securitization Management:

A. Securitization Management System in 2012

Item	Contents
1. The strategies and procedure of securitization risk management	The procedure of securitized product investment: Before the business division invests in any securitized product, investment analysis must be conducted on product credit worthiness, liquidity and profitability and such investment must be approved by the authorized levels according to the investment objectives.
2. The organization and structure of securitization management	<ol style="list-style-type: none"> 1. In terms of asset securitization, at present, we engage only in securities investments and booked in banking book. We are not the originating bank. 2. The investment of asset securitization in banking book, the Asset and Liability Management Committee is the top management, the Treasury Department is the business execution unit, the Risk Management Department is the risk monitoring and control unit, and the Financial Trading Supporting Department is the operation settlement unit of this bank.
3. Scope and characteristics of securitization risk report and measurement systems	<ol style="list-style-type: none"> 1. The Asset and Liability Management Committee discloses every month the positions of investment in asset securitization. When the loss on valuation exceeds the specific proportion of cost, the business execution unit should make real-time reviews and propose corresponding solutions, and report the solutions to the Asset and Liability Management Committee for reference. 2. Asset securitization products with a quotation on the public market should be evaluated according to such quotation every day. If there is no quotation on the public market, products should be evaluated according to the quotation of the counterparty.
4. The hedge of securitization or risk reduction policies, and strategies and procedures for controlling the on-going effectiveness of hedging and risk reduction tools	When there is a larger risk exposure risk, assessments will be conducted to reduce risk exposure; or the approved risk reduction methods will be implemented to reduce risk to a controllable range.
5. Approach for regulatory capital charge	Standardized Approach.
6. Requirement on comprehensive qualitative disclosure, including: <ol style="list-style-type: none"> (1) Goals for securitization activities, risk models undertaken and retained of the Bank's re-securitization. (2) Other risks involved in securitized asset (such as liquidity risk). (3) Various roles that the Bank plays during the securitization process and the Bank's involvement in each process. (4) The description on the monitoring procedures taken for changes in credit and market risk involved in securitization risk exposure. (5) The Bank's management strategies in credit risk mitigation during the mitigation of risk retained in securitization and re-securitization. 	The Bank has never served as an originator of asset securitization so no information shall be disclosed in this item.

Item	Contents
7.Description on the Bank's accounting policies on securitization	The Bank has never served as an originator of asset securitization so no information shall be disclosed in this item.
8.The names of ECAI used in banking books for securitization and their usage in each type of asset securitization exposure.	
9.Explanation on any significant changes in any quantitative information from last reported period (such as any transfer of asset between banking books and trading books)	

B. Engagement in Securitization:

No information is to be disclosed, for the Bank has never been the originator for securitization.

C. Risk exposure and accrual capital charge for securitization :

As of December 2012, the Bank no longer held any investments in securitized product.

D. Information of investment in securitization products :

As of December 2012, the Bank no longer held any investments in securitized product.

(3) Information of Operational Risk Management:

A. Operational Risk Management System in 2012

Item	Contents
1、The strategies and procedure of operational risk management	<ol style="list-style-type: none"> Formed a risk-oriented operation model and straightened business development to achieve its operation goals and maximize shareholder value. The Bank developed risk management policies, operational risk management principles, defined the scope and duties of operational risk management, and executed risk identification, risk evaluation and reporting processes including operational risk assessment and process analysis. In response to existing or potential operational risks, all divisions in the Bank take effective improvement practices and persistently tract the according implementation. Before the undertaking or during the planning of new services, all related operational risks must be identified and the controls of the process marked. The Bank additionally constructed contingency plans and conducted necessary simulation to assure incessant operation amid possible severe accidents.
2、The organization and structure of operational risk management	<ol style="list-style-type: none"> Board of Directors: The supreme authority in the Bank, in charge of approving risk management policies and according principles and monitoring execution of all systems in order to achieve the goals of operational risk management. Senior managers: The New Product Review Committee and Risk Management Committee are established under the President. The Risk Management Committee supervises the implementation and promotion of risk management and reviews risk management reports of individual units, in order to ensure the effectiveness of the bank's risk management. Risk Management Department: <ol style="list-style-type: none"> Develop the operational risk management guidelines and related policies of the Bank. Supervise the Bank's major operational risks and loss exposure. Coordinate operational risk management with all divisions and branches.

Item	Contents
	<p>4. All departments in Head Office, supervising divisions and branches : According to operational risk management regulations, all departments and supervising divisions developed according business regulations as standards for execution of all business divisions.</p> <p>5. Internal Audit: An independent internal audit unit reporting to the Board of Directors reviews the performance of this bank's risk management system at planned intervals, discloses the related information in the audit report, and ensures that appropriate improvement actions have been taken by related units.</p>
3、Scope and characteristics of operational risk report and measurement systems	We identify measure and monitor operational risk with various risk management instruments, such as operational risk loss data collection, operational risk and control self-assessment, and operational risk indicators. All divisions in the Bank conduct online risk event reporting and self assessment through the operation risk report system and the self-assessment system. Risk Management Dept. conducts operation process examination, compiled analysis and improvement practice tracking with the trend of risk indicator changes, internal and external losses, and the self- assessment of all divisions on control. The result of risk identification, measurement and monitoring are periodically reported to the executives.
4、Operational risk hedging or risk reduction policies, and strategies procedures for controlling the continuously effectiveness of hedging and risk reduction tools	<p>The Bank has developed regulations on operational risk hedging and risk mitigation. In response to possibilities and severity of risk, the Bank will adopt the following risk measures and procedures for risk bearing, risk averse, risk transfer, risk reduction, according indicators, risk warning, control mechanism, and corrective plans of every major products:</p> <p>1.Risk bearing and tighter operational control shall be conducted for smaller loss amounts and lower frequencies.</p> <p>2.Risk reduction or risk control, more intense personnel training, operational procedure improvement or system control advancement shall be conducted for smaller loss amounts and higher frequencies</p> <p>3.Risk transfer or risk mitigation shall be conducted for larger loss amounts and lower frequencies. Proper insurance and outsourcing should be undertaken after cautious evaluation.</p> <p>4.Risk averse shall be conducted for large loss amounts and higher frequencies while the according business or service should not be launched or shall be stopped.</p> <p>Outsourcing or insurance shall require periodical evaluation on its risk, effect or the claim payment ability of the insurance company in order to ensure the risk mitigation tools will be effective constantly.</p>
5、Approach for regulatory capital charge	Standardized Approach.

B. Accrued Capital Charge of Operational Risk :

Unit: NT\$1,000 ; December 31, 2012

Year	Gross Income	Capital Charge
2010	6,210,252	
2011	7,339,930	
2012	7,804,838	
Total	21,355,020	1,004,892

(4) Information of Market Risk Management:

A. Market Risk Management System in 2012 :

Item	Content
1. Market risk management strategies and processes	<ol style="list-style-type: none"> 1. In order to establish the fair risk management system and well found the development of business to boost the proper risk management-oriented business model and achieve the operational objectives and increase shareholders' value, the Bank's Board of Directors approves the risk management policies to fulfill the well-founded risk management system and create stable and high-quality profitability for shareholders. 2. Based on the existing risk management policies and guidelines, fulfill the quantification of market risk step by step and establish the management and appraisal mechanism for value at risk and optimal allocation of capital. 3. Scope of business and underwritten products: enact the market risk management guidelines, define the scope of market risk management; the scope of businesses may include transactions in foreign exchange market, money market and capital market, and transactions of financial derivatives. 4. Define the risk management procedure and application methods (e.g. sensitivity analysis, value at risk calculation, scenario simulation and stress testing, etc.); require the relevant entities to set the limits of the various financial product transactions, e.g. the limit of position, stop-loss limit, and also the approving authority and guidelines to process the excess in the limit. In order to enhance the transparency of the information about market risk, the risk management entities shall inspect and submit the risk management report on a daily basis, and shall continue supervising and following up on extraordinary circumstances in the transactions, if any.
2. Market risk management organization and structure	<ol style="list-style-type: none"> 1. Board of Directors: <ol style="list-style-type: none"> (1) The Board of Directors is the Bank's supreme policy-making entity of risk management, responsible for authorizing the Bank's risk management policies and guidelines and supervising fulfillment of the various systems to achieve the Bank's entire market risk management objectives. (2) Establish Audit Committee to review the risk-related motions before proposing them to the Board of Directors and communicate with the risk implementation entities. 2. Senior management: <p>Asset & Liability Management Committee and Risk Management Committee are subordinated to the president.</p> <ol style="list-style-type: none"> (1) Develop the Bank's market risk management guidelines and rules according to the market risk management policies approved by Board of Directors, and ensure that the Bank has the express functions and operations for market risk management, effective market risk management procedure and proper market risk management system. (2) Authorize competent employees to execute the market risk management operation and ensure that they have the ability and expertise affordable to execute the market risk management business and comply with the relevant policies and procedures. 3. Risk Management Dept: <ol style="list-style-type: none"> (1) Responsible for researching and drafting or amending the Bank's risk management policies and market risk guidelines to be proposed to Board of Directors for approval. (2) Work with proprietary trading entities to research and draft or amend the various financial products business control rules, and propose them to the president for approval. (3) Plan and establish the Bank's structure of identifying, measuring and controlling market risk, execute the limit management report and inspection to alert excess in limit, in order to ensure that the various financial products businesses may strictly comply with the Bank's risk management policies and

Item	Content
	<p>regulations.</p> <p>4. Business Unit: In charge of securities and financial derivatives trading, and cross-Bank capital management, as well as executing transactions within limit according to the Bank's risk-control standard.</p> <p>5. Internal Audit: An independent internal audit unit reporting to the Board of Directors reviews the Market of this bank's risk management system at planned intervals, discloses the related information in the audit report, and ensures that appropriate improvement actions have been taken by related units.</p>
3. Scope and characteristics of market risk report and measurement systems	<p>1. To provide the market risk daily management reports to disclose the positions, value at risk, profit and loss of the various financial products.</p> <p>2. The Bank measures and supervises market risks according to related risk management guidelines and employs the VaR model for quantitative integrated management of market risks. Through daily presentation of the market risk report and position analysis, the Bank is full aware of any changes in risks.</p>
4. The hedge of market risk or risk reduction policies, and strategies and procedures for controlling the on-going effectiveness of hedging and risk reduction tools	When the market risk exposure is getting higher, the Bank will take some approaches such as risk exposure deduction or approved hedge to lower the market risk to the controllable level.
5. Approach for regulatory capital charge.	Standardized Approach.

B. Accrued Capital Charge of Market Risk :

Unit: NT\$1,000 ; December 31, 2012

Type of Risk	Accrued capital charge
Interest rate risk	689,384
Equity risk	468,384
Foreign exchange risk	122,521
Commodity risk	0
Total	1,280,289

C. Value at Risk for Trading Position (99%, one day, unit: NT\$1,000) :

Item	2012			
	December 31, 2012	Average VaR	Minimum VaR	Maximum VaR
Interest rate	3,368	5,058	193	23,090
Equity	7,956	6,883	380	18,897
Foreign exchange	2,732	3,247	24	16,262
Commodity	0	0	0	0
Subtotal	14,057	15,188	—	—
Diversified effect	(2,938)	(2,131)	—	—
Total value at risk	11,119	13,057	3,318	30,522

(5) Information of Liquidity Risk Management:

A. Structure analysis of time to maturity (NT\$)

Unit: NT\$1,000 ; December 31, 2012

	Total	0-10 days	11-30 days	31-90days	91-180 days	181-365days	Over 365days
Primary funds inflow upon maturity	494,898,394	71,207,183	61,404,871	29,272,559	22,621,387	39,015,106	271,377,288
Primary funds outflow upon maturity	490,788,434	21,810,964	36,518,223	72,427,359	41,520,487	72,749,371	245,762,030
Gap	4,109,960	49,396,219	24,886,648	(43,154,800)	(18,899,100)	(33,734,265)	25,615,258

B. Structure analysis of time to maturity (US\$)

Unit: thousand US\$; December 31, 2012

	Total	1-30 days	31-90days	91-180 days	181-365days	Over 365days
Primary funds inflow upon maturity	1,812,957	509,108	402,489	246,334	106,274	548,752
Primary funds inflow upon maturity	1,990,786	1,090,331	284,519	255,793	338,107	22,036
Gap	(177,829)	(581,223)	117,970	(9,459)	(231,833)	526,716

C. The Bank's Asset-Liability Management, Liquidity Risks, Banking Book Interest Rate Risk Management and Funding Gap Management:

The Bank's asset-liability management plan aims to fully utilize the asset-liability gap and strive for the maximum profit for the Bank under controllable risks. Security, liquidity and profitability are adopted as principles for banking book current asset arrangement.

Since the "Asset-Liability Management System" (ALM) was established in August 2008, the Bank has been systematically supervising the liquidity of asset inside and outside the balance sheet, liability and owner's equity periodically, including deposit, loans and investment, and the future tendency of interest rates. In addition to following the related regulations of the competent authorities, the Treasury Department adjusts every day the allocation of current assets at the appropriate time according to the deposit and loan gaps and the capital demand and supply status on the market. Furthermore, the Asset and Liability Management Committee observes and analyses the liquidation of major assets and liabilities and the changes in interest rate sensitivity, sets various indicators and alert points, and performs scenario simulation and stress tests every month, in order to take advance control of asset/liability liquidation or interest rate changes.

We adopt the fund transfer pricing (FTP) system to centralize the control of risk of deposit and loan interest rates at the Treasury Department. We also establish individual

FTP interest rates according to the currency, undertaking period, and interest rate characteristics of assets and liabilities; and adjust these rates according to the deposit-to-loan ratio and the status of market funding liquidity and business promotion.

(6) Effect of changes in foreign/domestic important policies and regulations on the Bank's financial business, and responsive action thereof:

See page 5~8

(7) The effect of changes in the Bank's image on the Bank's financial business , and responsive action thereof:

The Bank always conform to our philosophy “Sincerity, Stability, Service, Innovation and Attentiveness” and to the obedience with regulations and competent authority’s requirements to supply clients with more diverse, more complete and more comprehensive professional financial services and strive toward its ultimate goal-“provide ideal services to clients, create the most interest for shareholders and supply the feedback to the society wholeheartedly.”

(8) Risks and Repones for Service Centralization:

A. Group Centralization Risk:

The Bank has developed regulations and set the limits on different groups and companies. These limits are adjusted timely to avoid concentration risks and decentralize credit risks the Bank undertakes.

B. Industry Centralization Risk:

The Bank has developed regulations and set the industry limits on different industries. These limits are adjusted timely to avoid concentration credit risks and decentralize credit risks the Bank undertakes.

C. Country Centralization Risk:

The Bank has developed regulations and set the country limits on different countries. These limits are adjusted timely to avoid concentration credit risks and decentralize credit risks the Bank undertakes.

(9) The effect, risks and responsive actions of changes in the management rights:

The Bank is a subsidiary 100% held by Yuanta Financial Holdings. Management rights did not change.

(10) Litigation and Non-Litigation:

There’s no significant litigation.

(11) Information of Crisis Management:

In order to perfect the Bank’s crisis prevention and response mechanism, the Bank has defined the “Crisis Management Policies” and “Procedures and Crisis Management Response Manual”, so that supervisors of related units may report the emergency via the

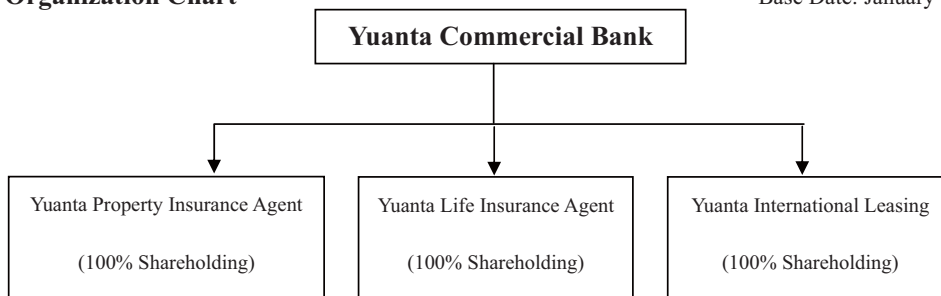
various channels and research and draft responsive practices in the case of any risk or likelihood of risk, so as to restore the operation of the Bank's businesses expeditiously and effectively to minimize the damage. Meanwhile, the Bank has defined the SOP for the various emergencies (e.g. fire, robbery, or mass protest); periodically conduct safety drill run for rapid and effective response to emergency.

V. Special Notes

1. Information of Affiliates

(1) Organization Chart

Base Date: January 31, 2013



Corporate	Date of Establishment	Address	Paid-in Capital (NT\$1,000)	Scope of Business
Yuanta Property Insurance Agent Ltd.	October 02, 1999	7F, No.66, Sec.1, Dunhua S. Rd., Taipei City	3,600	Property Insurance Agent
Yuanta Life Insurance Agent Co., Ltd.	November 20, 2001	7F, No.66, Sec.1, Dunhua S. Rd., Taipei City	3,000	Life Insurance Agent
Yuanta International Leasing Co., Ltd.	November 15, 2012	7F., No.69, Baoqing Rd., Zhongzheng Dist., Taipei City	600,000	Leasing

(2) Directors, Supervisors and Managers

Base Date: January 31, 2013

Corporate	Position	Name of Individual or Representative(s)	Shareholdings
Yuanta Property Insurance Agent Ltd.	Chairman	Yuanta Commercial Bank Statutory Representatives: Chia-Lin Chin	(a limited company) 100.00%
Yuanta Life Insurance Agent Co., Ltd.	Chairman	Yuanta Commercial Bank Statutory Representatives: Chia-Lin Chin	300,000 shares 100.00%
	Director	Yuanta Commercial Bank Statutory Representatives: Lee-Kang Wong, Hung-Lin Wu	
Yuanta International Leasing Co., Ltd.	Supervisor	Yuanta Commercial Bank Statutory Representatives: Mei-Ju Chen	60,000,000 shares 100.00%
	Chairman	Yuanta Commercial Bank Statutory Representatives: Chia-Lin Chin	
	Director	Yuanta Commercial Bank Statutory Representatives: Lee-Kang Wong, Eric K. Chiu	
	Supervisor	Yuanta Commercial Bank Statutory Representatives: Hsin-Ying Chen	
	President	Sheng-Tung Wen	

(3) Business Overview

Unit:NT\$1,000 ; Base Date: December 31, 2012

Corporate	Capital	Total Assets	Total Liabilities	Book Value	Operating Revenue	Operating Income	Income (after tax)	EPS (NT\$) (after tax)
Yuanta Property Insurance Agent Ltd.	3,600	12,619	1,746	10,873	16,034	5,800	5,083	14.12
Yuanta Life Insurance Agent Co., Ltd.	3,000	108,052	51,212	56,840	519,818	51,401	42,816	142.72
Yuanta International Leasing Co., Ltd.	600,000	599,894	109	599,785	-	(499)	(215)	0.00

Milestones of Yuanta Commercial Bank in 2012

January	Launched “Wealth Puzzle”, the periodic (variable) payment plan for mutual fund.
	Launched “Net Money First, Fund Your Future”, the e-banking program for mutual fund.
	Launched annual e-banking plan “Fireworks Crack, Dragon Year Comes”.
	Launched online service for “Gold Passbook”.
	Launched “Magic Ladder”, the ladder-type preferential interest rate plan for NTD time deposit.
	Launched “Petty Capital, Pretty Interest”, foreign currency time deposit plan.
	Issued Yuanta Business Signature Card and Titanium Card.
	Complete the establishment of the electronic bid bond and security system for the government buying website.
February	Relocated Da'an Branch.
	Held the fifth “Lively Baby Financial Camp”(for north and central Taiwan).
March	Relocated Caotun Branch.
	Issued Yuanta Crystal Card.
April	Launched dollar-cost averaging service for “Gold Passbook”.
	Organized the Investment Explained keynote talk for wealth management (2 seminars across Taiwan).
May	Organized the Investment Explained keynote talk for wealth management (6 seminars across Taiwan).
	Officially became a member of Factors Chain International.
	Launched the “Power Up Your Money” plan for e-banking.
June	Launched the Car Financing service.
July	Launched the New Wealth Management platform.
	Acquired BS10012, an international certificate for Personal Information Management System.
	Launched the investment and trading service of the mobile banking for “Gold Passbook”.
	Held the sixth “Lively Baby Financial Camp” (for north and south Taiwan).

August	Reopened and relocated the original Yuanlin Branch of Chin-Fon Bank and renamed it Ximen Branch.
	Held the sixth “Lively Baby Financial Camp” (for central Taiwan).
	Launched “Green Your E-Fun”, a plan for e-banking.
October	Received awards, “Cross-Bank Service- Best Promotion of Electronic Payment Service” and “Mobile Banking Service-Innovation Excellence in Electronic Payment Service”, from Financial Information Service Co., LTD.
	Launched the “NTD Demand Deposit Interest Grabbing” plan.
November	Awarded the top 2nd for E-Banking and 3rd for Physical Bank within Service Item in the 5th Best Brand for Business Professionals, held by Business Today.
December	Relocated and renamed Jinhe Branch to Shuanghe Branch.
	The 18th “Sweet Home-Children Drawing”, a drawing contest held by Wanjashan.
	Launched the “Money for Newbies -Foreign Currency Time Deposit” plan
	Rated as the Excellent Institution by Joint Credit Information Center for 2012 Gold Quality Award -Credit Granting Data”

Branches and Overseas Offices

Base Date: March.22, 2013

Name	Tel	Fax	Address
Business Department	(02) 2173-6680	(02) 2772-1909	No.66 , Sec. 1, Dunhua S. Rd., Taipei City 105, Taiwan
Taipei Branch	(02) 2705-7888	(02) 2755-3751	No.38, Sec. 2, Dunhua S. Rd. , Taipei City 106, Taiwan
Chingmei Branch	(02) 8663-6766	(02) 8663-3139	No.3, Jingwun St. , Taipei City 116, Taiwan
Nanjing East Road Branch	(02) 2545-8777	(02) 2545-8118	No.221, Sec. 3, Nanjing E. Rd., Taipei City 104, Taiwan
Shihlin Branch	(02) 2837-6638	(02) 2835-5886	No.314, Zhongzheng Rd. , Taipei City 111, Taiwan
Guting Branch	(02) 2365-4567	(02) 2368-5959	No.37, Sec. 3, Roosevelt Rd., Da'an Dist., Taipei City 106, Taiwan
Neihu Branch	(02) 8751-8759	(02) 8751-9858	No.618, Rueiguang Rd. , Taipei City 114, Taiwan
Sinyi Branch	(02) 2703-2569	(02) 2701-2259	No.236-1, Sec. 4, Sinyi Rd., Taipei City 106, Taiwan
Songjiang Branch	(02) 2516-8608	(02) 2516-1078	No.109, Songjiang Rd., Taipei City 104, Taiwan
Tianmu Branch	(02) 2871-2558	(02) 2871-1117	No.14, Tianmu W. Rd. Taipei City 111, Taiwan
Minsheng Branch	(02) 8712-9666	(02) 8712-7077	No.52-1, Sec. 4, Minsheng E. Rd., Taipei City 105, Taiwan
Zhongshan North Road Branch	(02) 2521-7888	(02) 2521-0678	No.135 Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 104, Taiwan
Zhongxiao Branch	(02) 8786-7778	(02) 8786-7758	No.238, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 110, Taiwan
Chengde Branch	(02) 2592-0000	(02) 2592-1209	No.210, Sec. 3, Chengde Rd., Datong Dist., Taipei City 103, Taiwan
Chengjhong Branch	(02) 2382-2888	(02) 2381-8399	No.42, Hengyang Rd., Zhongzheng Dist., Taipei City 100, Taiwan
Guanqian Branch	(02) 2388-3938	(02) 2388-3218	No.15, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan
Datong Branch	(02) 2558-5869	(02) 2554-8830	No.66, Nanjing W. Rd., Datong Dist., Taipei City 103, Taiwan
Songshan Branch	(02) 8785-7618	(02) 8785-9711	No.675, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 110, Taiwan
Daan Branch	(02) 2395-8199	(02) 2395-6619	No.148-1, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan
Yanping Branch	(02) 2558-9222	(02) 2558-1700	No.57, Sec. 2, Yanping N. Rd., Datong Dist., Taipei City 103, Taiwan
Wende Branch	(02) 2797-7988	(02) 2797-0858	No.68, Wende Rd., Neihu Dist., Taipei City 114, Taiwan
Beitou Branch	(02) 2898-2121	(02) 2897-9667	No.35, Sec. 2, Beitou Rd., Beitou Dist., Taipei City 112, Taiwan
Dunnan Branch	(02) 2700-5818	(02) 2700-5278	No.271, Sec. 1, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan
Gongguan Branch	(02) 2369-3955	(02) 2369-3983	No.275, Sec. 3, Roosevelt Rd., Da'an Dist., Taipei City 106, Taiwan
Heping Branch	(02) 2368-8066	(02) 2368-6158	No.212, Sec. 1, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan

Name	Tel	Fax	Address
Ximen Branch	(02)2388-2768	(02)2388-1928	No.69, Baoqing Rd., Zhongzheng Dist., Taipei City 100, Taiwan
Sindian Branch	(02) 2912-5799	(02) 2914-1255	No.252, Sec. 2, Beixin Rd., Xindian Dist., New Taipei City 231, Taiwan
Sindian Zhongzheng Branch	(02) 2911-0058	(02) 2911-7858	No.225, Zhongzheng Rd., Xindian Dist., New Taipei City 231, Taiwan
Shuanghe Branch	(02) 2245-7198	(02) 2245-0698	2F-1, No.232, Zhonghe Rd., Zhonghe Dist., New Taipei City 235, Taiwan
Yonghe Branch	(02) 8231-1288	(02) 8231-1277	No.657, Zhongzheng Rd., Yonghe Dist., New Taipei City 234, Taiwan
Jhonghe Branch	(02) 2245-6789	(02) 2245-5676	No.1 & No.3, Taihe St., Zhonghe Dist., New Taipei City 235, Taiwan
Sanchong Branch	(02) 2983-2255	(02) 2988-5810	No.111, Sec.3, Chongsin Rd. , Sanchong Dist., New Taipei City 241, Taiwan
Beisanchong Branch	(02) 2982-9192	(02) 2989-3060	No.195, Jhengyi N. Rd., Sanchong Dist., New Taipei City 241, Taiwan
Shangsinhuang Branch	(02) 2990-0999	(02) 2993-3222	No.173, Siyuan Rd., Xinzhuang Dist., New Taipei City 242, Taiwan
Sinhuang Branch	(02) 2996-7999	(02) 8992-6321	No.246, Xintai Rd., Xinzhuang Dist., New Taipei City 242, Taiwan
Banciao Branch	(02) 2953-6789	(02) 2953-3386	No.69, Sec. 1, Zhongshan Rd., Banqiao Dist., New Taipei City 220, Taiwan
Puqian Branch	(02) 8952-0788	(02) 8952-0828	No.125, Sec. 2, Zhongshan Rd., Banqiao Dist., New Taipei City 220, Taiwan
Tucheng Branch	(02) 2270-3030	(02) 2260-5151	No.255, Sec. 1, Zhongyang Rd., Tucheng Dist., New Taipei City 236, Taiwan
Lujhou Branch	(02) 2281-8958	(02) 2281-0266	No.10, Zhongshan 1st Rd., Luzhou Dist., New Taipei City 247, Taiwan
Nankan Branch	(03) 312-9550	(03) 312-9551	No.309, Zhongzheng Rd. , Lujhu Township , Taoyuan County 338, Taiwan
Zhongli Branch	(03) 426-6007	(03) 426-6017	No.7, Zhongyang E. Rd. , Zhongli City, Taoyuan County 320, Taiwan
Taoyuan Branch	(03) 356-5000	(03) 356-5001	No.375, Sec. 1, Zhuangjing Rd., Taoyuan City, Taoyuan County 330, Taiwan
Taosin Branch	(03) 338-5518	(03) 338-5618	No.51-2, Fusing Rd., Taoyuan City, Taoyuan County 330, Taiwan
Pingjhen Branch	(03) 494-2690	(03) 494-3061	No.18, Huannan Rd. , Pingjhen City , Taoyuan County 324, Taiwan
Linkou Branch	(03) 328-8999	(03) 328-8668	No.236 & No.238, Fusing 1st Rd., Gueishan Township , Taoyuan County 333, Taiwan
Hsinchu Branch	(03) 545-6688	(03) 545-6008	No.276, Minsheng Rd. , Hsinchu City 300, Taiwan
Jhubei Branch	(03) 555-9199	(03) 555-7200	No.85, Guangming 6th Rd., Jhubei City, Hsinchu County 302, Taiwan
Hsinchu Science Park Branch	(03) 666-7888	(03) 666-7688	No.267, Sec. 1, Guangfu Rd., Hsinchu City 300, Taiwan
Datong Branch	(03) 523-6600	(03) 525-7700	No.196, Linsen Rd., Hsinchu City 300, Taiwan
Luodong Branch	(03) 956-8966	(03) 956-2333	No.38, Zhongzheng N. Rd., Luodong Township, Yilan County 265, Taiwan
Kinmen Branch	(082) 322-566	(082) 373-102	No.188-1 Mincyuan Rd., Jincheng Township, Kinmen County 893, Taiwan
Hualien Branch	(03) 831-1708	(03) 832-1169	No.74, Zhongshan Rd., Hualien City, Hualien County 970, Taiwan

Name	Tel	Fax	Address
Miaoli Branch	(037) 336-678	(037) 336-718	No.460, Zhongzheng Rd., Miaoli City, Miaoli County 360, Taiwan
Taichung Branch	(04) 2227-1799	(04) 2220-7499	No.8, Sec. 2, Ziyou Rd., Central Dist., Taichung City 400, Taiwan
Wunsin Branch	(04) 2297-0068	(04) 2296-5966	No.337, Sec. 3, Wunsin Rd. , Situn Dist., Taichung City 407, Taiwan
Fusing Branch	(04) 2261-6889	(04) 2262-1060	No.269, Sec. 1, Fusing Rd., South Dist., Taichung City 402, Taiwan
ChongDe Branch	(04) 2232-9961	(04) 2233-1818	No.46, Sec. 2, Chongde Rd. , Beitun Dist., Taichung City 406, Taiwan
ChungGang Branch	(04) 2465-0889	(04) 2465-0989	No.102-10, Sec. 3, Taichung Port Rd., Situn Dist., Taichung City 407
Shalu Branch	(04) 2665-6656	(04) 2663-3852	No.535, Zhongshan Rd. , Shalu Dist., Taichung City 433, Taiwan
Fongyuan Branch	(04) 2529-3366	(04) 2524-0028	No.23, Yuanhuan W. Rd. , Fongyuan Dist., Taichung City 420, Taiwan
Dali Branch	(04) 2492-2288	(04) 2493-2355	No.724, Tucheng Rd. , Dali Dist., Taichung City 412, Taiwan
Dajia Branch	(04) 2688-6088	(04) 2688-6366	No.833, Sec. 1, Zhongshan Rd. , Dajia Dist., Taichung City 437, Taiwan
Taiping Branch	(04) 2270-2688	(04) 2273-6000	No.53, Zhongxing Rd., Taiping Dist., Taichung City 411, Taiwan
Caotun Branch	(049) 232-1661	(049) 232-1800	No.88, Zhongxing Rd., Caotun Township, Nantou County 542, Taiwan
Changhua Branch	(04) 726-7001	(04) 726-6992	No.898, Sec. 2, Zhongshan Rd. , Changhua City , Changhua County 500, Taiwan
Yuanlin Branch	(04) 835-6403	(04) 835-2653	No.283, Sec. 2, Datong Rd. , Yuanlin Township , Changhua County 510, Taiwan
Lugang Branch	(04) 778-5799	(04) 777-9779	No.321, Zhongshan Rd. , Lugang Township , Changhua County 505, Taiwan
Beidou Branch	(04) 887-3881	(04) 887-3886	No.166, Guangfu Rd. , Beidou Township , Changhua County 521, Taiwan
Doushin Branch	(05) 535-1799	(05) 535-1313	No.29, Wunhua Rd. , Douliou City , Yunlin County 640, Taiwan
Huwei Branch	(05) 633-9169	(05) 633-9423	No.1, Heping Rd. , Huwei Township , Yunlin County 632, Taiwan
Dounan Branch	(05) 597-1138	(05) 597-1139	No.67, Zhongshan Rd. , Dounan Township , Yunlin County 630, Taiwan
Chiayi Branch	(05) 232-7469	(05) 232-6415	No.185, Zhongxing Rd. , Chiayi City 600, Taiwan
Yongkang Branch	(06) 312-6789	(06) 312-1228	No.511, Siaodong Rd. , Yongkang Dist., Tainan City 710, Taiwan
Jiali Branch	(06) 721-4888	(06) 721-0249	No.278, Wunhua Rd. , Jiali Dist., Tainan City 722, Taiwan
Tainan Branch	(06) 293-8688	(06) 293-8699	No.348, Sec. 1, Yonghua Rd., West Central Dist., Tainan City 700, Taiwan
Fuchen Branch	(06) 228-1281	(06) 222-2415	No.165, Sec. 1, Minsheng Rd., West Central Dist., Tainan City 700, Taiwan
Fudong Branch	(06) 268-7815	(06) 267-3371	No.348, Sec. 2, Dongmen Rd., East Dist., Tainan City 701, Taiwan
KaiYuan Branch	(06) 238-3125	(06) 236-3661	No.461, Shengli Rd., North Dist., Tainan City 704, Taiwan
Anhe Branch	(06) 255-1236	(06) 256-9941	No.226, Sec. 1, Anhe Rd. , Annan Dist., Tainan City 709, Taiwan

Name	Tel	Fax	Address
Zuoying Branch	(07) 581-0898	(07) 581-0798	No.158, Zuoying Avenue, Zuoying Dist., Kaohsiung City 813, Taiwan
Kaohsiung Branch	(07)282-2101	(07)282-2160	No.143, Zhongzheng 4th Rd., Qianjin Dist., Kaohsiung City 801, Taiwan
Boai Branch	(07) 558-6088	(07) 558-3699	No.491, Mingcheng 2nd Rd. , Zuoying Dist., Kaohsiung City 813, Taiwan
Fongshan Branch	(07) 715-2700	(07) 715-8500	No.280, Wujia 2nd Rd. , Fongshan Dist., Kaohsiung City 830, Taiwan
Sanmin Branch	(07) 395-1588	(07) 395-3288	No.715, Jiangong Rd. , Sanmin Dist., Kaohsiung City 807, Taiwan
Pingtung Branch	(08) 735-0426	(08) 737-0121	No.690, Guangdong Rd., Pingtung City, Pingtung County 900, Taiwan
Tungshin Branch	(089) 324-351	(089) 324-734	No.427, Sec. 1, Zhonghua Rd. , Taitung City , Taitung County 950, Taiwan

Overseas Office	Tel	Fax	Address
Hong Kong Representative Office	852-2810-9313	852-2810-9310	RM 1203C2,BLK 1, 12F., Admiralty Centre, No.18 Harcourt Road , Admiralty, Hong Kong

Affiliate	Tel	Fax	Address
Yuanta Property Insurance Agent Ltd.	(02) 2173-6879	(02) 2772-1995	7F, No.66, Sec. 1, Dunhua S. Rd., Songshan District, Taipei City 105, Taiwan
Yuanta Life Insurance Agent Co., Ltd.	(02) 2173-6879	(02) 2772-1466	7F, No.66, Sec. 1, Dunhua S. Rd., Songshan District, Taipei City 105, Taiwan
Yuanta International Leasing Co., Ltd.	(02) 2173-6039	(02) 2772-5825	7F., No.69, Baoqing Rd., Zhongzheng Dist., Taipei City 100, Taiwan



Yuanta Commercial Bank Co., Ltd.

