DBS BANK (TAIWAN) LTD

FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2013 AND 2012

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

Report of Independent Accountants Translated from Chinese

PWCR13003390
To DBS Bank (Taiwan) Ltd

We have audited the accompanying balance sheets of DBS Bank (Taiwan) Ltd ("the Company") as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related statements of comprehensive income, of changes in equity, and of cash flows for the years ended December 31, 2013 and 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the "Rules Governing the Examination of Financial Statements of Financial Institutions by Certified Public Accountants" and generally accepted auditing standards of 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements 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 DBS Bank (Taiwan) Ltd as of December 31, 2013, December 31, 2012 and January 1, 2012, and their financial performance and cash flows for the years ended December 31, 2013 and 2012 in conformity with the "Regulations Governing the Preparation of Financial Reports by Public Banks" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the Financial Supervisory Commission.

PricewaterhouseCoopers Taiwan
March 21, 2014

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles 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 applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

DBS BANK (TAIWAN) LTD
BALANCE SHEETS
DECEMBER 31, 2013, DECEMBER 31, 2012 AND JANUARY 1, 2012
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			December 31, 2013		December 31, 2012		January 1, 2012	
	ASSETS	Notes	Amount	%	Amount	%	Amount	%
	ASSETS							
11000	Cash and cash equivalents	6(1) and 7	$ 10,167,947	3	$ 2,423,558	1	$ 9,962,100	100
11500	Due from Central Bank and call loans to other banks	6(2) and 7	12,106,576	4	12,606,720	5	-	-
12000	Financial assets at fair value through profit or loss	6(3) and 7	16,727,895	5	10,372,961	4	-	-
13000	Receivables – net	6(4)(5), 7 and 8	13,170,551	4	4,357,635	1	3,906	-
13200	Current income tax assets		5,345	-	6,608	-	882	-
13500	Bills discounted and loans – net	6(5) and 7	192,177,618	61	183,110,381	69	-	-
14000	Available-for-sale financial assets	6(6) and 8	70,570,830	22	49,608,728	19	-	-
15500	Other financial assets – net	6(7)	225,161	-	47,109	-	-	-
18500	Property and equipment – net	6(8)	1,526,930	1	1,669,637	1	-	-
18700	Investment properties – net	6(9)	244,027	-	248,606	-	-	-
19000	Intangible assets– net	6(10)	98,971	-	120,476	-	-	-
19300	Deferred income tax assets – net	6(32)	41,479	-	37,999	-	22,821	-
19500	Other assets– net	6(11) and 7	197,602	-	189,139	-	800	-
	TOTAL ASSETS		$ 317,260,932	100	$ 264,799,557	100	$ 9,990,509	100
	LIABILITIES AND EQUITY							
	LIABILITIES							
21000	Due to Central Bank and other banks	6(12) and 7	$ 61,736,806	20	$ 40,822,448	15	$ -	-
22000	Financial liabilities at fair value through profit or loss	6(13) and 7	3,383,478	1	3,278,640	1	-	-
23000	Payables	6(14) and 7	3,993,820	1	4,503,858	2	101,929	1
23200	Current income tax liabilities		71,850	-	-	-	-	-
23500	Deposits and remittances	6(15) and 7	220,468,512	70	189,518,193	72	-	-
25500	Other financial liabilities	6(16)	3,540,557	1	3,390,125	1	-	-
25600	Provisions	6(17)(18)	310,725	-	283,755	-	-	-
29300	Deferred income tax liabilities	6(32)	10,489	-	40,853	-	-	-
29500	Other liabilities	6(19)	632,798	-	465,367	-	-	-
	TOTAL LIABILITIES		294,149,035	93	242,303,239	91	101,929	1

(Continued)

DBS BANK (TAIWAN) LTD
BALANCE SHEETS
DECEMBER 31, 2013, DECEMBER 31, 2012 AND JANUARY 1, 2012
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			December 31, 2013		December 31, 2012		January 1, 2012	
	LIABILITIES AND EQUITY	Notes	Amount	%	Amount	%	Amount	%
	EQUITY							
31100	**Share capital**	6(20)						
31101	Common shares		$ 22,000,000	7	$ 22,000,000	9	$ 10,000,000	100
32000	**Retained earnings**	6(21)						
32001	Legal reserve		147,504	-	-	-	-	-
32011	Retained earnings (accumulated deficit)		929,146	-	457,437	-	(111,420)	(1)
32500	**Other equity**	6(22)	35,247	-	38,881	-	-	-
	TOTAL EQUITY		23,111,897	7	22,496,318	9	9,888,580	99
	TOTAL LIABILITIES AND EQUITY		$ 317,260,932	100	$ 264,799,557	100	$ 9,990,509	100

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

DBS BANK (TAIWAN) LTD
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE)

			FOR THE YEAR ENDED DECEMBER 31, 2013		FOR THE YEAR ENDED DECEMBER 31, 2012		Variance
		Notes	Amount	%	Amount	%	%
41000	Interest income	6(24) and 7	$ 5,297,473	100	$ 4,763,113	100	11
51000	Less: Interest expense	6(24) and 7	(2,162,640)	(41)	(2,045,847)	(43)	6
	Net interest income		3,134,833	59	2,717,266	57	15
	Net non-interest income						
49100	Net fee and commission income	6(25) and 7	702,660	13	784,159	16	(10)
49200	Gains or losses on financial assets and financial liabilities at fair value through profit or loss	6(26)	1,350,980	26	694,323	15	95
49300	Realized gains or losses on available-for-sale financial assets	6(27)	-	-	11,585	-	(100)
49600	Foreign exchange gains		282,285	5	244,754	5	15
49800	Other non-interest income	6(28) and 7	138,443	3	603,508	13	(77)
	Net revenues		5,609,201	106	5,055,595	106	11
58200	Bad debts expense and reserve on guarantee liabilities		(509,947)	(10)	(121,743)	(2)	(319)
	Operating expenses						
58500	Employee benefit expense	6(18)(23)(29)and 7	(2,553,928)	(48)	(2,511,552)	(53)	2
59000	Depreciation and amortization expenses	6(30)	(273,233)	(5)	(257,905)	(5)	6
59500	Other general and administrative expenses	6(31) and 7	(1,550,860)	(29)	(1,519,434)	(32)	2
61001	**Income before income tax**		721,233	14	644,961	14	12
61003	Income tax expense	6(32)	(108,684)	(2)	(76,447)	(2)	42
64000	**Net income**		612,549	12	568,514	12	8
	Other Comprehensive Income						
65001	Translation gains and losses on the financial statements of foreign operating entities	6(22)	11,303	-	(7,573)	-	(249)
65011	Unrealized gains or losses on available-for-sale financial assets	6(22)	(14,937)	-	46,454	1	(132)
65031	Actuarial gains and losses of defined benefit plan	6(18)	8,029	-	413	-	1844
65091	Income tax in relation to components of other comprehensive income	6(32)	(1,365)	-	(70)	-	1850
65000	**Other comprehensive income – net**		3,030	-	39,224	1	(92)
66000	**Total comprehensive income**		$ 615,579	12	$ 607,738	13	1
	Earnings Per Share (in New Taiwan dollars)						
	Basic and diluted earnings per share	6(33)	$ 0.28		$ 0.26		

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

DBS BANK (TAIWAN) LTD
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			Retained earnings		Other equity		
	Notes	Common shares	Legal reserve	Retained earnings (accumulated deficit)	Translation gains and losses on the financial statements of foreign operating entities	Unrealized gains or losses on available-for-sale financial assets	Total equity
For the year ended December 31, 2012							
Balance as of January 1, 2012		$ 10,000,000	$ -	($ 111,420)	$ -	$ -	$ 9,888,580
Additional issuance of common shares to acquire operations of DBS Bank Ltd, Taipei Branch	12(6)	12,000,000	-	-	-	-	12,000,000
Net income		-	-	568,514	-	-	568,514
Other comprehensive income (loss)		-	-	343	(7,573)	46,454	39,224
Balance as of December 31, 2012		$ 22,000,000	$ -	$ 457,437	($ 7,573)	$ 46,454	$ 22,496,318
For the year ended December 31, 2013							
Balance as of January 1, 2013		$ 22,000,000	$ -	$ 457,437	($ 7,573)	$ 46,454	$ 22,496,318
Appropriation of net income for 2012 (Note)							
Legal reserve	6(21)	-	147,504	(147,504)	-	-	-
Net income		-	-	612,549	-	-	612,549
Other comprehensive income (loss)		-	-	6,664	11,303	(14,937)	3,030
Balance as of December 31, 2013		$ 22,000,000	$ 147,504	$ 929,146	$ 3,730	$ 31,517	$ 23,111,897

Note: Employees’ bonuses amounting to $3 and $0 for the years 2012 and 2011 respectively have been recognized under operating expenses of statements of comprehensive income.

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

DBS BANK (TAIWAN) LTD
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	NOTES	FOR THE YEAR ENDED DECEMBER 31, 2013	FOR THE YEAR ENDED DECEMBER 31, 2012
Cash Flows From Operating Activities			
Income before income tax		$ 721,233	$ 644,961
Adjustment items			
Income and expenses without cash flows impact			
Bad debts expense and reserve on guarantee liabilities		706,178	302,085
Depreciation expense (including investment properties' depreciation expense)	6(30)	230,721	218,861
Amortization expense	6(30)	42,512	39,044
Interest income		(5,297,473)	(4,763,113)
Dividends income		(13,641)	(13,670)
Interest expense		2,162,640	2,045,847
Gain from sale of property and equipment		(156)	(15,886)
Loss from retirement of property and equipment and intangible assets		7,083	14,289
Realized gain on available-for-sale financial assets		-	(11,585)
Change in assets/liabilities relating to operating activities			
Change in assets relating to operating activities			
(Increase) decrease in due from Central Bank and call loans to other banks		(275,776)	16,772,010
Increase in financial assets at fair value through profit or loss		(6,354,934)	(7,841,699)
Increase in receivables		(8,709,980)	(1,686,964)
Increase in bills discounted and loans − net		(9,697,317)	(30,358,336)
Increase in available-for-sale financial assets		(20,977,039)	(29,289,813)
Increase in other financial assets		(178,757)	(229)
(Increase) decrease in other assets		(8,463)	48,238
Change in liabilities relating to operating activities			
Increase in due to Central Bank and other banks		20,914,358	26,467,063
Increase in financial liabilities at fair value through profit or loss		104,838	986,194
(Decrease) increase in payables		(473,254)	2,036,312
Increase in deposits and remittances		30,950,319	19,901,485
Increase in other financial liabilities		150,432	1,625,756
Increase in liabilities reserve		1,264	46,701
Increase in other liabilities		167,431	295,552
Cash generated from (used in) operations		4,172,219	(2,536,897)
Interest paid		(2,199,424)	(2,068,452)
Income tax paid		(70,780)	(37,246)
Interest received		5,137,334	4,583,488
Dividend received		13,641	13,670
Net cash generated from (used in) operating activities		7,052,990	(45,437)
Cash Flows From Investing Activities			
Acquisition of property and equipment		(83,448)	(134,745)
Proceeds from sales of property and equipment and investment properties		156	125,981
Acquisition of intangible assets		(21,013)	(17,033)
Cash and cash equivalents assumed from DBS Bank Ltd, Taipei Branch		-	1,099,823
Net cash (used in) generated from investing activities		(104,305)	1,074,026
Impact to cash and cash equivalents from changes in exchange rates		19,784	(34,044)
Net increase in cash and cash equivalents		6,968,469	994,545
Cash and cash equivalents at beginning of year		10,956,645	9,962,100
Cash and cash equivalents at end of year		$ 17,925,114	$ 10,956,645
Cash and cash equivalents:			
Cash and cash equivalents in the balance sheet	6(1)	$ 10,167,947	$ 2,423,558
Due from Central Bank and call loans to other banks satisfying the definition of IAS No. 7 "Cash Flow Statements"		7,757,167	8,533,087
Cash and cash equivalents at end of year		$ 17,925,114	$ 10,956,645

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

DBS BANK (TAIWAN) LTD
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2013 AND 2012
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

   DBS Bank (Taiwan) Ltd (the "Company") obtained the approval from the regulator to set up preparatory office on February 25, 2011 and was incorporated under the Company Act of the Republic of China on September 9, 2011.

   According to the approvals of Jinsoxan No. 10001276390 issued by the Ministry of Economic Affairs on January 1, 2012 and of Jinguanyinwai No. 10050003500 issued by the Financial Supervisory Commission of Executive Yuan and in accordance with the Business Mergers and Acquisitions Act and The Financial Institutions Merger Act, the Company acquired specific assets and liabilities items from DBS Bank Ltd, Taipei Branch on January 1, 2012. As of December 31, 2013, the Company has 42 branches and an offshore banking unit across Taiwan.

   The principal activities of the Company comprise mainly of accepting deposits, granting loans, investing in securities, conducting foreign exchange transactions, providing guarantee services, issuing letters of credit, issuing credit cards and conducting trust and agency services and wealth management.

   The Company was incorporated as company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.).

   DBS Bank Ltd holds 100% equity interest in the Company. The ultimate parent company of the Company is DBS Group Holdings Ltd.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

   These financial statements were authorized for issuance by the Board of Directors on March 21, 2014.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

   (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC")

   Not applicable as it is the first-time adoption of IFRSs by the Company this year.

   (2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

   IFRS 9, 'Financial Instruments': Classification and measurement of financial assets

   A. The International Accounting Standards Board ("IASB") published IFRS 9, 'Financial Instruments', in November, 2009, which will take effect on January 1, 2013 with early application permitted. Through the amendments to IFRS 9 published on November 19, 2013, the IASB has removed the previous mandatory effective date, but the standard is available for immediate application. Although the FSC has endorsed IFRS 9, FSC does not permit early application of IFRS 9 when IFRSs are adopted in R.O.C. in 2013. Instead, enterprises should apply International Accounting Standard No. 39 ("IAS 39"), 'Financial Instruments: Recognition and Measurement' reissued in 2009.

   B. IFRS 9 was issued as the first step to replace IAS 39. IFRS 9 outlines the new classification and measurement requirements for financial instruments, which might affect the accounting treatments for financial instruments of the Company.

C. IFRS 9 specifies that the fair value changes in the equity instruments that meet certain criteria may be reported in other comprehensive income, and such amount that has been recognized in other comprehensive income should not be reclassified to profit or loss when such assets are derecognized. It has no significant impact in preliminary assessment as the Company has no equity instruments classified as available-for-sale financial assets.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

The following are the assessment of new standards, interpretations and amendments issued by IASB that are effective but not yet endorsed by the FSC and actual application are based on FSC's rules.

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	The amendment provides first-time adopters of International Financial Reporting Standards with the same transition relief that existing IFRS preparer received in IFRS 7, 'Financial Instruments: Disclosures' and exempts first-time adopters from providing the additional comparative disclosures.	July 1, 2010
Improvements to IFRSs 2010	Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 34 and IFRIC 13.	January 1, 2011
IFRS 9, 'Financial instruments: Classification and measurement of financial liabilities'	1. IFRS 9 requires gains and losses on financial liabilities designated at fair value through profit or loss to be split into the amount of change in the fair value that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and cannot be reclassified to profit or loss when derecognizing the liabilities; and all other changes in fair value are recognized in profit or loss. The new guidance allows the recognition of the full amount of change in the fair value in the profit or loss only if there is reasonable evidence showing on initial recognition that the recognition of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch (inconsistency) in profit or loss. (That determination is made at initial recognition and is not reassessed subsequently.)	The enterprises can choose to adopt any vision of IFRS 9 published by IASB after November 19, 2013. Currently, no mandatory effective date is in place for IFRS 9.

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
	2. The enterprises can choose to only adopt the amendment in point 1 above.	
Disclosures - transfers of financial assets (amendment to IFRS 7)	The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognized and for any continuing involvement in transferred assets, existing at the reporting date.	July 1, 2011
Deferred tax: recovery of underlying assets (amendment to IAS 12)	The amendment gives a rebuttable presumption that the carrying amount of investment properties measured at fair value is recovered entirely by sale, unless there exists any evidence that could rebut this presumption. The amendment also replaces SIC 21, 'Income taxes—recovery of revalued non-depreciable assets'.	January 1, 2012
IFRS 13, 'Fair value measurement'	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.	January 1, 2013
IAS 19 revised, 'Employee benefits' (as amended in 2011)	The revised standard eliminates corridor approach and requires actuarial gains and losses to be recognized immediately in other comprehensive income. Past-service costs will be recognized immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expenses, is recognized in other comprehensive income.	January 1, 2013
Presentation of items of other comprehensive income (amendment to IAS 1)	The amendment requires profit or loss and other comprehensive income (OCI) to be presented separately in the statement of comprehensive income. Also, the amendment requires entities to separate items presented in OCI into two groups based on whether or not they may be	July 1, 2012

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
	recycled to profit or loss subsequently.	
Disclosures—Offsetting financial assets and financial liabilities (amendment to IFRS 7)	The amendment requires disclosures to include quantitative information that will enable users of an entity’s financial statements to evaluate the effect or potential effect of netting arrangements.	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	The amendment clarify the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of ’currently has a legally enforceable right to set off the recognized amounts’; and (ii) that some gross settlement mechanisms with certain features may be considered equivalent to net settlement.	January 1, 2014
Improvements to IFRSs 2009-2011	Amendments to IFRS 1 and IAS 1, IAS 16, IAS 32 and IAS 34.	January 1, 2013
Consolidated financial statements, joint arrangements and disclosure of interests in other Entities: Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10, 11 and 12 is adopted.	January 1, 2013
IFRIC 21, ‘Levies’	The interpretation addresses the accounting for levies imposed by governments in accordance with legislation (other than income tax). A liability to pay a levy shall be recognized in accordance with IAS 37, ‘Provisions, contingent liabilities and contingent assets’.	January 1, 2014
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives that were not impaired.	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	The amendment states that the novation of a hedging instrument would not be considered an expiration or termination giving rise to the discontinuation of hedge accounting when the hedging instrument that is being	January 1, 2014

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
	novated complies with specified criteria.	
Services related contributions from employees or third parties (amendments to IAS 19R)	The amendments allows contributions from employees or third parties that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.	July 1, 2014
Improvements to IFRSs 2010-2012	Amendments to IFRS 2, IFRS3, IFRS8, IFRS13, IAS 16, IAS 24 and IAS 38.	July 1, 2014
Improvements to IFRSs 2011-2013	Amendments to IFRS 1, IFRS3, IFRS13 and IAS 40.	July 1, 2014

The Company is assessing the potential impact of the new standards and amendments above and has not yet been able to reliably estimate their impact on the financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. These financial statements are the first financial statements prepared by the Company in accordance with the “Regulations Governing the Preparation of Financial Reports by Public Banks” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations, as endorsed by the FSC (collectively hereinafter as the “IFRSs”).

B. In the preparation of the balance sheet (hereinafter “operating IFRS balance sheet”) of January 1, 2012 (the date the Company transitioned to IFRSs), the Company has adjusted the amounts that were reported in the financial statements in accordance with previous R.O.C. GAAP. Please refer to Note 15 for the impact of transitioning from R.O.C. GAAP to IFRSs, on the Company’s financial position, financial performance and cash flows.

(2) Basis of financial statement preparation

A. Except for the following significant items, these financial statements have been prepared under the historical cost convention:

(A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(B) Available-for-sale financial assets measured at fair value.

(C) Defined benefit liabilities recognized based on the net amount of pension fund assets plus unrecognized past service cost and unrecognized actuarial losses, and less unrecognized actuarial gains and present value of defined benefit obligation.

B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

C. The Company uses classification based on nature to analyze expenses.

(3) Foreign currency transactions

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in "New Taiwan dollars", which is the Company's functional currency.

A. Foreign currency transactions and balances

(A) Foreign currency transactions are translated into the functional currency using the spot exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(B) Monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses due to the difference between the exchange rate on the transaction date and the exchange rate on the date of actual receipt and payment are recognized in current year's profit or loss.

(C) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss as part of the fair value gain or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(4) Cash and cash equivalents

In the balance sheet, cash and cash equivalents includes cash on hand, deposits held at call with banks and short-term highly liquid investments which are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. In the statement of cash flows, cash and cash equivalents refer to cash and cash equivalents in balance sheets, due from Central Bank and call loan to other banks and bills and bonds under repurchase agreements which meets the definition of cash and cash equivalents of IAS 7 adopted by FSC.

(5) Financial assets and financial liabilities

All financial assets and liabilities of the Company including derivatives are recognized in the balance sheet and are properly classified in accordance with IFRSs as endorsed by the FSC.

A. Financial assets

(A) Regular way purchase or sale

Financial assets held by the Company are all accounted for using trade date accounting.

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

a. Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading.

b. Financial assets at fair value through profit or loss are initially recognized at fair value. Transaction costs are recognized in profit and loss. Subsequent measurements are at fair value are recognized in profit and loss.

(C) Loans and receivables

a. Loans and receivables include those that are originally generated and those that are not. The former originated directly from money, product or service that the Company provides to the debtors, while the latter refers to all the other loans and receivables.

b. Loans and receivables are measured at initial fair value as the transaction price, and are recognized on the basis of fair value plus significant transaction cost, expense, significant service fee charged, discount or premium factor. Subsequently, the loans and receivables shall be measured using effective interest rate method. They are allowed to be measured at original amount if the effect of discounting is insignificant, in accordance with "Regulations Governing the Preparation of Financial Reports by Public Banks.

(D) Available-for-sale financial assets

a. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

b. Available-for-sale financial assets are initially recognized at fair value plus the acquisition cost, and measured at fair value with changes in fair value recognized in other comprehensive income.

(E) Other financial assets－financial assets carried at cost

Equity instruments traded in a non-active market are initially recognized at fair value plus acquisition cost. The fair value can be reasonably estimated when the following criteria are met at the balance sheet date: (a) the variability in the range of reasonable fair value estimate is not significant for that equity instrument; or (b) probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value. If the variability in the range of reasonable fair value estimate could vary significantly, and the probabilities of the various estimates cannot be reasonably measured, then it should be assessed by cost.

B. Financial liabilities

Financial liabilities held by the Company include financial liabilities at fair value through profit and loss and financial liabilities carried at amortized cost.

(A) Financial liabilities at fair value through profit or loss

a. Financial liabilities at fair value through profit and loss include financial liabilities held for trading purpose which is with a purpose of repurchasing or resale in a short period of time, and derivatives except those designated as hedge instruments.

b. Financial liabilities at fair value through profit and loss at initial recognition are measured at fair value, and any change in fair value is recognized in profit and loss.

(B) Financial liabilities carried at amortized cost

Financial liabilities carried at amortized cost include liabilities not classified as financial liabilities at fair value through profit or loss and financial guarantee contracts.

C. Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met:

(A) The contractual rights to receive cash flows from the financial asset expire.

(B) The contractual rights to receive cash flows from the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

(C) The contractual rights to receive cash flows from the financial asset have been transferred; however, it has not retained control of the financial asset.

D. Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation of the contracts are fulfilled, cancelled or expired.

(6) <u>Offsetting financial instruments</u>

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(7) <u>Impairment of financial assets</u>

A. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

(A) Significant financial difficulty of the issuer or obligor;
(B) A breach of contract, such as a default or delinquency in interest or principal payments;
(C) The Company, for economic or legal reasons relating to the borrower’s financial difficulty, granted the borrower a concession that a lender would not otherwise consider; or
(D) High probability of bankruptcy or other financial reorganization of the borrower.

C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(A) Loans and receivables

If there is any objective evidence that the financial asset is impaired, the impairment amount is the difference between the financial assets' book value and the estimated future cash flow (exclusive of future credit loss) discounted using the original effective interest rate. The asset's book value is decreased by adjusting the account of allowance for bad debt, and loss amount is recognized under "bad debt expense and reserve for guarantee liabilities" depending on the nature of financial asset. If a financial asset uses floating rate, then the discounting rate used to assess impairment loss shall adopt the current effective interest rate as decided by the contract.

In the subsequent period, if the amount of the impairment loss decreases due to an event occurring after the impairment was originally recognized (for example, the upgraded credit rating of the debtor), the previously recognized impairment loss is reversed through the allowance for bad debt 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. The reversal is recognized as current profit and loss.

In addition, various types of loans and receivables (including overdue accounts and interest receivable) are assessed based on their aging and possibilities of recovery in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" and IAS 39. Bad debt expense is adjusted for recoveries of non-performing loans which are already written off.

(B) Available-for-sale financial assets

Impairment loss, which is the difference between the cost (less any amortization and principal paid) and its fair value less the impairment loss which previously had been recognized in profit and loss shall be reclassified from other comprehensive income to profit and loss. When the fair value of a debt instrument subsequently increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed to the extent of the loss recognized in profit or loss. Recognition and reversal of impairment losses are made through allowances to adjust the book values of the assets.

(C) Financial assets carried at cost

Impairment loss is recognized in current profit and loss based on the difference between the book value and the discounted amount based on the current market return rate of similar financial assets, and shall not be reversed subsequently. Book value of the assets is adjusted through allowances.

(8) Derivative financial instruments

Derivative instruments are initially recognized at fair value at the contract date and subsequently measured by fair value. The fair value includes the public quotation in an active market or the latest trade price, and evaluation techniques such as cash flow discounting model or option pricing model. All derivatives are recognized as assets when the fair value is positive and as liabilities when the fair value is negative.

(9) Property and equipment

A. The property and equipment of the Company are initially recognized at cost.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Cost model is applied for the subsequent measurement of property and equipment. Land is not depreciated. Other property and equipment are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately. The estimated useful lives of property and equipment are as follows:

Building	50	years
Accessories to building (Listed under buildings)	5~10	years
Machinery and computer equipment	3~7	years
Transportation equipment	5	years
Other equipment	4~20	years
Leasehold improvements	1~20	years

D. On each balance sheet date, the Company reviews and appropriately adjusts the residual value and useful life of the assets.

E. Any gain or loss on disposal is calculated by the difference between the carrying amounts and proceeds on disposal, which is recognized under “Other non-interest income” in the statement of comprehensive income.

(10) Lease

Payments that the Company receives or charges under operating leases are recognized as gain and loss on a straight-line basis during the contract term, which are recognized under “other general and administrative expenses” and “other non-interest income”, respectively.

(11) Investment property

Investment property is initially recognized at its cost and is subsequently measured using the cost model. Depreciated cost is used to calculate depreciation expense after initial measurement. The depreciation method, remaining useful life and residual value should apply the same rules as applicable for property and equipment.

(12) Intangible assets

Intangible assets, consisting of computer software expenditures, are stated at cost and amortized on a straight-line basis over their estimated useful lives of 1-5 years.

(13) Impairment of non-financial assets

The Company assesses the recoverable amount of assets with indications of impairment. An impairment loss is recognized when recoverable amount is lower than its book value. The recoverable amount is the higher of its value of use and its fair value less cost of sale. Impairment loss is reversed when previous events of impairment do not exist or are reduced, to the extent of the book value less depreciation or amortization before impairment loss.

(14) Provisions and contingent liability

A. Provisions are recognized when present obligation (legal or constructive) has arisen as a result of past event, the outflow of economic benefits is highly probable upon settlement and the amount is reliably measurable. Provisions are measured at best estimate of settlement of the obligation. The discount rate reflects the current market assessments on the time value of money and the risk specific to the liabilities before tax. Provisions are not recognized for future operating loss.

B. Contingent liability is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Or it could be a present obligation as a result of past event but the payment is not probable or the amount cannot be measured reliably. The Company did not recognize any contingent liabilities but made appropriate disclosure in compliance with relevant regulations.

(15) <u>Financial guarantee contracts</u>

A. The Company initially recognizes financial guarantee contracts at fair value on the date of issuance. The Company charges a service fee when the contract is signed and therefore the service fee income charged is the fair value at the date that the financial guarantee contract is signed. Service fee received in advance is recognized in deferred accounts and amortized through straight-line method during the contract term.

B. Subsequently, the Company should measure the financial guarantee contract issued at the higher of:

(A) the amount determined in accordance with IAS 37; and

(B) the amount initially recognized less, if appropriate, cumulative amortization recognized in accordance with IAS 18, “Revenue”.

C. The increase in liabilities due to financial guarantee contract is recognized in “bad debt expense and reserve on guarantee liabilities”.

D. Assessment for above guarantee reserve is assessed and set aside according to the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”.

(16) <u>Employee benefits</u>

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and should be recognized as expenses when the service is rendered.

B. Pensions

(A) Defined contribution plans

The contributions are recognized as pension expenses in the period as incurred. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(B) Defined benefit plans

a. Net obligation is recognized at the net amount of actuarial present value of defined benefit obligation less the fair value of fund, which is adjusted with the net unrecognized gain and loss on pension and the net of past service cost recognized as liabilities, and recognizes the pension assets or liabilities. Defined benefit obligation is assessed annually using projected unit credit method by the actuary. The actuarial present value of the defined benefit obligation is determined using the market yield of government bonds of which the currency and maturity are the same with the defined benefit obligation to discount the future cash flow.

b. Actuarial gain and loss as a result of actual experience or change in actuarial assumption should be recognized in other comprehensive income immediately.

c. Past service costs, except that the continuing service should be amortized through the vesting period on a straight-line basis due to the alternation on pension plan in a specified period (vesting period), should all be recognized as gain and loss in the period.

C. Employee's preferential deposits

The Company provides preferential interest rate for its employees, including flat referential savings for current employees. The difference gap compared to market interest rate is deemed as employee benefits. This plan is cancelled as of July 1, 2013.

D. Employees' bonus and directors' and supervisors' remuneration

Employees' bonus and directors' and supervisors' remuneration recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognized based on the accounting for changes in estimates.

(17) Share-based payment – employee compensation plan

Employee benefits include share-based compensation, namely, the DBSH Share Plan and the DBSH Employee Share Plan (the "Plans").

Equity instruments granted and ultimately vested under the Plans are recognized in the statement of comprehensive income based on the fair value of the equity instruments at date of grant. The expense is accounted for as payroll expenses and accrued expense – share-based compensation over the vesting period.

(18) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(19) Interest income and expense

Other than those classified as financial assets and liabilities at fair value through profit and loss, all the interest income and interest expense generated from interest-bearing financial assets are calculated by effective interest rate according to relevant regulations and recognized as "interest income" and "interest expense" in the statement of comprehensive income.

(20) Fee and commission income

Fee and commission income and expense are recognized after underwriting or providing services. Service fee earned through performing significant items is recognized after completing the significant items, such as service fee for the lead bank of a syndicated loan. Fee and commission income and expense in relation to subsequent underwriting services are amortized through service period or included in the calculation of effective interest rate of loans and receivables based on materiality. As for whether loans and receivables should be discounted using effective interest rate, according to the "Regulations Governing the Preparation of Financial Reports by Public Bank", loans and receivables can be valued at original amount if the effect of discounting is immaterial.

(21) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors.

Certain accounting policies and judgments of management could have significantly affected the recognized amounts in the financial statements:

(1) Impairment losses of loans

The Company decides to recognize impairment loss mainly depending if there is any observable evidence indicating that potential impairment may occur. This evidence may include observable information that indicates worsening of the debtor's payment status. In the analysis of estimated cash flows, management makes its estimate based on the loss experience of assets with similar credit risk characteristics in the past. The Company regularly reviews methods and assumptions used on the cash flow amount and the timing to mitigate the difference between the estimated and actual loss amount.

(2) Post-employment benefit

The present value of post-employment benefit obligation is based on actuarial result of various assumptions, through which any change could affect the carrying amount of post-employment benefit obligations.

Discount rate is included when determining the net pension cost (income), and the Company decides an appropriate discount rate at the end of each year, which is used to calculate the estimated present value of future cash outflow of post-employment benefit obligation needed. The Company should consider interest rate of government bonds of the same currency and maturity in order to determine appropriate discount rate.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	$ 1,096,856	$ 1,066,488	$ -
Foreign currency on hand	227,627	111,182	-
Checks for clearance	94,894	412,607	-
Due from banks	8,748,570	833,281	9,962,100
Total	$ 10,167,947	$ 2,423,558	$ 9,962,100

For the purpose of preparing the statements of cash flows, cash and cash equivalents are combined with part of the amount of each account.

	December 31, 2013	December 31, 2012	January 1, 2012
Cash and cash equivalents on the balance sheet	$ 10,167,947	$ 2,423,558	$ 9,962,100
Due from Central Bank and call loans to other banks	7,757,167	8,533,087	-
Cash and cash equivalents on the statement of cash flow	$ 17,925,114	$ 10,956,645	$ 9,962,100

(2) Due from Central Bank and call loans to other banks

	December 31, 2013	December 31, 2012	January 1, 2012
Reserve for deposits – account A	$ 7,549,525	$ 1,606,939	$ -
Reserve for deposits – account B	4,349,409	4,073,633	-
Reserve for deposits – foreign currency account	53,628	43,631	-
Reserve for deposits – Financial Information Service Center	150,940	150,455	-
Call loans to banks	3,074	6,732,062	-
Total	$ 12,106,576	$ 12,606,720	$ -

The reserve deposited with the Central Bank of the Republic of China is maintained in accordance with statutory reserve rates. The reserves for deposits of account B are not allowed to be withdrawn, except for monthly adjustments.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets for trading purposes			
Government bonds	$ 13,240,184	$ 5,897,022	$ -
Corporate bonds	100,478	-	-
Treasury bills	-	1,495,401	-
Derivative financial instruments			
Forward exchange contracts	1,479,741	1,697,631	-
Non-delivery FX forwards	214,654	59,036	-
Interest rate swap contracts	174,862	169,847	-
Cross currency swap contracts	46,254	39,889	-
Interest rate futures	-	319	-
Forward exchange option	1,412,620	984,182	-
Commodity options	23,865	4,236	-
Commodity swap	35,237	25,398	-
Total	$ 16,727,895	$ 10,372,961	$ -

Please refer to Note 6(26) for the net profit on the financial assets at fair value through profit and loss of the Company for the years ended December 31, 2013 and 2012.

(4) Receivables – net

	December 31, 2013	December 31, 2012	January 1, 2012
Interests receivable	$ 736,149	$ 576,009	$ -
Fee and commission receivable	74,318	132,566	-
Advances to credit cards for consumption and revolving credit	65,139	54,303	-
Acceptances receivable	363,684	729,723	-
Factoring receivable	11,953,101	2,835,165	-
Service receivable	24,409	47,403	-
Other receivables	59,979	54,315	3,906
Total	13,276,779	4,429,484	3,906
Less: Allowance for credit losses	(106,228)	(71,849)	-
Net	$ 13,170,551	$ 4,357,635	$ 3,906

(5) Bills discounted and loans – net

	December 31, 2013	December 31, 2012	January 1, 2012
Short-term loans and overdrafts	$ 55,840,092	$ 47,977,536	$ -
Medium-term loans	63,598,438	74,699,683	-
Long-term loans	62,693,044	58,343,441	-
Export-import bills negotiated	11,790,873	4,183,617	-
-Accounts receivable financing	272,453	218,406	-
Overdue loans	889,116	838,751	-
Total	195,084,016	186,261,434	-
Less: Allowance for credit losses	(2,906,398)	(3,151,053)	-
Net	$ 192,177,618	$ 183,110,381	$ -

The Company had assessed the allowance for loans and receivables by considering unrecoverable risks for specific loans and the whole portfolio. Movement in allowance for credit losses for the years ended December 31, 2013 and 2012 was as follows:

Bills discounted and loans

	For the year ended December 31,	
	2013	2012
Beginning balance	$ 3,151,053	$ -
Allowance provided for acquired assets	-	3,417,281
Bad debts expense	620,458	244,050
Recoveries and write offs	(874,735)	(476,371)
Exchange adjustments and others	9,622	(33,907)
Ending balance	$ 2,906,398	$ 3,151,053

Receivables and Exchange bills negotiated

	For the year ended December 31,	
	2013	2012
Beginning balance	$ 71,849	$ -
Allowance provided for acquired assets	-	21,782
Bad debts expense	57,783	52,855
Recoveries and write offs	(33,444)	(10,761)
Exchange adjustments and others	10,745	7,973
Ending balance	$ 106,933	$ 71,849

A. Interest revenue on loans is not accrued if repayment of the principal and interest is overdue by 180 days. As of December 31, 2013, December 31, 2012 and January 1, 2012, overdue loans and other outstanding credit on which interest accruals had been suspended totaled $889,116, $838,751 and $0, and interest revenue that were not internally accrued for the years ended December 31, 2013 and 2012 totaled $16,701 and $19,320.

B. Please refer to Note 12(3)B for impairment assessment of bills discounted and loans and receivables, as of December 31, 2013, December 31, 2012 and January 1, 2012.

(6) Available-for-sale financial assets

	December 31, 2013	December 31, 2012	January 1, 2012
Certificates of deposit	$ 64,605,000	$ 43,620,000	$ -
Treasury bills	997,292	3,984,900	-
Corporate bonds	59,587	58,175	-
Government bonds	4,937,021	1,957,374	-
Valuation adjustment for available-for-sale financial assets	31,517	46,454	-
Less: accumulated impairment–available-for-sale financial assets	(59,587)	(58,175)	-
Net	$ 70,570,830	$ 49,608,728	$ -

Please refer to Note 8 for the Company's available-for-sale financial assets pledged as collateral, as of December 31, 2013, December 31, 2012 and January 1, 2012.

Please refer to Note 6(22) for the realized net profit or valuation adjustment on the available-for-sale financial asset of the Company for the years ended December 31, 2013 and 2012.

(7) Other financial assets – net

	December 31, 2013	December 31, 2012	January 1, 2012
Exchange bills negotiated	$ 178,985	$ -	$ -
Financial assets carried at cost – unlisted stocks	46,881	46,881	-
Overdue account not transferred from loan	-	228	-
Subtotal	225,866	47,109	-
Less: allowance for credit losses	(705)	-	-
Total	$ 225,161	$ 47,109	$ -

As there is no quoted market price in an active market for the unlisted stocks, and their fair value cannot be measured reliably, the unlisted stocks are stated at cost.

(8) Property and equipment – net

The following are the movements of property and equipment:

	Land	Buildings	Machinery and computer equipment	Transportation equipment	Other equipment	Leasehold improvements	Total
At January 1, 2013							
Cost	$ 1,190,623	$ 924,034	$ 326,995	$ 460	$ 141,965	$ 481,398	$ 3,065,475
Accumulated depreciation and impairment	(239,904)	(744,964)	(129,054)	(460)	(76,308)	(205,148)	(1,395,838)
Book value	$ 950,719	$ 179,070	$ 197,941	$ -	$ 65,657	$ 276,250	$ 1,669,637
For the year ended December 31, 2013							
Opening net book amount	$ 950,719	$ 179,070	$ 197,941	$ -	$ 65,657	$ 276,250	$ 1,669,637
Additions(Note1)	-	624	26,794	-	2,612	60,670	90,700
Disposals(Note2)	-	(923)	(300)	-	(556)	(5,497)	(7,276)
Depreciation	-	(41,136)	(62,568)	-	(25,284)	(97,154)	(226,142)
Translation difference	-	-	8	-	3	-	11
Closing net book amount	$ 950,719	$ 137,635	$ 161,875	$ -	$ 42,432	$ 234,269	$ 1,526,930
At December 31, 2013							
Cost	$ 1,190,623	$ 921,605	$ 332,976	$ -	$ 138,232	$ 530,224	$ 3,113,660
Accumulated depreciation and impairment	(239,904)	(783,970)	(171,101)	-	(95,800)	(295,955)	(1,586,730)
Book value	$ 950,719	$ 137,635	$ 161,875	$ -	$ 42,432	$ 234,269	$ 1,526,930

Note1: Including additional cost $7,252 of decommissioning assets.
Note2: Including disposals of book value $205 of decommissioning assets.

	Land	Buildings	Machinery and computer equipment	Transportation equipment	Other equipment	Leasehold improvements	Total
At January 1, 2012							
Cost	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accumulated depreciation and impairment	-	-	-	-	-	-	-
Book value	$ -	$ -	$ -	$ -	$ -	$ -	$ -
For the year ended December 31, 2012							
Opening net book amount	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Acquisition amount	990,096	222,849	198,799	-	90,144	258,300	1,760,188
Additions(Note1)	-	7,771	54,686	-	2,332	111,783	176,572
Disposals	(39,377)	(10,452)	(282)	-	(884)	(1,802)	(52,797)
Transfer	-	509	-	-	-	(509)	-
Depreciation	-	(41,607)	(55,262)	-	(25,935)	(91,522)	(214,326)
Closing net book amount	$ 950,719	$ 179,070	$ 197,941	$ -	$ 65,657	$ 276,250	$ 1,669,637
At December 31, 2012							
Cost	$ 1,190,623	$ 924,034	$ 326,995	$ 460	$ 141,965	$ 481,398	$ 3,065,475
Accumulated depreciation and impairment	(239,904)	(744,964)	(129,054)	(460)	(76,308)	(205,148)	(1,395,838)
Book value	$ 950,719	$ 179,070	$ 197,941	$ -	$ 65,657	$ 276,250	$ 1,669,637

Note1: Including additional cost $41,827 of decommissioning assets.

As of December 31, 2013, December 31, 2012 and January 1, 2012, the above property and equipment were not pledged as collateral by the Company.

(9) Investment properties – net

The following are the movements of investment properties:

	Land	Buildings	Total
At January 1, 2013			
Cost	$ 202,427	$ 219,690	$ 422,117
Accumulated depreciation and impairment	(31,328)	(142,183)	(173,511)
Book value	$ 171,099	$ 77,507	$ 248,606
For the year ended December 31, 2013			
Opening net book amount	$ 171,099	$ 77,507	$ 248,606
Depreciation	-	(4,579)	(4,579)
Closing net book amount	$ 171,099	$ 72,928	$ 244,027
At December 31, 2013			
Cost	$ 202,427	$ 219,690	$ 422,117
Accumulated depreciation and impairment	(31,328)	(146,762)	(178,090)
Book value	$ 171,099	$ 72,928	$ 244,027

	Land	Buildings	Total
At January 1, 2012			
Cost	$ -	$ -	$ -
Accumulated depreciation and impairment	-	-	-
Book value	$ -	$ -	$ -
For the year ended December 31, 2012			
Opening net book amount	$ -	$ -	$ -
Acquisition amount	233,081	87,004	320,085
Disposals	(61,982)	(4,962)	(66,944)
Depreciation	-	(4,535)	(4,535)
Closing net book amount	$ 171,099	$ 77,507	$ 248,606
At December 31, 2012			
Cost	$ 202,427	$ 219,690	$ 422,117
Accumulated depreciation and impairment	(31,328)	(142,183)	(173,511)
Book value	$ 171,099	$ 77,507	$ 248,606

A. The fair value of the investment properties held by the Company as of December 31, 2013, December 31, 2012 and January 1, 2012 was $259,269, $244,669 and $0, respectively, which were assessed by the Company referring to recent transaction prices in the market.

B. Rental income from the lease of the investment properties were $6,174 and $7,697, respectively, for the years ended December 31, 2013 and 2012. Direct operating expense for the years ended December 31, 2013 and 2012 were $770 and $919, respectively.

(10) Intangible assets – net

	Computer software	
	For the year ended December 31,	
	2013	2012
At January 1		
Cost	$ 203,820	$ -
Accumulated amortization	(83,344)	-
	$ 120,476	$ -
Opening net book amount	$ 120,476	$ -
Acquisition amount	-	147,129
Additions	21,013	17,033
Retirement	(12)	(4,642)
Amortization	(42,512)	(39,044)
Translation difference	6	-
Closing net book amount	$ 98,971	$ 120,476
At December 31		
Cost	$ 224,289	$ 203,820
Accumulated amortization	(125,318)	(83,344)
	$ 98,971	$ 120,476

(11) Other assets – net

	December 31, 2013	December 31, 2012	January 1, 2012
Prepaid expenses	$ 108,821	$ 106,566	$ 800
Refundable deposits	88,781	82,573	-
Total	$ 197,602	$ 189,139	$ 800

(12) Due to Central Bank and other banks

	December 31, 2013	December 31, 2012	January 1, 2012
Call loans from banks	$ 61,039,971	$ 40,051,369	$ -
Overdrafts from banks	-	68,276	-
Due to other banks	696,835	702,803	-
Total	$ 61,736,806	$ 40,822,448	$ -

Please refer to Note 6(24) for the interest expense on due to Central Bank and other banks of the Company for the years ended December 31, 2013 and 2012.

(13) Financial liabilities at fair value through profit or loss

	December 31, 2013	December 31, 2012	January 1, 2012
Financial liabilities for trading purposes			
Derivative financial instruments			
Forward exchange contracts	$ 1,528,950	$ 1,958,332	$ -
Non-delivery FX forwards	185,780	51,488	-
Interest rate swap contracts	160,274	211,813	-
Cross currency swap contracts	36,725	43,191	-
Foreign exchange options	1,412,646	984,182	-
Commodity options	23,865	4,236	-
Commodity swap	35,238	25,398	-
	$ 3,383,478	$ 3,278,640	$ -

Please refer to Note 6(26) for the net profit on the financial liabilities at fair value through profit and loss of the Company for the years ended December 31, 2013 and 2012.

(14) Payables

	December 31, 2013	December 31, 2012	January 1, 2012
Payable from settlement of bond transactions	$ 499,277	$ 302,562	$ -
Employees' salaries and bonus payable	544,552	529,369	-
Interests payable	263,481	300,265	-
Administrative and service expenses payable	67,640	270,336	-
Collections payable for customers – checks for clearing	94,894	412,607	-
Business tax and stamp duty payable	35,470	25,213	-
Bankers' acceptances payable	363,684	729,723	-
Factoring payable	1,381,459	1,265,275	-
Receipts under custody	37,100	155,132	168
Refundable stock proceeds	111,625	111,700	-
Other payables	594,638	401,676	101,761
Total	$ 3,993,820	$ 4,503,858	$ 101,929

(15) Deposits and remittances

	December 31, 2013	December 31, 2012	January 1, 2012
Checking deposits	$ 872,898	$ 1,008,152	$ -
Demand deposits	44,359,588	27,521,145	-
Time deposits	119,921,058	104,929,676	-
Savings deposits	55,259,230	56,030,869	-
Negotiable certificates of deposit	5,200	6,300	-
Inward remittance	50,538	22,051	-
Total	$ 220,468,512	$ 189,518,193	$ -

(16) Other financial liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Principal of structured products	$ 3,528,265	$ 3,357,125	$ -
Appropriated loan fund	12,292	33,000	-
Total	$ 3,540,557	$ 3,390,125	$ -

(17) Provisions

	Employee benefit liability reserve	Guarantee liability reserve	Decommissioning liability	Total
For the year ended December 31, 2013				
Beginning balance	$ 47,425	$ 195,640	$ 40,690	$ 283,755
Increase in provisions	-	27,937	7,252	35,189
Decrease in provisions	(4,042)	-	(2,928)	(6,970)
Translation difference	-	(1,249)	-	(1,249)
Ending balance as at December 31, 2013	$ 43,383	$ 222,328	$ 45,014	$ 310,725

	Employee benefit liability reserve	Guarantee liability reserve	Decommissioning liability	Total
For the year ended December 31, 2012				
Beginning balance	$ -	$ -	$ -	$ -
Acquisition amount	-	190,997	-	190,997
Increase in provisions	50,502	5,180	41,827	97,509
Decrease in provisions	(3,077)	-	(1,137)	(4,214)
Translation difference	-	(537)	-	(537)
Ending balance as at December 31, 2012	$ 47,425	$ 195,640	$ 40,690	$ 283,755

(18) Pensions

A. Defined contribution plans

The Company established a defined contribution plan pursuant to the Labor Pension Act, which covers employees with R.O.C. nationality and those who chose or are required to apply the Labor Pension Act. The contributions are made monthly based on not less than

6% of the employees' salaries and are deposited in the employees' individual pension fund accounts at the Bureau of Labor Insurance. The payment of pension benefits is based on the employees' individual pension fund accounts and the cumulative profit in such accounts. The employees can choose to receive such pension benefits monthly or in lump sum. Under the defined contribution plan, the Company recognized pension expense of $84,244 and $80,412 for the years ended December 31, 2013 and 2012, respectively.

B. Defined benefit plans

The Company have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 5% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

(A) The amounts recognized in the balance sheet are determined as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of funded obligations	$ 48,877	$ 50,517	$ -
Less: Fair value of plan assets	(5,494)	(3,092)	-
Net liability in the balance sheet	$ 43,383	$ 47,425	$ -

(B) Change in present value of funded obligation are as follows:

	2013	2012
Present value of funded obligation at January 1	$ 50,517	$ -
Acquisition	-	43,984
Current service cost	5,606	6,195
Interest cost	805	767
Actuarial profit and loss	(8,051)	(429)
Present value of funded obligations at December 31	$ 48,877	$ 50,517

(C) Change in fair value of plan assets are as follows:

	2013	2012
Fair value of plan assets at January 1	$ 3,092	$ -
Expected return on plan assets	97	31
Actuarial profit and loss	(22)	(16)
Employer contributions	2,327	3,077
Fair value of plan assets at December 31	$ 5,494	$ 3,092

(D) Amounts of expenses recognized in comprehensive income are as follows:

	2013	2012
Current service cost	$ 5,606	$ 6,195
Interest cost	805	767
Expected return on plan assets	(97)	(31)
Current pension cost	$ 6,314	$ 6,931

The Company recognized the current pension cost of $43,984 in 2012 due to the acquisition of DBS Bank Ltd, Taipei Branch.

The pension cost above is recognized as employee benefit expense of statements of comprehensive income.

(E) Actuarial gain / (losses) of defined benefit plan recognized in other comprehensive income are as follows:

	2013	2012
Current amount	$ 8,029	$ 413
Accumulated amount	$ 8,442	$ 413

(F) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of fair value of plan assets as of December 31, 2013 and 2012 is given in the Annual Labor Retirement Fund Utilization Report published by the government.

Expected return on plan assets was a projection of overall return for the obligation period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilization by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

The actual return on plan assets for the years ended December 31, 2013 and 2012 amounted to $75 and $15, respectively.

(G) The principal actuarial assumptions used were as follows:

	2013	2012	2011
Discount rate	2.10%	1.60%	Not applicable
Expected return on plan assets	2.25%	2.25%	Not applicable
Future salary increases	4.00%	4.00%	Not applicable

Assumptions regarding future mortality rate are set based on the 5th chart of life span estimate used by the Taiwan Life Insurance Enterprises.

(H) Historical information of experience adjustments was as follows:

	2013	2012
Present value of defined benefit obligation	$ 48,877	$ 50,517
Fair value of plan assets	(5,494)	(3,092)
Deficit in the plan	$ 43,383	$ 47,425
Experience adjustments on plan liabilities	$ 4,522	$ 2,936
Experience adjustments on plan assets	($ 22)	($ 16)

(I) Expected contributions to the defined benefit pension plans of the Company within one year from December 31, 2013 amounts to $2,420.

(19) Other liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Advanced receipts	$ 627,202	$ 460,038	$ -
Guarantee deposits received	2,140	2,154	-
Others	3,456	3,175	-
Total	$ 632,798	$ 465,367	$ -

(20) Common stock

The Company was incorporated on September 9, 2011. The registered capital was $50 billion dollars consisting of 5,000,000 thousand shares. The paid-in capital was $10 billion dollars consisting of 1,000,000 thousand shares with par value of $10 dollars per share. On January 1, 2012, an additional 1,200,000 thousand new shares were issued to DBS Bank Ltd at par value of $10 dollars per share in order to acquire specific assets, liabilities and operations of DBS Bank Ltd, Taipei Branch. Please see Note 12(6) for more information.

As of December 31, 2013, the authorized and paid-in capitals were $50 billion dollars and $22 billion dollars consisting of 5,000,000 thousand and 2,200,000 thousand shares, respectively, with par value of $10 dollars per share.

(21) Retained earnings

A. According to the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes, to offset prior year's operating losses, and the remaining earnings to set aside as legal reserve and special reserve. Upon earnings distribution, 0.001% of the earnings or any other higher ratio approved by the Board is reserved for employees' bonus.

B. In addition to legal reserve, the Company sets aside special reserve in accordance with the Company's Articles of Incorporation or applicable laws. The Company shall set aside the same amount of special reserve from the debit balance on other equity at the balance sheet date from its current year's net income and unappropriated earnings. Unless the debit balance on other equity items is reserved subsequently, the reserved amount could not be included in the distributable earnings.

C. In compliance with the Banking Act, the Company, at the time of distributing its earnings for each fiscal year, shall set aside thirty percent (30%) of its after-tax earnings as a legal reserve. The legal reserve is to be used exclusively to offset any accumulated deficit or to increase capital by issuing new shares or to distribute cash to shareholders in proportion to their share ownership and is not to be used for any other purposes. For legal reserve used in issuing new shares or distributing cash dividends, the amount of the legal reserve shall not exceed 25% of paid-in capital. Unless and until the accumulated legal reserve equals the Company's paid-in capital, the maximum cash profits which may be distributed shall not exceed 15% of the Company's paid-in capital. In the event that the accumulated legal reserve equals or exceeds the Company's paid-in capital or the Company is sound in both its finance and business operations based on the competent authorities regulation and have set aside legal reserve in compliance with the Company Act, the restrictions stipulated in the preceding paragraph shall not apply.

D. The Board of Directors (in the capacity of shareholders' meeting) approved the losses for the period from February 25 to December 31, 2011(development stage) on April 17, 2012. The earnings distribution for 2012 of the Company has been resolved by the Board in the capacity of shareholders' meeting on June 26, 2013, setting $147,504 aside as legal reserve.

   The earnings distribution for 2013 of the Company has been resolved by the Board on March 21, 2014, setting $183,765 aside as legal reserve. The appropriation of the Company's 2013 earnings is pending until the confirmation from the Board of Directors on behalf of shareholders. Please refer to the Market Observation Post System for more information.

E. For the years ended December 31, 2013 and 2012, employees' bonus and directors and supervisors' remunerations were accrued at $3, $0 and $0, $0. Please refer to the Market Observation Post System for more information.

(22) Other equity items

	For the year ended December 31, 2013		
	Available-for-sale financial assets	Translation gain and loss on the financial statements of foreign operating entities	Total
At January 1, 2013	$ 46,454	($ 7,573)	$ 38,881
Available-for-sale financial assets – Valuation adjustment in the period	(14,937)	-	(14,937)
Changes in translation difference of foreign operating entities	-	11,303	11,303
At December 31, 2013	$ 31,517	$ 3,730	$ 35,247

	For the year ended December 31, 2012		
	Available-for-sale financial assets	Translation gain and loss on the financial statements of foreign operating entities	Total
At January 1, 2012	$ -	$ -	$ -
Available-for-sale financial assets			
– Valuation adjustment in the period	58,039	-	58,039
– Realized gain and loss in the period	(11,585)	-	(11,585)
Changes in translation difference of foreign operating entities	-	(7,573)	(7,573)
At December 31, 2012	$ 46,454	($ 7,573)	$ 38,881

(23) Share-based payment-employee compensation plan

A. The Company's ultimate parent company, DBS Group Holdings Ltd, introduced DBSH Share Plan and DBSH Employees Share Plan.

(A) DBSH Share Plan

Under the DBSH Share Plan (the "Share Plan"), the ultimate company's ordinary shares may be granted to Group executives who hold such rank as may be determined by the Committee appointed to administer the Share Plan. Where awards are granted, participants are awarded shares of the ultimate parent company, their equivalent cash value or combination of both at the discretion of the Committee. Fair value of the share awards are computed based on the market price of the ordinary shares at the time of the award and is amortized through the income statement over the vesting period

(B) DBSH Employee Share Plan

Under the DBSH Employee Share Plan (the "Employee Share Plan") , the Company's ordinary shares may be granted to Group employees who do not quality for "Share Plan" as may be determined by the Committee appointed to administer the Employee Share Plan. Where awards are granted, participants are awarded shares of the ultimate parent company, their equivalent cash value or combination of both (at the discretion of the Committee). Fair value of the share awards are computed based on the market price of the ordinary shares at the time of the awards and is amortized through the income statement over the vesting period.

Type of arrangement	Grant date	Quantity granted	Vesting conditions	Actual resignation rate in the current period	Estimated resignation rate
DBS Share Plan	2010.2.17	116,552	2012.2.17 – 33% 2013.2.17 – 33% 2014.2.17 – 34%	5%	5%
DBSH Employee Share Plan	2010.2.17	16,600	2012.2.17 – 33% 2013.2.17 – 33% 2014.2.17 – 34%	0%	0%
DBS Share Plan	2010.9.1	12,970	2012.9.1 – 33% 2013.9.1 – 33% 2014.9.1 – 34%	0%	0%
DBS Share Plan	2011.2.21	147,056	2013.2.21 – 33% 2014.2.21 – 33%	7%	5%

Type of arrangement	Grant date	Quantity granted	Vesting conditions	Actual resignation rate in the current period	Estimated resignation rate
			2015.2.21 – 34%		
DBSH Employee Share Plan	2011.2.21	29,000	2013.2.21 – 33% 2014.2.21 – 33% 2015.2.21 – 34%	0%	0%
DBS Share Plan	2012.2.20	184,981	2014.2.20 – 33% 2015.2.20 – 33% 2016.2.20 – 34%	2%	3%
DBSH Employee Share Plan	2012.2.20	42,700	2014.2.20 – 33% 2015.2.20 – 33% 2016.2.20 – 34%	1%	3%
DBS Share Plan	2013.2.18	205,923	2015.2.18 – 33% 2016.2.18 – 33% 2017.2.18 – 34%	1%	3%
DBSH Employee Share Plan	2013.2.18	51,273	2015.2.18 – 33% 2016.2.18 – 33% 2017.2.18 – 34%	1%	3%

B. Expense incurred by share-based payment transactions for the years ended December 31, 2013 and 2012 are $66,609 and $49,349, respectively.

C. As of December 31, 2013, December 31, 2012 and January 1, 2012, liabilities incurred by share-based payment transactions are $0.

(24) Net interest income

	For the year ended December 31,	
	2013	2012
Interest income		
Interest income from bills discounted and loans	$ 4,678,002	$ 4,159,390
Interest income on securities investment	491,045	388,878
Interest income from call loans and due to other banks	121,997	199,445
Other interest income	6,429	15,400
Subtotal	5,297,473	4,763,113
Interest expense		
Interest expense of deposit	(1,875,671)	(1,808,900)
Interest expense of Central Bank and other banks' deposit and of due to the Central Bank and other banks	(286,969)	(236,947)
Subtotal	(2,162,640)	(2,045,847)
Total	$ 3,134,833	$ 2,717,266

(25) Net fee and commission income

	For the years ended December 31, 2013	2012
Fee commission income		
Fee income on loans	$ 242,767	$ 375,961
Fee income on trust business	174,863	176,235
Fee income on imports and exports	42,814	50,238
Fee income on guarantee	67,708	49,922
Fee income on factoring	34,677	29,012
Commission income	174,919	132,363
Others	45,109	34,565
Subtotal	782,857	848,296
Fee and commission expense		
Interbank service fee	(13,548)	(11,001)
Commission expense on trust business	(7,470)	(6,603)
Others	(59,179)	(46,533)
Subtotal	(80,197)	(64,137)
Total	$ 702,660	$ 784,159

(26) Gain or loss on financial assets and financial liabilities at fair value through profit or loss

	For the years ended December 31, 2013	2012
Realized gain or loss on financial assets and financial liabilities at fair value through profit or loss		
Bonds	$ 93,075	$ 48,772
Interest-linked instrument	37,696	(42,361)
Exchange rate-linked instrument	467,134	128,961
Other derivative instruments	3,800	4,530
Subtotal	601,705	139,902
Unrealized gain or loss on financial assets and financial liabilities at fair value through profit or loss		
Bonds	18,597	23,688
Interest-linked instrument	25,279	23,560
Exchange rate-linked instrument	742,417	542,390
Other derivative instruments	(37,018)	(35,217)
Subtotal	749,275	554,421
Total	$ 1,350,980	$ 694,323

A. The realized gains on the financial assets and liabilities at fair value through profit and loss of the Company for the years ended December 31, 2013 and 2012, including the gain and loss on disposal, were $507,213 and $91,130, and the net interest income were $94,492 and $48,772, respectively.

B. Interest-linked instruments include interest rate swap contracts and interest rate futures.

C. Net income on the exchange rate-linked instrument includes realized and unrealized gains and losses on forward exchange contracts, non-delivery forward exchange contracts, cross currency swap contracts and FX options.

(27) Realized gains or losses on available-for-sale financial assets

	For the years ended December 31, 2013	For the years ended December 31, 2012
Gains on disposal of		
Stocks	$ -	$ 11,827
Subtotal	-	11,827
Loss on disposal of		
Bonds	-	(242)
Subtotal	-	(242)
Total	$ -	$ 11,585

(28) Other non-interest income

	For the years ended December 31, 2013	For the years ended December 31, 2012
Rental income	$ 9,290	$ 10,756
Dividends income	13,641	13,670
Gain on disposal of property and equipment	156	15,886
Recoveries of receivables from acquisition	95,715	501,491
Others	19,641	61,705
Total	$ 138,443	$ 603,508

(29) Employee benefit expense

	For the years ended December 31, 2013	For the years ended December 31, 2012
Wages and salaries	$ 2,246,689	$ 2,198,006
Labor and health insurance expense	149,834	122,819
Pension costs	90,558	131,327
Other employee benefit expense	66,847	59,400
Total	$ 2,553,928	$ 2,511,552

(30) Depreciation and amortization expenses

	For the years ended December 31, 2013	For the years ended December 31, 2012
Property and equipment depreciation	$ 226,142	$ 214,326
Investment property depreciation	4,579	4,535
Intangible assets amortization	42,512	39,044
Total	$ 273,233	$ 257,905

(31) Other general and administrative expenses

	For the years ended December 31, 2013	For the years ended December 31, 2012
Tax	$ 141,456	$ 152,671
Rental expense	354,449	344,283
Service fee to affiliates	292,646	297,444
Insurance expense	138,973	105,917
Advertisement expense	66,664	75,339
Computer maintenance expense	71,084	75,086
Others	485,588	468,694
Total	$ 1,550,860	$ 1,519,434

(32) Income tax

A. Income tax expense

(A) Components of income tax expense:

	For the years ended December 31, 2013	For the years ended December 31, 2012
Current tax		
Current tax on profits for the period	$ 143,511	$ 24,506
Adjustments in respect of prior years	5,240	345
Subtotal	148,751	24,851
Deferred tax		
Origination and reversal of temporary differences	(40,067)	51,596
Income tax expense	$ 108,684	$ 76,447

(B) Income tax in relation to components of other comprehensive income:

	For the years ended December 31, 2013	For the years ended December 31, 2012
Actuarial gains and losses of defined benefit plan	$ 1,365	$ 70

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31, 2013	For the years ended December 31, 2012
Tax calculated based on profit before tax and statutory rate	$ 122,610	$ 109,643
Effects from items disallowed by tax regulation	(113,671)	(50,419)
Additional 10% tax on undistributed earnings	34,418	-
Effects from Alternative Minimum Tax	60,087	16,878
Prior year income tax underestimate	5,240	345
Income tax expense	$ 108,684	$ 76,447

C. Details of temporary differences resulting in deferred income tax assets or liabilities are as follows:

	2013			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences				
–Deferred tax assets				
Salary expenses – Employee Stock Options	$ 15,689	$ 4,507	$ -	$ 20,196
Yearly amortization on employee benefit	3,516	(1,758)	-	1,758
Rental expenses	7,922	389	-	8,311
Decommissioning liabilities	2,773	1,072	-	3,845
Unrealized pension expense	8,099	635	(1,365)	7,369
Subtotal	$ 37,999	$ 4,845	($ 1,365)	$ 41,479
–Deferred tax liabilities:				
Unrealized (gain) loss on financial instruments	($ 40,853)	$ 30,364	$ -	($ 10,489)
Total	($ 2,854)	$ 35,209	($ 1,365)	$ 30,990

	2012				
	January 1	Acquisition amount	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences					
–Deferred tax assets					
Salary expenses – Employee Stock Options	$ -	$ 14,049	$ 1,640	$ -	$ 15,689
Yearly amortization on employee benefit	-	5,273	(1,757)	-	3,516
Rental expenses	-	-	7,922	-	7,922
Decommissioning liabilities	-	-	2,773	-	2,773
Unrealized pension expense	-	7,014	1,155	(70)	8,099
Others	22,821	-	(22,821)	-	-
Subtotal	$ 22,821	$ 26,336	($ 11,088)	($ 70)	$ 37,999
–Deferred tax liabilities:					
Unrealized (gain) loss on financial instruments	$ -	$ -	($ 40,853)	$ -	($ 40,853)
Total	$ 22,821	$ 26,336	($ 51,941)	($ 70)	($ 2,854)

D. Unappropriated earnings and related information

	December 31, 2013	December 31, 2012	January 1, 2012
Earnings generated after 1998	$ 929,146	$ 457,437	($ 111,420)

E. Imputation tax credit account for shareholders and related information

	December 31, 2013	December 31, 2012	January 1, 2012
Balances of the imputation tax credit account for shareholders	$ 99,724	$ 35,154	$ -

The creditable tax rate was 7% for 2012 and is estimated to be 10.73% for 2013.

F. Tax return of the Company has been assessed by the Tax Authorities through year 2011.

(33) Earnings per share

	For the year ended December 31, 2013		
	Amount after tax	Adjusted weight average outstanding common shares (in thousands)	Earnings per share (in dollars)
Profits attributable to ordinary shareholders	$ 612,549	2,200,000	$ 0.28

	For the year ended December 31, 2012		
	Amount after tax	Adjusted weight average outstanding common shares (in thousands)	Earnings per share (in dollars)
Profits attributable to ordinary shareholders	$ 568,514	2,200,000	$ 0.26

7. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

Names of related parties	Relationship with the Company
DBS Bank Ltd (hereinafter "DBS Bank") and its branches all over the world	The parent company of the Company
DBS Bank (China) Ltd	Controlled by the same company
DBS Bank (Hong Kong) Ltd	Controlled by the same company
DBS Vickers Securities (S) Pte Ltd	Controlled by the same company
PT. Bank DBS Indonesia	Controlled by the same company
DBS Bank Insurance Agency Limited	Controlled by the same company
Others (each related party's deposits or loans less than 1% of total deposits or loans)	Directors, supervisors, executives and its relative of the Company and affiliated entities of the Group and their close family

(2) Significant transactions and balances with related parties

A. Deposits

December 31, 2013			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Others (Deposits of each related party less than 1% of total deposits)	$ 1,711,162	0.78	0%~8%

December 31, 2012			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Others (Deposits of each related party less than 1% of total deposits)	$ 10,318,744	5.00	0%~8%

Note: Not applicable for January 1, 2012.

Apart from 8% interest rate on employees' saving deposits, for the years ended December 31, 2013 and 2012, the range of interest rate on other related parties' savings was 0.00%~0.16%. The interest rates and other terms and conditions provided to related parties were the same as those offered to the general depositors.

B. Loans

December 31, 2013

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 loans		
Consumer loans	134	$ 94,832	$ 59,332	$ 59,332	$ -	None	None
Residential mortgage loans	143	562,538	521,394	521,394	-	Real estate	None
Other loans	1011	26,454	18,723	18,723	-	None or movables	None
Total			$ 599,449	$ 599,449	$ -		

December 31, 2012

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 loans		
Consumer loans	91	$ 49,040	$ 49,040	$ 49,040	$ -	None	None
Residential mortgage loans	79	435,346	420,846	420,846	-	Real estate	None
Other loans	984	12,971	11,767	11,767	-	None or movables	None
Total			$ 481,653	$ 481,653	$ -		

Note 1: Ending balance of each is below 1 % of total loans and is summarized.

Note 2: Not applicable on January 1, 2012.

C. Due from banks

	December 31, 2013	December 31, 2012	January 1, 2012
Parent			
DBS Bank	$ 218,599	$ 275,146	$ 9,962,100
Other related parties			
DBS Bank (Hong Kong) Ltd	75,933	5,176	-
DBS Bank (China) Ltd	282,507	6,969	-
PT Bank DBS Indonesia Ltd	104	126	-
	$ 577,413	$ 287,417	$ 9,962,100

D. Call loans to banks

	December 31, 2013	December 31, 2012	January 1, 2012
Parent			
DBS Bank	$ 3,074	$ 6,732,062	$ -

E. Interests receivable and other receivables

	December 31, 2013	December 31, 2012	January 1, 2012
Parent			
DBS Bank	$ 37,392	$ 54,531	$ -
Other related parties			
DBS Bank Insurance Agency Limited	74,035	132,363	-
DBS Bank (China) Ltd	1,409	11,564	-
	$ 112,836	$ 198,458	$ -

F. Refundable deposits

	December 31, 2013	December 31, 2012	January 1, 2012
Other related parties			
DBS Vickers Securities (S) Pte Ltd	$ 3,692	$ 11,158	$ -

G. Call loans from and due to other banks

	December 31, 2013	December 31, 2012	January 1, 2012
Parent			
DBS Bank	$ 59,046,963	$ 40,059,521	$ -

H. Affiliates administrative expenses and service expenses payables

	December 31, 2013	December 31, 2012	January 1, 2012
Parent			
DBS Bank	$ 67,608	$ 261,147	$ -
Other related parties			
DBS Bank (Hong Kong) Ltd	32	9,189	-
	$ 67,640	$ 270,336	$ -

I. Interest and other payables

	December 31, 2013	December 31, 2012	January 1, 2012
Parent			
DBS Bank	$ 53,698	$ 53,481	$ -

J. Guarantee deposits received

	December 31, 2013	December 31, 2012	January 1, 2012
Other related parties			
DBS Bank Insurance Agency Limited	$ 207	$ 207	$ -

K. Interest income

	For the years ended December 31,	
	2013	2012
Parent		
DBS Bank	$ 10,438	$ 156,365

L. Net fee and commission income

	For the years ended December 31,	
	2013	2012
Parent		
DBS Bank	$ 72	$ 100
Other related parties		
DBS Vickers Securities (S) Pte Ltd	(313)	22
DBS Bank Insurance Agency Limited	174,919	132,363
	$ 174,678	$ 132,485

M. Other income

	For the years ended December 31,	
	2013	2012
Parent		
DBS Bank	$ 42,498	$ 44,976
Other related parties		
DBS Bank Insurance Agency Limited	829	829
	$ 43,327	$ 45,805

N. Interest expense

	For the years ended December 31,	
	2013	2012
Parent		
DBS Bank	$ 257,088	$ 229,618
Other related parties		
DBS Bank (Hong Kong) Ltd	60	-
	$ 257,148	$ 229,618

O. Service fee to affiliates

	For the years ended December 31,	
	2013	2012
Parent		
DBS Bank	$ 266,443	$ 261,586
Other related parties		
DBS Bank (Hong Kong) Ltd	26,203	35,858
	$ 292,646	$ 297,444

P. Derivative financial instruments

The principal and amount receivable (payable) incurred from derivative financial instrument transactions with related parties from December 31, 2013, December 31, 2012 and January 1, 2012 were as follows:

(A) Forward exchange contracts

	December 31, 2013		December 31, 2012	
	Contract notional principal	Receivable from (payable to) related parties (including valuation adjustment)	Contract notional principal	Receivable from (payable to) related parties (including valuation adjustment)
Parent				
DBS Bank	$ 148,666,313	$ 159,190	$ 215,040,408	($ 474,067)

As of January 1, 2012: None.

(B) Non-delivery FX forwards

	December 31, 2013		December 31, 2012	
	Contract notional principal	Receivable from (payable to) related parties (including valuation adjustment)	Contract notional principal	Receivable from (payable to) related parties (including valuation adjustment)
Parent				
DBS Bank	$ 11,486,524	($ 10,992)	$ 9,061,748	$ 21,440

As of January 1, 2012: None.

(C) Interest rate swap contracts

	December 31, 2013		December 31, 2012	
	Contract notional principal	Receivable from (payable to) related parties (including valuation adjustment)	Contract notional principal	Receivable from (payable to) related parties (including valuation adjustment)
Parent				
DBS Bank	$ 92,397,514	($ 60,518)	$ 43,769,864	($ 114,595)

As of January 1, 2012: None.

(D) Cross currency swap contracts

	December 31, 2013		December 31, 2012	
	Contract notional principal	Receivable from (payable to) related parties (including valuation adjustment)	Contract notional principal	Receivable from (payable to) related parties (including valuation adjustment)
Parent				
DBS Bank	$ 1,342,305	($ 20,528)	$ 3,636,430	$ 4,144

As of January 1, 2012: None.

(E) Foreign exchange option

	December 31, 2013		December 31, 2012	
	Contract notional principal	Receivable from (payable to) related parties (including valuation adjustment)	Contract notional principal	Receivable from (payable to) related parties (including valuation adjustment)
Parent				
DBS Bank	$ 57,621,671	$ 22,753	$ 70,302,390	($ 210,327)

As of January 1, 2012: None.

(F) Interest rate futures

	December 31, 2013		December 31, 2012	
	Contract notional principal	Receivable from (payable to) related parties (including valuation adjustment)	Contract notional principal	Receivable from (payable to) related parties (including valuation adjustment)
Parent				
DBS Vickers Securities (S) Pte Ltd	$ -	$ -	$ 552,663	$ 319

As of January 1, 2012: None.

(G) Commodity options

	December 31, 2013		December 31, 2012	
	Contract notional principal	Receivable from (payable to) related parties (including valuation adjustment)	Contract notional principal	Receivable from (payable to) related parties (including valuation adjustment)
Parent				
DBS Bank	$ 53,986	($ 23,865)	$ 166,671	($ 599)

As of January 1, 2012: None.

(H) Commodity swap

	December 31, 2013		December 31, 2012	
	Contract notional principal	Receivable from (payable to) related parties (including valuation adjustment)	Contract notional principal	Receivable from (payable to) related parties (including valuation adjustment)
Parent				
DBS Bank	$ 58,023	$ 31,625	$ 535,392	$ 14,208

As of January 1, 2012: None.

Q. Information on remunerations to the Company's directors, supervisors and executives:

	For the years ended December 31,	
	2013	2012
Short-term employee benefits	$ 262,226	$ 248,761
Post-employment benefits	2,066	3,143
Total	$ 264,292	$ 251,904

8. PLEDGED ASSETS

As of December 31, 2013, December 31, 2012 and January 1, 2012, the Company's assets provided for intraday overdraft during settlement, and guarantees with the court for the provisional seizure are as follows:

Item	December 31, 2013	December 31, 2012	January 1, 2012
Receivables – matured government bonds	$ 400	$ 1,500	$ -
Available-for-sale financial assets – government bonds	354,000	238,500	-
Available-for-sale financial assets – certificates of deposit	3,000,000	3,000,000	-
Total	$ 3,354,400	$ 3,240,000	$ -

To comply with the Central Bank's clearing system of Real-time Gross Settlement (RTGS), as of December 31, 2013, December 31, 2012 and January 1, 2012, certificates of deposit amounting to $3,000,000, $3,000,000 and $0, respectively, had been provided as collateral for intraday overdraft. However, pledged amounts may be adjusted anytime.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

(1) CONTINGENT LIABILITIES

A. Operating leases

Please see Note 12 (3) C (G).

B. Capital expenditure contracted but yet to be incurred：None.

(2) Others：

	December 31, 2013	December 31, 2012	January 1, 2012
Non-cancellable loan commitments	$ 17,230,834	$ 16,675,354	$ -
Unused credit commitments for credit cards	3,249,648	2,274,939	-
Unused letters of credit issued	3,472,804	3,077,621	-
Guarantees	18,906,267	14,952,528	-
Collections receivable for customers	1,436,433	1,568,463	-
Trust assets	18,683,898	18,064,890	-
Guaranteed notes	3,354,400	3,240,000	-

(3) GIO Optoelectronics Corp. ("GIO") commenced a civil action against DBS Bank Ltd, Taipei Branch regarding a foreign exchange transaction at the civil division of the Taiwan Taipei District Court asserting among others unjust enrichment and claiming for a payment of 50 million plus interest at a rate of 5% per annum. The Company received notice from the civil division of the Taiwan Taipei District Court in early April 2013 that GIO moved to include the Company as a co-defendant in the aforementioned civil action claiming that the Company shall be jointly and severally liable with the other defendants, including among others DBS Bank Ltd. GIO contends that it suffered an injury in the value of USD 29.14 million (approximately NTD 838,161 thousand). The matter is now at the civil division of the Taiwan Taipei District Court and its outcome can be ascertained only after the trial. In the opinion of the Company, the matter now does not have a material impact upon its operation and financial situation.

10. SIGNIFICANT LOSSES FROM DISASTERS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

None.

12. OTHERS

(1) Information of fair value of financial instrument

A. The fair value of financial instruments not measured at fair value

The book value of the financial instruments which are not measured at fair value approaches its fair value, or its fair value cannot be measured reliably. Methods and assumptions adopted by the Company are summarized as follows:

(A) Fair values of short-term financial instruments are estimated at carrying amounts (less allowance for credit losses) at balance sheet date, as the maturity date is near the balance sheet date or the future receivable or payable amount is close to the carrying amount. This method applies to cash and cash equivalents, due from Central Bank and call loans to other banks, receivable – net, other financial assets – net (exclusive of financial assets carried at cost), due to Central Bank and other banks, payables and other financial liabilities.

(B) Bills discounted and loans (including non-performing loans): The effective interest rates of loans are generally based on the benchmark interest rate plus or minus certain adjustment (equivalent to floating rate) to reflect the market interest rate. As a result, it is reasonable to assume that the carrying amount, after adjustments of estimated recoverability, approximates the fair value. Fair values for long-term loans with fixed interest rates shall be estimated using their discounted values of expected future cash flows. However, as such loans account for only a small portion of all loans, book value was used to estimate the fair value.

(C) Deposits and remittances: considering the nature of the financial service industry, which is the market rate (market price) maker, and deposits usually mature within one year, the book value is a reasonable basis to estimate the fair value. Fair values for long-term fixed rate deposits shall be estimated using their discounted values of expected future cash flows. However, as these deposits account for only a small portion of all deposits and as their maturities are less than three years, it is reasonable to estimate the fair value at the book value.

(D) Other financial assets – financial assets carried at cost: The fair value estimate in each threshold could vary significantly. In addition, the probability of estimate in each threshold cannot be reasonably estimated resulting in the fair value cannot be measured reasonably. As a result, the fair value is not disclosed.

(E) Refundable deposits: Due to uncertainty of the maturity date, the fair value is estimated at the book value.

B. Financial instruments measured at fair value

The financial instruments measured at fair value are recognized as financial assets and financial liabilities at fair value through profit or loss and available-for-sale financial assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.

(A) Financial instruments are initially recognized by fair value, which is transaction price in most cases. Subsequent recognitions are measured by fair value except that certain financial instruments are recognized by amortized cost. In the subsequent measurements, the best evidence of fair value is the quoted market price in an active market.

(B) If the quoted market price of a financial instrument is available in an active market, the quoted price is the fair value. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

(C) Valuations of OTC traded products are determined using generally accepted models (discounted cash flows, Black-Scholes model, interpolation techniques) based on quoted market prices for similar instruments or underlying.

(D) For illiquid complex financial instruments where mark-to-market is not possible, the Company will value these products using an approved valuation model. Prices and parameters used as inputs to the model or to any intermediate technique involving a transformation process must be derived from approved market reliable sources. Where possible, the inputs must be checked against multiple sources for reliability and accuracy.

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

A. Definition for the hierarchy classification of financial instruments measured at fair value

(A) Level 1

That is the quoted prices in active markets for identical assets or liabilities. An active market has to satisfy all the following conditions: the products traded in the market share a common nature; the willing buying and selling parties can be readily found in the market and the prices are observable for public. The fair value of the investments of the Company, such as the derivatives with a quoted price in an active market, is deemed as Level 1.

(B) Level 2

Inputs, other than quoted prices in active markets, are those observable price, either directly (that is, as prices) or indirectly (that is, derived from prices) in active market. Investment of the Company such as government bonds, corporate bonds, and most derivatives are all classified within Level 2.

(C) Level 3

Inputs for level 3 instruments' fair value are data that cannot be obtained in the market.

B. Hierarchy of fair value estimation of financial instruments

The Company had no such financial instruments as of January 1, 2012. Hierarchy of fair value estimation of financial instruments as of December 31, 2013 and 2012 are as follows：

	December 31, 2013			
Non-derivative financial instruments	Total	Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purposes				
Bond investments	$ 13,340,662	$ -	$ 13,340,662	$ -
Available-for-sale financial assets				
Bond investments	5,954,618	-	5,954,618	-
Others	64,616,212	-	64,616,212	-

Derivative financial instruments	December 31, 2013 Total	Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss	$ 3,387,233	$ -	$ 3,387,233	$ -
Liabilities				
Financial liabilities at fair value through profit or loss	3,383,478	-	3,383,478	-

Non-derivative financial instruments	December 31, 2012 Total	Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purposes				
Bond investments	$ 7,392,423	$ -	$ 7,392,423	$ -
Available-for-sale financial assets				
Bond investments	5,961,524	-	5,961,524	-
Others	43,647,204	-	43,647,204	-

Derivative financial instruments	Total	Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss	$ 2,980,538	$ 319	$ 2,980,219	$ -
Liabilities				
Financial liabilities at fair value through profit or loss	3,278,640	-	3,278,640	-

C. Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 for the above-mentioned period.

(3) Management objective and policy for financial risk

Objectives of the Company’s financial risk management are based on the principles of serving customers and meeting operational objectives of financial related operations, holistic risk appetite and external regulation limits, in order to effectively allocate transfer and avoid risks, and meet the objective of satisfying customers, shareholders and employees. Major risks faced by the Company’s operations include various credit risk, market risk (including interest rate, exchange rate, equity instruments, and commodity prices) and liquidity risk.

The Company has established risk management policies and risk control procedures in writing which have been approved by the Board, in order to effectively identify, measure, monitor and control credit risk, market risk and liquidity risk.

A. Risk management organization structure

Risk management of the Company is performed by the risk management department according to risk management policies approved by the Board. Risk management department closely work with other business departments to identify, evaluate and avoid various financial risks. The Board established risk management policies in writing which include specific risk exposures such as exchange rate risk, interest rate risks, credit risk, risk of derivative and non-derivative instruments. In addition, internal audit department is also responsible for independent review of risk management and control environment.

B. Credit risk

(A) Source and definition of credit risk

Credit risks occur when customers or counterparties fails to fulfill their obligations and results in a loss of default. Credit risk may happen due to accounts on and off the balance sheet. For account on the balance sheet, credit risk exposure of the Company mainly comprises of bill discounted and loans and credit card business, debt instruments and derivatives and due from and call loans from banks, etc. Off balance sheet accounts include financial guarantees, acceptance bills, letters of credit and loan commitments that could give rise to credit risk exposure to the Company.

(B) Credit risk management policies

To ensure credit risk is within tolerable extent, the Company requires detailed analysis of products and businesses, including all transactions in banking book and transaction book and on and off balance sheet, to identify existing and potential credit risk. Related credit risk is examined according to relevant operational rules before new products and businesses are released.

The “Credit policy” is the highest framework of credit risk management of the Company. It, along with various principles and rules, constitutes the Company’s strategy towards credit risk. Credit policy clearly sets out relevant regulations and internal credit approving rules in granting credits. It also sets out principles regarding delegation of authorities, credit limits and related parties. The objective of credit is to enhance the business of the Company, to enable functioning of management and monitoring of credit, to ensure regulations are followed and to maintain asset quality.

In addition, assessment of asset quality and provision for loss are performed according to relevant risk management rules as well as regulations of local financial supervisory bodies.

Procedures and methods used in credit risk management for the core businesses of the Company are as follows:

a. Credit business (including loan commitment and guarantees)

Credit asset classification and credit quality rating are set out below:

(a) Credit assets classification

Credit assets are classified into five types. Other than normal credit assets shall be classified as Category One, the remaining non-performing loans are assessed based on the collateral provided and the time period of overdue payment as follows: Category Two for assets requiring special mention. Category Three for assets deemed recoverable. Category Four for assets that are doubtful. Category Five for assets that are not recoverable.

(b) Credit assets quality rating

In response to the characteristics and scale of business, the Company sets up credit quality rating for risk management purposes (such as implementing internal evaluation model of credit risk, setting up credit rating table or other relevant regulations).

The Company, mainly by the statistic and professional judgement of expertise and consideration of client information, developed a business credit rating model for the purpose of evaluating the credit risk of corporate clients. The model is regularly reviewed to check if the calculation result is consistent with the actual situation. And adjustment on various inputs should be calibrated to optimize the calculation result.

For corporate customers, except that large enterprises are evaluated with internal models, default risks of others are assessed through individual reviews.

Except for small loans and mortgages that are evaluated with an internal credit model, other consumer customers are assessed through individual reviews.

Corporate customers of the Company are categorized into 2 categories: “Pass” and “Special Mention” based on their credit risks and ranked from high to low.

Ratings of customers are evaluated at least once a year. In addition, to ensure the design, process and estimate of relevant risk components of credit rating system are reasonable, the Company verifies and back test the models based on actual default situations of customers. This enables the results to be close to actual default situation.

b. Due from and call loans to other banks

The Company evaluates credit conditions of counterparties before proceeding with transactions, and sets up different limits according to credit ratings by reference to credit information from domestic and foreign credit rating agencies.

c. Debt investment and derivatives

The Company identifies credit risk and manages credit risk of debt instruments according to credit ratings of debt instruments from external agencies, credit quality of bonds, geographic conditions and counterparty risks.

Counterparties of derivative transactions are mostly financial institutions which receive above investment grade ratings. Credit risk is managed through counterparty limits (including call loan limits). Counterparties which are without credit ratings or are rated below investment grade are subject to individual reviews. Regular customers’ counterparty risk exposure is managed by derivative instrument risk limits and conditions approved through general credit sanction procedures.

(C) Hedging and mitigation of credit risk

a. Collateral

The Company adopts a series of policies and measures to mitigate credit risk. Amongst those, requesting borrowers to provide collateral is one of the most usual means. The Company has specific criteria for acceptable collateral and collateral valuation, management and disposing procedures regarding the collateral valuation management, collateral assessment for credit facility in order to protect the credit right. Besides, protection of creditor's right, collateral terms and offsetting terms are all addressed in the credit extension contract in case of any occurrence of credit event, of which the amount may be deductible, loan repayment schedule may be shortened or deemed as matured, or various types of deposits can be used to offset its liabilities to mitigate credit risks.

Collateral for other non-credit extension business depends on the nature of financial asset. Only the asset-backed securities and other similar financial instruments use a pool of financial assets as the collateral.

b. Credit risk limit and credit risk concentration control

In avoidance of high risk concentration, the Company has set up credit extension limit for a single counterparty or a single group and reports to Credit Risk Committee monthly. In addition, in order to control concentration risk of various assets, the Company has also set up credit limits based on the industry, monitors risk concentration of credit asset, and reports to Credit Risk Committee monthly.

c. Master netting arrangement

The transactions of the Company are usually gross-settled. However, net-settled agreements are signed with certain counterparties to further mitigate credit risk in case of any default and all transactions shall be terminated with the counterparties and settled by net amount.

(D) Maximum risk exposure of the Company

The maximum risk exposure of assets in the balance sheet, without consideration of the collateral or other credit strengthening instruments, is equivalent to the carrying amount. Please see Note 9(2) for the maximum credit risk exposure of the balance sheet.

(E) Credit risk concentration

The credit risks are deemed significantly concentrated when the financial instrument transactions significantly concentrate on a single person, or when there are multiple trading counterparties engaging in similar business activities with similar economic characteristics making the effects on their abilities of fulfilling the contractual obligation due to economy or other forces similar.

The credit risks of the Company concentrate on accounts on and off balance sheets that occurs through obligation fulfilling or implementation of transactions (either product or service), or through trans-type exposure portfolio, including loans, placements and call loan from the banks, securities investment, receivables and derivatives. The Company does not significantly carry out transactions with single client or single counterparty, and the credit risk concentration by industry, geography location and collateral are shown as follows:

a. Industry

	December 31, 2013		December 31, 2012	
Industry	Amount	%	Amount	%
Private owned businesses	$ 154,487,282	68.26	$ 138,386,169	67.58
Natural persons	70,633,095	31.21	62,538,710	30.54
Financial institutions	947,701	0.42	3,009,051	1.47
Others	238,990	0.11	844,920	0.41
Total	$ 226,307,068	100.00	$ 204,778,850	100.00

Note1: Credit exposures include bills discounted and loans (including non-performing loans), guarantees, factoring receivable and acceptances receivable.

Note2: Not applicable for January 1, 2012.

b. Geography location

Major operations of the Company reside within Taiwan. There is no obvious credit risk concentration by geographic location.

c. Collateral

	December 31, 2013		December 31, 2012	
Collateral	Amount	%	Amount	%
Unsecured	$ 137,382,292	60.71	$ 126,707,654	61.88
Secured				
-Financial instruments	4,181,997	1.85	2,360,573	1.15
-Real estate	53,659,709	23.71	43,291,207	21.14
-Letter of guarantee	9,087,015	4.02	9,151,851	4.47
-Other collateral	21,996,055	9.71	23,267,565	11.36
Total	$ 226,307,068	100.00	$ 204,778,850	100.00

Note1: Credit exposures include bills discounted and loans (including non-performing loans), guarantees, factoring receivable and acceptances receivable.

Note2: Not applicable for January 1, 2012.

(F) Analysis on credit quality and overdue impairment of financial assets held by the Company

Part of the financial assets held by the Company, such as cash and cash equivalents, due from Central Bank and call loans to other banks, financial assets at fair value through profit and loss, refundable deposits and etc., are with counterparties with good credit ratings and are deemed low in credit risk.

Credit quality analysis of financial assets other than those above is shown below:

a. Credit quality analysis on financial assets including bills discounted and loans and receivables

December 31, 2013	Financial assets that are neither past due nor impaired: Pass	Special mentioned	Subtotal(A)	Financial assets that are past due but not impaired(B)	Impaired amount(C)	Total (A)+(B)+(C)	Recognized impairment of financial assets (D): With individual objective evidence of impairment	Without individual objective evidence of impairment	Net (A)+(B)+(C)-(D)
Receivables – net									
- Credit card business	$ 62,741	$ -	$ 62,741	$ 1,446	$ 952	$ 65,139	$ 925	$ 1,068	$ 63,146
- Acceptances receivable	361,330	2,354	363,684	-	-	363,684	-	5,902	357,782
- Factoring receivable	10,979,074	-	10,979,074	974,027	-	11,953,101	-	66,079	11,887,022
- Interests receivable	695,582	5,944	701,526	9,634	24,989	736,149	24,906	-	711,243
- Others	-	-	-	469	7,348	7,817	7,348	-	469
Bills discounted and loans	185,339,892	4,452,416	189,792,308	1,988,398	3,303,310	195,084,016	1,463,075	1,443,323	192,177,618
Other financial assets	178,985	-	178,985	-	-	178,985	-	705	178,280

December 31, 2012	Financial assets that are neither past due nor impaired: Pass	Special mentioned	Subtotal(A)	Financial assets that are past due but not impaired(B)	Impaired amount(C)	Total (A)+(B)+(C)	Recognized impairment of financial assets (D): With individual objective evidence of impairment	Without individual objective evidence of impairment	Net (A)+(B)+(C)-(D)
Receivables – net									
- Credit card business	$ 53,559	$ -	$ 53,559	$ 314	$ 430	$ 54,303	$ 40	$ 1,748	$ 52,515
- Acceptances receivable	727,551	-	727,551	-	2,172	729,723	796	8,733	720,194
- Factoring receivable	2,835,165	-	2,835,165	-	-	2,835,165	-	23,882	2,811,283
- Interests receivable	515,231	27,912	543,143	4,670	28,196	576,009	28,196	-	547,813
- Others	-	-	-	-	9,369	9,369	8,454	-	915
Bills discounted and loans	175,379,652	6,720,095	182,099,747	1,108,264	3,053,423	186,261,434	1,515,010	1,636,043	183,110,381
Other financial assets	-	-	-	-	228	228	-	-	228

Note: Not applicable for January 1, 2012.

b. In relation to bills discounted and loans and receivables of the Company that were neither past due nor impaired, the credit quality analysis is based on the credit quality rating by client:

	Positions that are neither past due nor impaired		
December 31, 2013	Pass	Special mentioned	Total
Receivable – net			
- Credit card business	$ 62,741	$ -	$ 62,741
- Acceptances receivable	361,330	2,354	363,684
- Factoring receivable	10,979,074	-	10,979,074
- Interests receivable	695,582	5,944	701,526
Consumer finance			
-Mortgage loans	55,185,387	-	55,185,387
-Auto loans	10,513,448	-	10,513,448
-Micro credit loans	1,863,658	-	1,863,658
-Others	341,286	-	341,286
Corporate finance			
-Secured	27,830,074	2,260,181	30,090,255
-Non-secured	89,606,039	2,192,235	91,798,274
Other financial assets	178,985	-	178,985
Total	$ 197,617,604	$ 4,460,714	$ 202,078,318

	Positions that are neither past due nor impaired		
December 31, 2012	Pass	Special mentioned	Total
Receivable – net			
- Credit card business	$ 53,559	$ -	$ 53,559
- Acceptances receivable	727,551	-	727,551
- Factoring receivable	2,835,165	-	2,835,165
- Interests receivable	515,231	27,912	543,143
Consumer finance			
-Mortgage loans	51,312,588	-	51,312,588
-Auto loans	7,671,609	-	7,671,609
-Micro credit loans	1,393,738	-	1,393,738
-Others	385,360	-	385,360
Corporate finance			
-Secured	27,231,089	4,251,626	31,482,715
-Non-unsecured	87,385,268	2,468,469	89,853,737
Total	$ 179,511,158	$ 6,748,007	$ 186,259,165

Note: Not applicable for January 1, 2012.

c. Credit quality analysis of investment in securities

December 31, 2013	Financial assets at fair value through profit and loss	Available-for-sale financial assets	Total
AA-	$ 13,240,184	$ 5,954,618	$ 19,194,802
BBB+	100,478	-	100,478
Total	$ 13,340,662	$ 5,954,618	$ 19,295,280

December 31, 2012	Financial assets at fair value through profit and loss	Available-for-sale financial assets	Total
AA- to AA+	$ 7,392,423	$ 5,961,524	$ 13,353,947

Note 1: Not applicable for January 1, 2012.

Note 2: All other investments in securities are not overdue or impaired except the corporate bond in available-for-sale financial assets. The Company has made sufficient impairment provision for such impaired corporate bond under available-for-sale financial assets, and therefore no credit quality analysis is available. Please see Note 6(6).

Note 3: The credit rating information is mainly from Standard & Poor's and Taiwan Ratings.

d. Analysis of the age of financial assets that are past due but not impaired of the Company

The delayed processing of the borrower and other administrative reasons may give rise to an overdue financial asset with no impairment. According to the internal risk management policy of the Company, financial assets overdue for less than 90 days are usually not deemed impaired unless other evidence indicates otherwise.

Analysis of the age of financial assets that are past due but not impaired of the Company:

	December 31, 2013		
Items	Overdue for less than 1 month	Overdue for 1~3 months	Total
Receivables			
-Credit card business	$ 1,446	$ -	$ 1,446
-Factoring receivable	478,188	495,839	974,027
-Interests receivable	4,412	5,222	9,634
-Other receivables	-	469	469
Bills discounted and loans			
Consumer finance			
-Mortgage loans	1,215,645	126,175	1,341,820
-Auto loans	415,829	11,183	427,012
-Micro credit loans	134,267	24,328	158,595
-Others	2,734	2,171	4,905
Corporate finance			
-Secured	1,535	4,235	5,770
-Unsecured	3,207	47,089	50,296

Items	December 31, 2012		
	Overdue for less than 1 month	Overdue for 1~3 months	Total
Receivables			
-Credit card business	$ 314	$ -	$ 314
-Interests receivable	3,002	1,668	4,670
Bills discounted and loans			
Consumer finance			
-Mortgage loans	539,897	171,894	711,791
-Auto Loans	139,885	8,853	148,738
-Micro credit loans	85,726	23,991	109,717
-Others	6,168	4,889	11,057
Corporate finance			
-Secured	20,284	-	20,284
-Unsecured	105,679	998	106,677

Note: Not applicable for January 1, 2012.

e. Analysis of impaired financial assets of the Company

Impairment on bills discounted and loans and receivables of the Company are analyzed as below:

Item			Bills discounted and loans		Allowance for credit losses	
			December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
With individual objective evidence of impairment	Individual assessment	Corporate loan-secured	$ 1,196,451	$ 1,042,047	$ 228,263	$ 138,868
		Corporate loan-unsecured	842,794	1,191,166	746,124	1,023,036
	Collective assessment	Corporate loan-secured	921,204	550,546	342,602	216,905
		Micro credit loans	174,450	142,552	135,975	123,348
		Mortgage loans	153,394	114,392	2,674	9,173
		Auto Loans	8,183	3,504	6,505	2,650
		Others	6,834	9,216	932	1,030
Without individual objective evidence of impairment	Collective assessment	Corporate loan	121,944,596	121,463,412	1,149,891	1,118,379
		Mortgage loans	56,527,207	51,897,569	46,230	326,844
		Auto Loans	10,940,459	7,820,347	144,924	45,560
		Micro credit loans	2,022,253	1,503,455	90,244	11,366
		Others	346,191	523,228	12,034	133,894
			$ 195,084,016	$ 186,261,434	$ 2,906,398	$ 3,151,053

Note: Not applicable for January 1, 2012.

Item			Receivables		Allowance for credit losses	
			December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
With individual objective evidence of impairment	Individual assessment	Interests receivable	$ 8,593	$ 12,794	$ 8,593	$ 12,794
	Collective assessment	Credit cards	952	430	925	40
		Interests receivable	16,396	15,402	16,313	15,402
		Acceptances receivable	-	2,172	-	796
		Others	7,348	9,369	7,348	8,454
Without individual objective evidence of impairment	Collective assessment	Credit cards	64,187	53,873	1,068	1,748
		Factoring receivable	11,953,101	2,835,165	66,079	23,882
		Interests receivable	711,160	547,813	-	-
		Others	364,153	727,551	5,902	8,733

Note: Not applicable for January 1, 2012.

(G) Information disclosed as required by “Regulations Governing the Preparation of Financial Reports by Public Banks” :

a. Non-performing loan and non-performing receivables asset quality

Month / Year			December 31, 2013				
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)
Corporate banking	Secured loans		$ 1,024,560	$ 31,084,190	3.30%	$ 828,036	80.82%
	Unsecured loans		102,077	93,820,855	0.11%	1,638,844	1605.50%
Consumer banking	Residential mortgage loans (Note 4)		109,270	43,610,492	0.25%	38,250	35.01%
	Cash card services		891	320,108	0.28%	12,923	1450.39%
	Micro credit loans (Note 5)		76,292	2,196,703	3.47%	226,221	296.52%
	Others (Note 6)	Secured loans	13,592	24,051,668	0.06%	162,124	1192.79%
		Unsecured loans	-	-	-	-	-
Gross loan business			$ 1,326,682	$ 195,084,016	0.68%	$ 2,906,398	219.07%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio (%)	Allowance for credit losses	Coverage ratio
Credit card business			$ 952	$ 65,139	1.46%	$ 1,993	209.35%
Factoring without recourse (Note 7)			-	11,953,101	0.00%	66,079	-

Month / Year			December 31, 2012				
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)
Corporate banking	Secured loans		$ 525,882	$ 32,125,756	1.64%	$ 652,613	124.10%
	Unsecured loans		351,537	92,121,415	0.38%	1,804,275	513.25%
Consumer banking	Residential mortgage loans (Note 4)		81,487	38,393,446	0.21%	354,569	435.12%
	Cash card services		893	396,867	0.23%	4,505	504.48%
	Micro credit loans (Note 5)		82,862	1,646,007	5.03%	137,313	165.71%
	Others (Note 6)	Secured loans	9,295	21,577,943	0.04%	197,778	2127.79%
		Unsecured loans	-	-	-	-	-
Gross loan business			$ 1,051,956	$ 186,261,434	0.56%	$ 3,151,053	299.54%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio (%)	Allowance for credit losses	Coverage ratio
Credit card business			$ 17	$ 54,303	0.03%	$ 1,788	10517.65%
Factoring without recourse (Note 7)			-	2,835,165	0.00%	23,882	-

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 is in compliance with the Explanatory Letter Jin-Guan-Yin (4) 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 of 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 spouses) 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: Micro credit loans referred to those fit the norms of the Explanatory Letter Jin-Guan-Yin (4) No. 09440010950 dated December 19, 2005, excluding credit card and cash card services.

Note 6: Other consumer banking referred as secured or unsecured consumer loans other than residential mortgage loan, cash card services and micro credit loans, and excluding credit card services.

Note 7: Pursuant to the Explanatory Letter Jin-Guan-Yin (5) No. 094000494 dated July 19, 2005, the amount of factoring without recourse is recognized as overdue accounts within three months after the factor or insurance company resolves not to compensate the loss.

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

	December 31, 2013		December 31, 2012	
	Total loans exempted from reporting	Total receivables exempted from reporting	Total loans exempted from reporting	Total receivables exempted from reporting
Amounts exempted from reporting to the competent authority under debt negotiation (Note 1)	$ 129,743	$ -	$ 136,777	$ -
Performing in accordance with debt liquidation program and restructuring program (Note 2)	92,698	-	17,698	-
Total	$ 222,441	$ -	$ 154,475	$ -

Note 1: 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 dated April 25, 2006.

Note 2: 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 FSC dated September 15, 2008.

c. Outstanding loan amounts of significant credit risk concentration are as follows:

December 31, 2013			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / Total equity (%)
1	Group A – Petroleum Refineries	$ 21,745,922	94.09
2	Group B – Computer Manufacturer	7,317,333	31.66
3	Company C – Other Retail Sale	4,409,426	19.08
4	Group D – Liquid Crystal Display and Components Manufacturer	3,512,774	15.20
5	Group E- Real estate development	3,206,478	13.87
6	Group F- Computer Manufacturer	2,979,350	12.89
7	Group G- Cable and Other Paid Channels Distribution	2,891,793	12.51
8	Group H- Semi-Conductor Packing and Testing Industry	2,866,314	12.40
9	Group I- Cable and Other Paid Channels Distribution	2,682,447	11.61
10	Group J- Cable and Other Paid Channels Distribution	2,561,111	11.08

December 31, 2012			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / Total equity (%)
1	Group A – Petroleum Refineries	$ 19,963,326	88.61
2	Group B – Computer Manufacturer	9,351,440	41.51
3	Company C – Other Retail Sale	4,409,426	19.57
4	Group D – Liquid Crystal Display and Components Manufacturer	4,083,846	18.13
5	Group E – Computer Manufacturer	3,503,962	15.55
6	Group F – Cable and Other Paid Channels Distribution	3,124,935	13.87
7	Group G – Other Computer Peripheral Device Manufacturer	2,908,750	12.91
8	Group H – Cable and Other Paid Channels Distribution	2,729,997	12.12
9	Group I –Computer Manufacturer	2,254,281	10.01
10	Group J – Semi-Conductor Packing and Testing Industry	2,111,069	9.37

Note 1: Ranking the top ten enterprise groups other than government and government sponsored enterprises according to their total amounts of outstanding loans. Industry type should be filled in accordance with “Standard Industrial Classification System” of Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

Note 2: Groups are those who met the definition of Article 6 of “Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review 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), inward remittances purchased, factoring without recourse, acceptances receivable, and guarantees.

Note 4: The FSC approved the Company to meet restrictions of Article 33-3 of the Banking Act in 5 years for those credit assets assumed from DBS Bank Ltd, Taipei Branch and exceeding the restriction. These credit assets have been drawdown or contracts are signed even though drawdowns have not been made.

C. Liquidity risk

(A) Source and definition of liquidity risk

Liquidity risk is the risk induced by a bank not being able to obtain funding with reasonable cost to fulfill its obligation for contracts or liabilities falling due. Liquidity risk may be from withdrawals of deposits, repayments of loans and other operating activities to induce capital needs. The Company’s objective to manage liquidity risk is to ensure it can maintain its ability to obtain external funds in a fixed period of time under normal market pressure and appropriate conditions.

(B) Risk measurement principle

a. Risk preference

Maximum cumulative cash outflow is the primary tool the Company uses to manage liquidity risk. Maximum cumulative cash outflow predicts the Company’s funding ability in the survival period when cash flow is dry under various circumstances in the future, and so the Company’s ability of funding supply to balance it at any time. If the Company’s counterbalancing capacity exceeds the liquidity risk exposure of all contracts of the survival period of time as defined, then liquidity is sufficient. However, if the counterbalancing capacity cannot cover requests of liquidity risk exposure, liquidity is insufficient.

b. Risk control

Monitoring major liquidity index (ex: Deposits to loans, currency swap ratio, mid and long-term loan ratio, concentration of deposits and limit of due from other banks) and analysis of balance sheet to supplement maximum cumulative cash outflow helps the management to understand balance sheet structure and make better decisions.

(C) Liquidity risk management policy

The Board reviews core inputs and also delegates “Market and Liquidity Risk Management Committee” to review assumption of maximum cumulative cash outflow (except core assumption), including circumstance assumptions, survival period and lowest level of liquidity assets under each condition assumption and limits of risk controls and etc.

The Company always keeps sufficient liquidity cash reserve and hold bonds of highest grade and best liquidity.

(D) Maturity analysis for financial assets and non-derivative financial liabilities

a. Financial assets held for liquidity risk management

In order to fulfill the payment obligation and potential emergent fund demand in the market, as well as manage the liquidity risk at the same time, sound earning assets with high liquidity were held by the Company, including cash and cash equivalents, due from Central Bank and call loans to other banks, financial assets at fair value through profit or loss, bills discounted and loans, available-for-sale financial assets, and other financial assets.

(Expressed in Thousands of New Taiwan Dollars)

December 31, 2013	0~30 days	31~90 days	91~180 days	181 days~1 year	over 1 year	Total
Cash and cash equivalents	$ 9,435,247	$ -	$ 399,700	$ 333,000	$ -	$ 10,167,947
Due from Central Bank and call loans to other banks	12,106,576	-	-	-	-	12,106,576
Financial assets at fair value through profit and loss	-	-	-	1,267,366	12,073,296	13,340,662
Receivables	671,683	1,426,191	10,303,349	88,414	787,142	13,276,779
Bills discounted and loans	27,183,867	20,814,390	14,953,747	13,510,052	118,621,960	195,084,016
Available-for-sale financial assets	20,159,587	9,683,415	15,899,277	17,988,015	6,868,606	70,598,900
Other financial assets	178,985	-	-	-	-	178,985
Total	$ 69,735,945	$ 31,923,996	$ 41,556,073	$ 33,186,847	$ 138,351,004	$ 314,753,865

December 31, 2012	0~30 days	31~90 days	91~180 days	181 days~1 year	over 1 year	Total
Cash and cash equivalents	$ 2,423,558	$ -	$ -	$ -	$ -	$ 2,423,558
Due from Central Bank and call loans to other banks	12,606,720	-	-	-	-	12,606,720
Financial assets at fair value through profit and loss	7,392,423	-	-	-	-	7,392,423
Receivables	848,448	1,283,513	1,629,083	51,144	617,296	4,429,484
Bills discounted and loans	19,767,557	21,391,446	11,027,604	8,842,726	125,232,101	186,261,434
Available-for-sale financial assets	17,900,000	6,601,163	11,997,616	11,307,284	1,814,386	49,620,449
Other financial assets	-	-	-	-	228	228
Total	$ 60,938,706	$ 29,276,122	$ 24,654,303	$ 20,201,154	$ 127,664,011	$ 262,734,296

(Expressed in Thousands of New Taiwan Dollars)

January 1, 2012	0~30 days	31~90 days	91~180 days	181 days~1 year	over 1 year	Total
Cash and cash equivalents	$ 9,962,100	$ -	$ -	$ -	$ -	$ 9,962,100
Receivables	3,906	-	-	-	-	3,906
Total	$ 9,966,006	$ -	$ -	$ -	$ -	$ 9,966,006

b. Maturity analysis on non-derivative financial liabilities

The following table illustrates the analysis made on cash outflow of non-derivative financial liabilities of the Company by the remaining maturity from the balance sheet date to the contract expiration date.

(Expressed in Thousands of New Taiwan Dollars)

December 31, 2013	0~30 days	31~90 days	91~180 days	181 days~1 year	over 1 year	Total
Due to Central Bank and other banks	$ 29,108,770	$ 28,293,610	$ 2,103,981	$ 2,230,445	$ -	$ 61,736,806
Payables	1,876,532	763,594	1,261,090	63,097	29,507	3,993,820
Deposits and remittances	93,390,098	44,300,169	36,627,712	42,221,700	3,928,833	220,468,512
Other financial liabilities	2,133,736	679,498	206,887	98,813	421,623	3,540,557
Total	$ 126,509,136	$ 74,036,871	$ 40,199,670	$ 44,614,055	$ 4,379,963	$ 289,739,695

December 31, 2012	0~30 days	31~90 days	91~180 days	181 days~1 year	over 1 year	Total
Due to Central Bank and other banks	$ 13,126,372	$ 13,016,656	$ 4,328,971	$ 10,350,449	$ -	$ 40,822,448
Payables	2,424,307	1,083,394	584,698	93,079	318,380	4,503,858
Deposits and remittances	72,073,092	35,230,235	30,564,900	51,334,491	315,475	189,518,193
Other financial liabilities	33,000	-	-	-	3,357,125	3,390,125
Total	$ 87,656,771	$ 49,330,285	$ 35,478,569	$ 61,778,019	$ 3,990,980	$ 238,234,624

January 1, 2012	0~30 days	31~90 days	91~180 days	181 days~1 year	over 1 year	Total
Payables	$ 101,929	$ -	$ -	$ -	$ -	$ 101,929

(E) Maturity analysis on derivative financial assets and liabilities

a. Derivatives of the Company settled on a net basis include:

(a) Foreign exchange derivatives: Non-delivery forwards, and

(b) Interest rate derivatives: interest rate swap settled by net cash flow and other interest rate contract.

b. Derivatives of the Company settled on a gross basis include：

(a) Foreign exchange derivatives: foreign currency futures and swaps

(b) Interest rate derivatives: cross currency swaps

(c) Credit derivatives: all credit default swaps are presented in gross amount. The protection buyer makes a regular payment to the protection seller of the swap. A lump-sum payment will be made to the protection buyer upon occurrence of credit risk events.

The table below shows the remaining periods of derivative financial instruments from balance sheet date to contract expiring date. According to the assessment, the maturities on the contract are the most fundamental element to understand all the derivatives on the balance sheet. Amounts shown in the table are based on contractual cash flows; therefore, certain disclosed amounts may not be consistent with the corresponding accounts on the balance sheet. Maturity analysis on derivative financial assets and liabilities is as follows:

(Expressed in Millions of New Taiwan Dollars)

	December 31, 2013					
	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial assets and liabilities at fair value through profit or loss						
Foreign exchange derivatives						
– Cash outflow	($ 95,725)	($ 89,677)	($ 30,978)	($ 7,591)	($ 3,486)	($ 227,457)
– Cash inflow	95,693	89,711	31,136	7,591	3,481	227,612
Interest rate derivatives						
– Cash outflow	(3,570)	(1,843)	(3,221)	(399)	(3,329)	(12,362)
– Cash inflow	3,724	1,868	3,182	377	3,361	12,512
Commodity derivatives						
– Cash outflow	(13)	-	(212)	(640)	(106)	(971)
– Cash inflow	13	-	212	640	106	971
Subtotal cash outflow	(99,308)	(91,520)	(34,411)	(8,630)	(6,921)	(240,790)
Subtotal cash inflow	99,430	91,579	34,530	8,608	6,948	241,095
Total	$ 122	$ 59	$ 119	($ 22)	$ 27	$ 305

	December 31, 2012					
	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial assets and liabilities at fair value through profit or loss						
Foreign exchange derivatives						
– Cash outflow	($ 79,399)	($ 102,378)	($ 56,076)	($ 36,382)	$ -	($ 274,235)
– Cash inflow	79,341	102,249	56,133	36,313	1	274,037
Interest rate derivatives						
– Cash outflow	(1,415)	(385)	(818)	(6,723)	(621)	(9,962)
– Cash inflow	1,246	394	798	6,744	619	9,801
Commodity derivatives						
– Cash outflow	(663)	(272)	(44)	(226)	(15)	(1,220)
– Cash inflow	663	272	44	226	15	1,220
Subtotal cash outflow	(81,477)	(103,035)	(56,938)	(43,331)	(636)	(285,417)
Subtotal cash inflow	81,250	102,915	56,975	43,283	635	285,058
Total	($ 227)	($ 120)	$ 37	($ 48)	($ 1)	($ 359)

Note: Not applicable for January 1, 2012 before acquisition of specific assets and liabilities of DBS Bank Ltd, Taipei Branch.

(F) Maturity analysis for items off the balance sheet

The table below shows the remaining periods from balance sheet date to contract expiring dates which demonstrate the maturity analysis of off balance sheet items. For financial guarantee contracts issued, the maximum amounts of the guarantee have been included the earliest period in which they could be required to be fulfilled. Amounts shown in the table are based on contractual cash flows; the disclosed amounts might not coincide with relevant items on balance sheet.

December 31, 2013	0-30 days	31-90 days	91 -180 days	181 days-1 year	Over 1 year	Total
Non-cancellable loan commitments	$ 166,530	$ 423,258	$ 1,310,455	$ 3,100,404	$ 12,230,187	$ 17,230,834
Unused letters of credit issued	445,787	2,411,357	562,520	53,140	-	3,472,804
Guarantees	9,463,841	1,277,635	3,040,452	1,365,321	3,759,018	18,906,267
Total	$ 10,076,158	$ 4,112,250	$ 4,913,427	$ 4,518,865	$ 15,989,205	$ 39,609,905
December 31, 2012	**0-30 days**	**31-90 days**	**91 -180 days**	**181 days-1 year**	**Over 1 year**	**Total**
Non-cancellable loan commitments	$ -	$ -	$ -	$ 1,400	$ 16,673,954	$ 16,675,354
Unused letters of credit issued	471,917	1,451,592	1,095,558	27,728	30,826	3,077,621
Guarantees	9,029,217	1,574,364	232,019	351,974	3,764,954	14,952,528
Total	$ 9,501,134	$ 3,025,956	$ 1,327,577	$ 381,102	$ 20,469,734	$ 34,705,503

Note: Not applicable for January 1, 2012 before acquisition of specific assets and liabilities of DBS Bank Ltd, Taipei Branch.

(G) Maturity analysis for lease contract commitment

Lease commitments of the Company are operating leases.
Operating lease commitment is the total minimum lease payments that the Company should make as a lessee or lessor under an operating lease term which is not cancelable.
There is no capital expenditure of property and equipment contracted for but not yet incurred.
Please refer to the table below for maturity analysis on lease contract commitment of the Company：

December 31, 2013	Less than 1 year	1~5 years	More than 5 years	Total
Lease contract commitment				
Operating lease expense (lessee)	$ 243,344	$ 745,132	$ 251,698	$ 1,240,174
Operating lease income (lessor)	9,115	2,363	-	11,478
December 31, 2012	Less than 1 year	1~5 years	More than 5 years	Total
Lease contract commitment				
Operating lease expense (lessee)	$ 258,055	$ 723,316	$ 379,460	$ 1,360,831
Operating lease income (lessor)	7,623	5,495	-	13,118
January 1, 2012	Less than 1 year	1~5 years	More than 5 years	Total
Lease contract commitment				
Operating lease expense (lessee)	$ 219,318	$ 642,475	$ 504,726	$ 1,366,519
Operating lease income (lessor)	10,852	12,635	-	23,487

(H) Information disclosure required by "Regulations Governing the Preparation of Financial Reports by Public Banks"

a. Structure analysis of time to maturity(NTD) (Expressed in thousands of NTD)

December 31, 2013

	Total	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	285,829,249	78,147,882	37,456,215	26,613,963	26,394,414	117,216,775
Primary funds outflow upon maturity	295,106,440	70,209,588	82,271,495	46,539,782	42,013,801	54,071,774
Gap	(9,277,191)	7,938,294	(44,815,280)	(19,925,819)	(15,619,387)	63,145,001

December 31, 2012

	Total	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	271,864,933	63,986,564	52,352,176	19,400,060	26,041,356	110,084,777
Primary funds outflow upon maturity	301,256,578	52,823,740	64,984,305	76,256,638	66,055,710	41,136,185
Gap	(29,391,645)	11,162,824	(12,632,129)	(56,856,578)	(40,014,354)	68,948,592

Note: The amounts listed above represent the funds denominated in NT dollars only (i.e. excluding foreign currency).

b. Structure analysis of time to maturity (USD) (Expressed in thousands of USD)

December 31, 2013

	Total	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	6,890,823	2,704,693	2,484,650	1,030,143	225,760	445,577
Primary funds outflow upon maturity	7,205,505	2,827,605	2,541,800	1,102,503	319,836	413,761
Gap	(314,682)	(122,912)	(57,150)	(72,360)	(94,076)	31,816

December 31, 2012

	Total	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	7,049,708	2,063,797	1,990,971	1,749,964	858,551	386,425
Primary funds outflow upon maturity	8,841,627	2,456,042	2,924,254	1,041,393	1,592,504	827,434
Gap	(1,791,919)	(392,245)	(933,283)	708,571	(733,953)	(441,009)

Note: The amounts listed above represent the funds denominated in US dollars only (i.e. excluding foreign currency).

D. Market risk

(A) Source and definition of market risk

Market risk refers to the losses on and off the balance sheet as a result of change in market price, such as interest rate, exchange rate, equity securities, commodity prices, and in correlation and intrinsic volatility among them. Market risk position is categorized into trading book and banking book. Trading book refers to management of positions based on trading spread for profit making, support clients' investment and hedging. It is revaluated daily and allocated market risk capital. Others which are held to maturity and hedged are not included in trading book are in banking book. Trading book of the Company mainly invests in interest rate, exchange rate and derivatives, with no trading position in equity securities and commodity price instruments.

(B) Measurement of market risk in trading book

a. Risk preference limits: Including tail risk limit and stress test limit.

b. Risk control limit

i. Interest rate sensitivity ("PV01"): Changes in profit and loss by one basis point change in interest rate.

ii. FX Delta: Change in profit and loss by one unit change in foreign exchange rate.

iii. Credit spread limit: Change in profit and loss by one basis point change in credit spread.

iv. Default risk limit: Change in profit and loss before and after default. Default risk generally is positive and is income after default for buyers. It is compensation for sellers if it is negative.

v. Profit and loss grid: Change in profit and loss when exchange rate, interest rate or volatility changes.

c. Spot loss limit: Market risk stop loss limit based on actual loss.

(C) Measurement of market risk in banking book

Interest rate risk in the Company's banking book includes interest rate risk on and off balance sheet. Identification and measurement of interest rate risk in banking book include:

a. Repricing risk: Caused by different maturity (fixed rate) and pricing date (floating rate) of positions on and off balance sheet.

b. Yield curve risk: Change in slope and shape of yield curve.

c. Interest rate basis risk: Due to inconsistent changes in repricing of different products which makes income different from payment of similar pricing periods.

d. Intrinsic option risk: Sourced from options hidden on and off balance sheet, including rights of early withdraw of deposits.

In conclusion, interest rate risk measurement indices are listed below:

a. Interest rate sensitivity ("PV01") is the measurement tool of risk in price volatility. It can quantitatively analyze interest gap sensitivity of a one basis point change in interest rate. PV01 is used for risk grid measure of the following risk types:

i. Repricing risk: Cumulative PV01 as measurement of parallel moving of yield curve.

ii. Yield curve risk: PV01 of difference periods can be used to measure yield curve risk when yield curve moving is not parallel.

iii. Interest rate basis risk: PV01 is used when spread between prescribed interest rate of products and market interest rate change.

b. Delta: is used to measure interest risk of accounts on balance sheet and as basis for assessment of internal risk capital.

(D) Market risk management organization structure and policy

Market risk management policy has been approved by the Board. The policy will be reviewed when the relativity, effectiveness and completeness of the policy are affected by new changes or development. All policies are reviewed at least annually. The Board delegates control over limit, monitor, and approval of daily transactions to Market and Liquidity Risk Committee. Changes in various risks and settlement of limit breaking events are required to be reported to the Board.

The objective of Market and Liquidity Risk Committee is to monitor and review market risk management and organization structure, including structure, policy efficiency, personnel, procedures, models, information, methodology and systems in relation to market risk, to review and assess positions involved in market risk and significant transactions and issues affecting profit and loss. The Committee comprises the general manager and delegates from Risk Management, Global Financial Market and Finance.

(E) Sensitivity analysis

a. Analysis of changes in profit and loss

(In millions of NTD)

December 31, 2013	USD:TWD=29.7935	Effects on Profit and loss	Effects on Equity
Risk Type	Changes		
Interest rate risk	Main interest rates increase by 0.25%	(8.86)	(50.90)
Interest rate risk	Main interest rates decrease by 0.25%	8.86	50.90
Exchange rate risk	USD appreciates by 3% against NTD, JPY, RMB and other currencies	(17.23)	-
Exchange rate risk	USD depreciates by 3% against NTD, JPY, RMB and other currencies	17.23	-

December 31, 2012	USD:TWD=29.0875	Effects on Profit and loss	Effects on Equity
Risk Type	Changes		
Interest rate risk	Main interest rates increase by 0.25%	6.63	(19.31)
Interest rate risk	Main interest rates decrease by 0.25%	(6.63)	19.31
Exchange rate risk	USD appreciates by 3% against NTD, JPY, RMB and other currencies	7.52	-
Exchange rate risk	USD depreciates by 3% against NTD, JPY, RMB and other currencies	(7.52)	-

Note: Not applicable for January 1, 2012 before acquisition of specific assets and liabilities of DBS Bank Ltd, Taipei Branch.

(F) Information of concentration of exchange rate risk

The table below represents the financial assets and liabilities in foreign currency of the Company as of December 31, 2013, December 31, 2012 and January 1, 2012 by currency and shown in book value.

	December 31, 2013				December 31, 2012		
Financial assets	In thousands of foreign currency	Exchange rate	Amount (in thousands of NTD)	Financial assets	In thousands of foreign currency	Exchange rate	Amount (in thousands of NTD)
Monetary items				Monetary items			
USD	$ 2,333,069	29.79	$ 69,510,283	USD	$ 1,945,873	29.09	$ 56,600,589
CNH	2,005,851	4.92	9,866,455	JPY	25,063,147	0.34	8,480,971
JPY	22,502,503	0.28	6,391,424	EUR	77,201	38.44	2,967,665
EUR	108,332	41.10	4,451,957	GBP	23,253	47.01	1,093,036
CNY	868,863	4.92	4,275,824	HKD	98,210	3.75	368,532
Financial liabilities				Financial liabilities			
Monetary items				Monetary items			
USD	$ 2,304,126	29.79	$ 68,647,981	USD	$ 1,924,969	29.09	$ 55,992,538
CNH	2,005,851	4.92	9,866,455	JPY	24,511,230	0.34	8,294,210
JPY	22,502,503	0.28	6,391,424	EUR	77,176	38.44	2,966,675
EUR	108,332	41.10	4,451,957	GBP	23,251	47.01	1,092,913
CNY	868,863	4.92	4,275,824	HKD	98,166	3.75	368,364

Note 1: The above foreign currencies are the top five in position expressed into the same currency.

Note 2: Not applicable for January 1, 2012 before acquisition of specific assets and liabilities of DBS Bank Ltd, Taipei Branch.

(G) Information disclosure required by “Regulations Governing the Preparation of Financial Report by Public Banks”

a. Analysis of interest rate sensitive assets and liabilities (NTD)

December 31, 2013

(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	$ 63,291,069	$ 19,869,234	$ 24,732,832	$ 113,245,034	$ 221,138,169
Interest-rate-sensitive liabilities	65,945,362	56,697,823	36,245,944	219,430	159,108,559
Interest-rate-sensitive gap	(2,654,293)	(36,828,589)	(11,513,112)	113,025,604	62,029,610
Total equity					22,223,169
Ratio of interest-rate-sensitive assets to liabilities (%)					138.99%
Ratio of interest-rate-sensitive gap to equity (%)					279.12%

December 31, 2012

Items	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	$ 52,889,006	$ 16,892,319	$ 18,190,540	$ 107,269,698	$ 195,241,563
Interest-rate-sensitive liabilities	46,757,886	51,469,179	47,887,529	342,315	146,456,909
Interest-rate-sensitive gap	6,131,120	(34,576,860)	(29,696,989)	106,927,383	48,784,654
Total equity					21,740,041
Ratio of interest-rate-sensitive assets to liabilities (%)					133.31%
Ratio of interest-rate-sensitive gap to equity (%)					224.40%

Note 1: The amounts listed above represent the items denominated in NT dollars (i.e., excluding foreign currency) for all domestic branches, of the Company, excluding contingent assets and contingent liabilities.

Note 2: Interest-rate-sensitive assets and liabilities are those interest earned assets and interest bearing liabilities, revenues and costs which are sensitive to changes in interest rates

Note 3: Interest-rate-sensitive gap = Interest-rate-sensitive assets - interest-rate-sensitive liabilities

Note 4: Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities＝Interest-rate-sensitive assets / interest-rate-sensitive liabilities (refer to NTD denominated interest-rate-sensitive assets and interest-rate-sensitive liabilities)

b. Analysis of interest rate sensitive assets and liabilities (USD)

(Expressed in thousands of USD, %)

December 31, 2013

Items	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	$ 953,805	$ 286,707	$ 88,787	$ 321,875	$ 1,651,174
Interest-rate-sensitive liabilities	2,003,755	1,150,098	142,743	138,656	3,435,252
Interest-rate-sensitive gap	(1,049,950)	(863,391)	(53,956)	183,219	(1,784,078)
Total equity					28,916
Ratio of interest-rate-sensitive assets to liabilities (%)					48.07%
Ratio of interest-rate-sensitive gap to equity (%)					-6169.86%

December 31, 2012

Items	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	$ 1,013,827	$ 162,124	$ 52,373	$ 376,899	$ 1,605,223
Interest-rate-sensitive liabilities	1,268,550	821,203	347,202	16,359	2,453,314
Interest-rate-sensitive gap	(254,723)	(659,079)	(294,829)	360,540	(848,091)
Total equity					20,904
Ratio of interest-rate-sensitive assets to liabilities (%)					65.43%
Ratio of interest-rate-sensitive gap to equity (%)					-4057.08%

Note 1: The amounts listed above represent the items denominated in US dollars (i.e., excluding foreign currency) for all domestic branches, of the Company, excluding contingent assets and contingent liabilities.

Note 2: Interest-rate-sensitive assets and liabilities are those interest earned assets and interest bearing liabilities, revenues and costs which are sensitive to changes in interest rates

Note 3: Interest-rate-sensitive gap = Interest-rate-sensitive assets - interest-rate-sensitive liabilities

Note 4: Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities＝Interest-rate-sensitive assets / interest-rate-sensitive liabilities (refer to NTD denominated interest-rate-sensitive assets and interest-rate-sensitive liabilities)

(4) Capital management

The Company complies with the “Regulations Governing the Capital Adequacy and Capital Category of Banks” announced by FSC and risk management policies to establish “Rules Governing Capital Adequacy Management” of the Company, in order to maintain the capital adequacy ratio above the lowest level required by law and also elevate efficiency of capital management and resources allocation in consideration of the whole exposure and characteristics of self-owned capital.

The objectives and procedures of capital management of the Company:

A. Objectives of capital management

Meeting the minimum regulated capital adequacy ratio is the most basic objective for the qualifying self-owned capital of the Company. The calculation of qualifying self-owned capital and legal capital should be made in compliance with regulations of competent authorities.

B. Capital management principles

The objective of capital management principles of the Company is to be in compliance with capital adequacy ratio agreed by the Board and rules regarding capital adequacy management. The Assets and Liabilities Committee is responsible for capital management of the Company. In addition to assessing the status of internal and external risk indices, trends and objectives, it is also responsible for implementing and monitoring over the assessment of the needs for regulated capital and risk capital.

To ensure capital of the Company is sufficient to absorb risk from operations, credit, market and operation risks are assessed within the scope of capital assessment and management of the assessment of capital needs is conducted in compliance with methodology regulated by FSC. The Company also established sound risk management systems and policies to maintain adequate capital fitting risk characteristics and operating environment of the Company. Systems and policies will be amended in accordance with changes in overall operating strategy, management objectives, and external regulations. Capital adequacy management principles is reviewed and amended at least once a year.

In addition to assessment of changes in capital adequacy under normal operating situations in accordance with operating plans and budget targets, regular stress test is also implemented under relevant regulations of competent authority in order to evaluate whether capital on hand is sufficient to cover potential losses incurred under stress.

Self-owned capital of the Company is categorized as Tier 1 capital and Tier 2 capital in compliance with “Regulation Governing the Capital Adequacy and Capital Category of Banks” and ratios of self-owned capital to risk capital, including common stock equity ratio, Tier 1 capital ratio and capital adequacy ratio, are calculated in compliance with this regulation, starting from January 1, 2013.

C. Capital adequacy ratio

The following tables show calculations of self-owned capital, risk weighted capital and capital adequacy ratio of the Company. The Company meets all requirements of local competent authorities in 2013 and 2012.

(Expressed in Thousands of New Taiwan Dollars, %)

			December 31, 2013
Eligible capital		Common share equity capital	22,922,061
		Other Tier l capital	-
		Tier 2 capital	871
		Self-owned capital, net	22,922,932
Total risk - weighted assets	Credit risk	Standardized Approach	191,112,816
		Internal Ratings-Based Approach	-
		Credit Valuation Adjustment	1,118,137
		Asset securitization	-
	Operation risk	Basic Indicator Approach	9,540,075
		Standardized Approach / Alternative Standardized Approach	-
		Advanced Measurement Approaches	-
	Market risk	Standardized Approach	6,302,445
		Internal Models Approach	-
	Total risk-weighted assets		208,073,474
Capital adequacy ratio			11.02
Ratio of common shares to total assets (%)			11.02
Tier 1 capital to risk-weighted assets (%)			11.02
Leverage ratio (%)			6.28

Note 1: The calculation of self-owned capital, total risk-weighted assets and exposure measurement of the table should comply with “Regulation Governing the Capital Adequacy and Capital Category of Banks” and “Calculation method and table of self-owned capital and risk-weighted assets”.

Note 2: The following formulas of the table are shown below:

(1) Eligible capital = Common share equity capital + Other Tier l capital + Tier 2 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) Ratio of common share equity capital to risk-weighted assets = Common share equity capital/ Total risk-weighted assets

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

(6) Leverage ratio = Tier 1 capital / Exposure measurement

(Expressed in Thousands of New Taiwan Dollars, %)

			December 31, 2012
Eligible capital		Tier 1 capital	22,454,101
		Tier 2 capital	418
		Tier 3 capital	-
		Self-owned capital, net	22,454,519
Total risk - weighted assets	Credit risk	Standardized Approach	173,172,152
		Internal Ratings-Based Approach	-
		Asset securitization	-
	Operation risk	Basic Indicator Approach	8,488,608
		Standardized Approach / Alternative Standardized Approach	-
		Advanced Measurement Approaches	-
	Market risk	Standardized Approach	6,149,671
		Internal Models Approach	-
	Total risk-weighted assets		187,810,431
Capital adequacy ratio			11.96
Tier 1 Risk based Capital Ratio (%)			11.96
Tier 2 Risk based Capital Ratio (%)			-
Tier 3 Risk based Capital Ratio (%)			-
Shareholders' equity/Total assets (%)			8.31
Leverage ratio (%)			8.75

Note: 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. Ratio of shareholders' equity to total assets = Shareholder's equity/Total assets

8. Leverage ratio = Tier 1 capital / averaged assets after adjustments (average assets – tier 1 capital – goodwill – unamortized loss on sale of non-performing loans and amounts required to be deducted from the tier 1 capital pursuant to "Calculation method and table of self-owned capital and risk-weighted assets".

(5) Content and amount of trust operations per Trust Enterprise Act

The trust balance sheet, income statement and schedule of investments as required to be disclosed in compliance with the Article 17 of the "Enforcement Rules of the Trust Enterprise Act" are as follows:

A. Trust balance sheet

Trust assets	December 31, 2013	December 31, 2012
Fund investments	$ 18,110,052	$ 18,064,890
Real estate	573,846	-
Total	$ 18,683,898	$ 18,064,890

Trust liabilities	December 31, 2013	December 31, 2012
Trust capital	$ 18,683,898	$ 18,064,890
Total	$ 18,683,898	$ 18,064,890

B. Schedule of investments

	December 31, 2013	December 31, 2012
Fund investments		
Overseas mutual funds	$ 17,130,718	$ 17,114,716
Domestic mutual funds	979,334	950,174
Real estate		
Land	419,528	-
Buildings	119	-
Advances	154,199	-
Total	$ 18,683,898	$ 18,064,890

C. For the years ended December 31, 2013 and 2012, the trust revenue, trust expense and trust net income were $0.

(6) Others

Required disclosures of the acquisition of operations, assets and liabilities of DBS Bank Ltd, Taipei Branch by the Company:

A. Introduction on the acquired: DBS Bank Ltd, Taipei Branch, which started its operation in 1983 and 1985 as approved by regulations of R.O.C., is the Taiwanese branch and offshore banking unit of DBS Bank Ltd. With the approval of the FSC dated February 1, 2008, DBS Bank Ltd, Taipei Branch assumed all operations, assets and liabilities except certain non-performing loan, properties, retained assets and retained liabilities from Bowa Bank Co., Ltd. ("Bowa Bank"). The effective date for assumption was May 24, 2008. After DBS Bank Ltd, Taipei Branch assumed Bowa Bank, 40 branches in total have become operating sites of the branch. The main services provided include deposits, loans, bonds and securities investment, foreign exchange, remittance, guarantees, letters of credit, credit card business and various trust, brokerage and asset management businesses.

B. Purpose of acquisition and legal basis:

(A) Purpose: To provide various financial instruments and sound asset management services through the 40 branches nationally.

(B) Legal basis: Business Mergers And Acquisitions Act, Company Act and The Financial Institutions Merger Act

C. Effective date: January 1, 2012.

D. Type, quantity and amount of securities issued for acquisition: 1,200,000 thousands common shares with par value at $10 dollars per share amounting to $12 billion dollars.

E. Accounting treatment:

(A) Accounting treatment for acquisition: The acquisition of specific operations, assets and liabilities of DBS Bank Ltd, Taipei Branch was recognized by the original carrying amounts on the effective date as it is an organizational restructuring in nature.

(B) Amounts and accounts of acquired assets and liabilities:

	Amount
Total assets:	
Cash and cash equivalents	$ 1,099,823
Due from Central Bank and call loans to other banks	20,845,643
Financial assets at fair value through profit or loss	2,531,262
Receivables – net	2,529,024
Bills discounted and loans – net	152,972,943
Available-for-sale financial assets – net	20,260,876
Other financial assets – net	55,069
Property and equipment – net	1,760,188
Intangible assets – net	320,085
Other assets – net	147,129
	236,578
	202,758,620
Less: total liabilities	
Due to Central Bank and other banks	14,355,385
Financial liabilities at fair value through profit or loss	2,292,446
Payables	2,368,900
Deposits and remittances	169,616,708
Other financial liabilities	1,764,369
Other liabilities	169,815
Provisions	190,997
	190,758,620
Net assumption	$ 12,000,000
Common stock	$ 12,000,000

(7) Profitability

Expressed in %

Item		December 31, 2013	December 31, 2012
Return on total assets	Before tax	0.25	0.47
	After tax	0.21	0.41
Return on shareholders' equity	Before tax	3.16	3.98
	After tax	2.69	3.51
Net profit margin ratio		10.92	11.25

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

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

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

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

13. SUPPLEMENTARY DISCLOSURES

(1) Related information on material transaction items:

A. 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 Company's paid-in capital: None.

B. Information on the acquisition of real estate for which the purchase amount exceeded NT$300 million or 10% of the Company's paid-in capital: None.

C. Information on the disposal of real estate for which the sale amount exceeded NT$300 million or 10% of the Company's paid-in capital: None.

D. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT$5 million: None.

E. Information regarding receivables from related parties for which the amount exceeded NT$300 million or 10% of the Company's paid-in capital: None.

F. Information regarding selling non-performing loans: None.

G. Information on and categories of securitized assets which are approved by the authority pursuant to Financial Asset Securitization Act or the Real Estate Securitization Act: None.

H. Relationship and significant transactions with parent company and among subsidiaries: Not applicable.

I. Other material transaction items which were significant to the users of the financial statements: None.

(2) Information regarding loans to others, guarantees for others, securities held at period end, purchasing or selling the same securities over NT $300 million or 10% of the capital and derivative transactions of investee companies: Not

applicable.

(3) Supplementary disclosure regarding investee companies and consolidated stocks held: Not applicable.

(4) Investments in Mainland China: None.

14. SEGMENT INFORMATION

(1) General information – products and services generating income of each reportable segment

The Company has three reportable segments: corporate banking, consumer banking and others. Main income sources of products and services are as follows:

Corporate banking: general corporate deposits and loans, policy financing, guaranteed acceptance, accounts receivable factoring, small and medium enterprises loans, money market and financial instruments investment.

Consumer banking: mortgage loans, auto loans, consumer loans, credit business, asset management and deposits.

Others: income and expense not attributable to above operating segments and expense from supporting office that cannot be directly amortized are classified as others.

(2) Measurement of segment information

(A) Measurement of profit and loss, asset and liabilities of segments

All principles used to measure profit and loss, assets and liabilities of segments of the Company are consistent with the significant accounting policy detailed in Note 4. The measurement of profit and loss is based on pre-tax profit and loss.

In order to create a fair and reasonable performance measuring program, intra-transactions amongst segments of the Company are deemed as trading with third parties and interest income and expense are calculated based on internal interest rate determined by reference with market condition. Internal income and expense of each segment are offset in external financial statements.

Income and expense are directly classified under segmental profit and loss if attributable to the segment or allocated to each segment based on reasonable standards of calculation if the indirect expense is not able to be directly attributable to the segments. All other unallocated items are included in others.

(B) Recognition element for segments

The Company has specific performance indicators and the chief operating decision-maker regularly reviews and evaluates performances, through which the Company uses as a reference to determine resource allocation.

(3) Segment profit and loss

	For the year ended December 31, 2013			
	Corporate banking	Consumer banking	Others	Consolidated
Net interest income	$ 2,105,678	$ 1,031,815	($ 2,660)	$ 3,134,833
Net non-interest income (note)	1,803,087	535,798	135,483	2,474,368
Net revenues	3,908,765	1,567,613	132,823	5,609,201
Bad debt expense and reserve on guarantee liabilities	(396,742)	(92,055)	(21,150)	(509,947)
Operating expenses	(2,155,155)	(2,170,664)	(52,202)	(4,378,021)
Segmental gain (loss) before tax	$ 1,356,868	($ 695,106)	$ 59,471	$ 721,233

	For the year ended December 31, 2012			
	Corporate banking	Consumer banking	Others	Consolidated
Net interest income	$ 1,818,230	$ 928,911	($ 29,875)	$ 2,717,266
Net non-interest income (note)	1,223,045	485,617	629,667	2,338,329
Net revenues	3,041,275	1,414,528	599,792	5,055,595
Bad debt expense and reserve on guarantee liabilities	(194,495)	75,853	(3,101)	(121,743)
Operating expenses	(2,020,779)	(2,136,824)	(131,288)	(4,288,891)
Segmental gain (loss) before tax	$ 826,001	($ 646,443)	$ 465,403	$ 644,961

Note: Including net fee and commission income, gains or losses on financial assets and financial liabilities at fair value through profit and loss, realized gains or losses on available-for-sale financial assets, foreign exchange gains and other non-interest income.

(4) Information of revenue by location

Not applicable. The Company has no external income from foreign countries.

(5) Important client information

Not applicable. The Company has no important clients which account for 10% total interest income or more.

15. First-time Adoption of IFRSs

These financial statements are the first financial statements prepared by the Company in accordance with the IFRSs. The Company has adjusted the amounts as appropriate that are reported in the previous R.O.C. GAAP financial statements to those amounts that should be presented under IFRSs in the preparation of the opening IFRS balance sheet. Information about exemptions selected by the Company, exceptions to the retrospective application of IFRSs in relation to first-time adoption of IFRSs, and how it affects the Company's financial position, operating results and cash flows in transition from R.O.C. GAAP to the IFRSs is set out below:

(1) Exemptions selected by the Company

A. Employee benefits

The Company has selected to recognize all cumulative actuarial gains and losses relating to all employee benefit plans in "retained earnings" at the transition date, and to disclose the information of present value of defined benefit obligation, fair value of plan assets, gain or loss on plan assets and experience adjustments under the requirements of paragraph 120A (P), IAS 19, "Employee Benefits", based on their prospective amounts for financial periods from the transition date.

(2) Except for hedge accounting and non-controlling interest to which exceptions to the retrospective application of IFRSs specified in IFRS 1 are not applied as they have no relation with the Company, other exceptions to the retrospective application are set out below:

A. Accounting estimates

Accounting estimates made under IFRSs on January 1, 2012 are consistent with those made under R.O.C. GAAP on that day.

B. Derecognition of financial assets and financial liabilities

The derecognition requirements in IAS 39, "Financial Instruments: Recognition and Measurement" shall be applied prospectively to transactions occurring on or after January 1, 2004.

(3) Requirement to reconcile from R.O.C. GAAP to IFRSs at the time of first-time adoption of IFRSs

IFRS 1 requires that an entity should prepare reconciliations of equity, comprehensive income and cash flows for the comparative periods. Reconciliations of equity and comprehensive income for the comparative periods as to transition from R.O.C. GAAP to IFRSs are shown below:

A. Reconciliation of equity as of January 1, 2012

R.O.C. GAAP			IFRSs		
Items	Amounts	Adjustments	Amounts	Items	Note
Assets				**Assets**	
Cash and cash equivalents	$ 9,962,100	$ -	$ 9,962,100	Cash and cash equivalents	
Receivables – net	4,788	(882)	3,906	Receivables – net	(3)
	-	882	882	Current income tax assets	(3)
	-	22,821	22,821	Deferred income tax assets – net	
Other assets – net	23,621	(22,821)	800	Other assets – net	
Total assets	$ 9,990,509	$ -	$ 9,990,509	**Total assets**	
Liabilities				**Liabilities**	
Payables	$ 101,929	$ -	$ 101,929	Payables	
Total liabilities	$ 101,929	$ -	$ 101,929	**Total liabilities**	
Equity				**Equity**	
Share capital				**Share capital**	
Common stocks	$ 10,000,000	$ -	$ 10,000,000	Common shares	
Retained earnings				**Retained earnings**	
Accumulated Deficit	(111,420)	-	(111,420)	Accumulated Deficit	
Total equity	$ 9,888,580	$ -	$ 9,888,580	**Total equity**	

B. Reconciliation of equity as of December 31, 2012

R.O.C. GAAP			IFRSs		
Items	Amounts	Adjustments	Amounts	Items	Note
Asset				**Asset**	
Cash and cash equivalents	$ 2,423,558	$ -	$ 2,423,558	Cash and cash equivalents	
Due from Central Bank and call loans to other banks	12,606,720	-	12,606,720	Due from Central Bank and call loan to other banks	
Financial assets at fair value through income statement	10,372,961	(10,372,961)	-		(4)
	-	10,372,961	10,372,961	Financial assets at fair value through profit or loss	(4)
Receivables − net	4,364,243	(6,608)	4,357,635	Receivables − net	(3)
	-	6,608	6,608	Current income tax assets	(3)
Bills discounted and loans − net	183,110,381	-	183,110,381	Bills discounted and loans − net	
Available-for-sale financial assets	49,608,728	-	49,608,728	Available-for-sale financial assets	
Other financial asset − net	47,109	-	47,109	Other financial asset − net	
Fixed assets	1,351,430	(1,351,430)	-		(6)
	-	1,669,637	1,669,637	Property and equipment − net	(6)
	-	248,606	248,606	Investment properties − net	(6)
Intangible assets	139,996	(19,520)	120,476	Intangible assets − net	(1)
	-	37,999	37,999	Deferred income tax assets - net	(1) (3)
Other assets	755,952	(566,813)	189,139	Other assets − net	(6)
Total assets	$ 264,781,078	$ 18,479	$ 264,799,557	**Total assets**	
Liabilities				**Liabilities**	
Due to Central Bank and other banks	$ 40,822,448	$ -	$ 40,822,448	Due to Central Bank and other banks	
Financial liabilities at fair value through income statement	3,278,640	(3,278,640)	-		(4)
	-	3,278,640	3,278,640	Financial liabilities at fair value through profit or loss	(4)
Payables	4,503,858	-	4,503,858	Payables	
Deposits and remittances	189,518,193	-	189,518,193	Deposits and remittances	
Accrued pension liabilities	25,689	(25,689)	-		(1) (5)
Other financial liabilities	3,390,125	-	3,390,125	Other financial liabilities	
	-	283,755	283,755	Provisions	(5)
	-	40,853	40,853	Deferred income tax liabilities	(3)
Other liabilities	711,564	(246,197)	465,367	Other liabilities	(3) (5)
Total liabilities	$ 242,250,517	$ 52,722	$ 242,303,239	**Total liabilities**	
Equity				**Equity**	
Share capital				**Share capital**	
Common stocks	$ 22,000,000	$ -	$ 22,000,000	Common shares	
Retained earnings				**Retained earnings**	
Retained earnings	491,680	(34,243)	457,437	Retained earnings	(1) (2) (4) (6)
Other equity	-	38,881	38,881	**Other equity**	
Cumulative translation adjustments	(7,573)	7,573	-		
Unrealized gain on financial instruments	46,454	(46,454)	-		
Total equity	$ 22,530,561	($ 34,243)	$ 22,496,318	**Total equity**	

C. Reconciliation of comprehensive income for 2012

R.O.C. GAAP Items	R.O.C. GAAP Amounts	Adjustments	IFRSs Amounts	IFRSs Items	Note
Interest income	$ 4,811,885	($ 48,772)	$ 4,763,113	Interest income	(4)
Less: Interest expense	(2,086,534)	40,687	(2,045,847)	Less: Interest expense	(2)
Net interest income	2,725,351	(8,085)	2,717,266	**Net interest income**	
Net non-interest income				**Net non-interest income**	
Net fee and commission income	784,159	-	784,159	Net fee and commission income	
Gains or losses on financial assets and financial liabilities at fair value through income statement	645,551	(645,551)	-		(4)
	-	694,323	694,323	Gains or losses on financial assets and financial liabilities at fair value through profit or loss	(4)
Realized gains or losses on available-for-sale financial assets	11,585	-	11,585	Realized gains or losses on available-for-sale financial assets	
Foreign exchange gains	244,754	-	244,754	Foreign exchange gains	
Other non-interest income	594,344	9,164	603,508	Other non-interest income	(6)
Net revenues	5,005,744	49,851	5,055,595	**Net revenues**	
Bad debt expense and gain on recovered bad debt	(121,743)	121,743	-		
	-	(121,743)	(121,743)	Bad debt expense and reserve on guarantee liabilities	
Operating expenses				**Operating expenses**	
Personnel expenses	(2,429,196)	(82,356)	(2,511,552)	Employee benefit expense	(1)(2)
Depreciation and amortization expenses	(248,741)	(9,164)	(257,905)	Depreciation and amortization expenses	(6)
Other general and administrative expenses	(1,519,434)	-	(1,519,434)	Other general and administrative expenses	
Income from continuing operations before income tax	686,630	(41,669)	644,961	**Income before income tax**	
Income tax expense	(83,530)	7,083	(76,447)	Income tax expense	(1)
Net income	$ 603,100	(34,586)	568,514	**Net income**	
				Other Comprehensive Income	
		(7,573)	(7,573)	Translation gain and loss on the financial statements of foreign operating entities	
		46,454	46,454	Unrealized gain or loss on available-for-sale financial assets	
		413	413	Actuarial gains and losses of defined benefit plan	(1)
		(70)	(70)	Income tax in relation to components of other comprehensive income	(1)
		39,224	39,224	**Other comprehensive income – net**	
		$ 4,638	$ 607,738	**Total comprehensive income**	

Reasons for adjustments:

(1) Adjustments of actuarial gains and losses on pension and obligation

The Company choosed to follow the employee benefit exemption set out in IFRS 1 “First-time Adoption of International Financial Reporting Standards” and IAS 19 “Employee Benefits”.

The discount rate used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, ‘Employee Benefits’, requires an entity to determine the rate used to discount employee benefits with reference to market yields at the end of the reporting period on high quality corporate bonds of a currency and term consistent with the currency and term of the benefit obligation; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the end of the reporting period) instead.

In accordance with current accounting standards in R.O.C., actuarial pension gain or loss of the Group is recognized in net pension cost of current period using the ‘corridor’ method. However, in accordance with IAS 19, ‘Employee Benefits’, the Company selects to recognize immediately actuarial pension gain or loss in other comprehensive income.

(2) Employee preferential deposits

According to “Regulations Governing the Preparation of Financial Reports by Public Banks” effective in 2013, interest for current employees in excess of market interest rate shall be reclassified as employee benefit expense (included in “operating expenses”).

(3) Income tax

In accordance with current accounting standards in R.O.C., a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or noncurrent. However, a deferred tax asset or liability that is not related to an asset or liability for financial reporting should be classified as current or noncurrent according to the expected time period to realize or settle a deferred tax asset or liability. However, under IAS 1, ‘Presentation of Financial Statements’, an entity should not classify a deferred tax asset or liability as current.

Deferred income tax assets and liabilities cannot be offset as they do not meet the criteria of offsetting assets and liabilities under IAS 12, ‘Income Taxes’. Thus, the Company reclassified deferred income tax assets and liabilities at the transition date. In accordance with IAS1, current income tax assets should be shown separately in the balance sheet.

(4) Financial assets and liabilities at fair value through profit and loss

According to “Regulations Governing the Preparation of Financial Reports by Public Banks” effective in 2013, the Bank reclassified the “Financial assets at fair value through income statement” and “Financial liabilities at fair value through income statement” as “Financial assets at fair value through profit and loss” and “Financial liabilities at fair value through profit and loss”, respectively and presented interest income and expense of financial assets and liabilities at fair value through profit and loss under “Gains and losses of financial assets and liabilities at fair value through profit and loss” on the transition date.

(5) Liability reserve

In accordance with IAS 1 as approved by the FSC, provisions should be presented separately in the balance sheet. Items originally recognized in accrued pension liabilities and other liability reserves should be reclassified under liability reserves.

(6) Investment property

In accordance with IAS 40 “Investment Property”, items originally classified as “Other assets” meeting the definition of investment property should be reclassified as “Investment property”. Depreciation expenses of investment property originally recognized in other non-interest income according to the current accounting standards in R.O.C. should be reclassified as depreciation and amortization expenses.

D. Major adjustments for cash flows for the year ended December 31, 2012:

(A) Transition from R.O.C. GAAP to IFRSs has no effect on the reported cash flows generated by the Company.
(B) Adjustments between R.O.C. GAAP and IFRSs have no net effect on the cash flows.