# DBS BANK (TAIWAN) LTD

# FINANCIAL STATEMENTS
# AND
# REPORT OF INDEPENDENT ACCOUNTANTS

# DECEMBER 31, 2014 AND 2013

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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.

<u>Report of Independent Accountants Translated from Chinese</u>

PWCR 14003538
To DBS Bank (Taiwan) Ltd

We have audited the accompanying balance sheets of DBS Bank (Taiwan) Ltd (the "Company") as of December 31, 2014 and 2013, and the related statements of comprehensive income, of changes in equity, and of cash flows for the years ended December 31, 2014 and 2013. 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 "Regulations Governing Auditing and Attestation 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, 2014 and 2013, and its financial performance and cash flows for the years ended December 31, 2014 and 2013 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 23, 2015

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The accompanying financial statements are not intended to present the financial position and financial performance 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, 2014 AND 2013
# (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| | | | December 31, 2014 | | December 31, 2013 | |
|---|---|---|---|---|---|---|
| | ASSETS | Notes | Amount | % | Amount | % |
| | **ASSETS** | | | | | |
| 11000 | Cash and cash equivalents | 6(1) and 7 | $ 13,720,057 | 4 | $ 10,167,947 | 3 |
| 11500 | Due from Central Bank and call loans to other banks | 6(2) and 7 | 6,046,637 | 2 | 12,106,576 | 4 |
| 12000 | Financial assets at fair value through profit or loss | 6(3) and 7 | 27,906,701 | 8 | 16,727,895 | 5 |
| 13000 | Receivables – net | 6(4)(6), 7 and 8 | 14,915,021 | 5 | 13,170,551 | 4 |
| 13200 | Current income tax assets | | 5,345 | - | 5,345 | - |
| 13300 | Assets held for sale | 6(5) | 435,055 | - | - | - |
| 13500 | Bills discounted and loans – net | 6(6) and 7 | 202,604,915 | 60 | 192,177,618 | 61 |
| 14000 | Available-for-sale financial assets | 6(7) and 8 | 68,969,841 | 20 | 70,570,830 | 22 |
| 15500 | Other financial assets – net | 6(8) | 146,267 | - | 225,161 | - |
| 18500 | Property and equipment – net | 6(9) | 965,478 | - | 1,526,930 | 1 |
| 18700 | Investment properties – net | 6(10) | 244,233 | - | 244,027 | - |
| 19000 | Intangible assets – net | 6(11) | 117,595 | - | 98,971 | - |
| 19300 | Deferred income tax assets – net | 6(33) | 63,695 | - | 41,479 | - |
| 19500 | Other assets – net | 6(12) and 7 | 1,792,164 | 1 | 197,602 | - |
| | **TOTAL ASSETS** | | $ 337,933,004 | 100 | $ 317,260,932 | 100 |
| | **LIABILITIES AND EQUITY** | | | | | |
| | **LIABILITIES** | | | | | |
| 21000 | Due to Central Bank and other banks | 6(13) and 7 | $ 55,964,368 | 17 | $ 61,736,806 | 20 |
| 22000 | Financial liabilities at fair value through profit or loss | 6(14) and 7 | 7,724,085 | 2 | 3,383,478 | 1 |
| 23000 | Payables | 6(15) and 7 | 8,830,989 | 3 | 3,993,820 | 1 |
| 23200 | Current income tax liabilities | | 54,675 | - | 71,850 | - |
| 23500 | Deposits and remittances | 6(16) and 7 | 238,046,574 | 70 | 220,468,512 | 70 |
| 25500 | Other financial liabilities | 6(17) | 2,752,295 | 1 | 3,540,557 | 1 |
| 25600 | Provisions | 6(18)(19) | 283,051 | - | 310,725 | - |
| 29300 | Deferred income tax liabilities | 6(33) | - | - | 10,489 | - |
| 29500 | Other liabilities | 6(20) and 7 | 737,231 | - | 632,798 | - |
| | **TOTAL LIABILITIES** | | 314,393,268 | 93 | 294,149,035 | 93 |
| | **EQUITY** | | | | | |
| 31100 | **Share capital** | | | | | |
| 31101 | Common shares | 6(21) | 22,000,000 | 7 | 22,000,000 | 7 |
| 32000 | **Retained earnings** | 6(22) | | | | |
| 32001 | Legal reserve | | 331,269 | - | 147,504 | - |
| 32011 | Retained earnings | | 1,093,073 | - | 929,146 | - |
| 32500 | **Other equity** | 6(23) | 115,394 | - | 35,247 | - |
| | **TOTAL EQUITY** | | 23,539,736 | 7 | 23,111,897 | 7 |
| | **TOTAL LIABILITIES AND EQUITY** | | $ 337,933,004 | 100 | $ 317,260,932 | 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, 2014 AND 2013**
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE)**

| | | | FOR THE YEAR ENDED DECEMBER 31, 2014 | | FOR THE YEAR ENDED DECEMBER 31, 2013 | |
|---|---|---|---|---|---|---|
| | | Notes | Amount | % | Amount | % |
| 41000 | Interest income | 6(25) and 7 | $ 5,991,633 | 100 | $ 5,297,473 | 100 |
| 51000 | Less: Interest expense | 6(25) and 7 | ( 2,497,640) | ( 42) | ( 2,162,640) | ( 41) |
| | **Net interest income** | | 3,493,993 | 58 | 3,134,833 | 59 |
| | **Net non-interest income** | | | | | |
| 49100 | Net fee and commission income | 6(26) and 7 | 870,962 | 15 | 702,660 | 13 |
| 49200 | Gains or losses on financial assets and financial liabilities at fair value through profit or loss | 6(27) | 1,745,180 | 29 | 1,350,980 | 26 |
| 49300 | Realized gains or losses on available-for-sale financial assets | 6(28) | 307 | - | - | - |
| 49600 | Foreign exchange (losses) gains | | ( 59,532) | ( 1) | 282,285 | 5 |
| 49800 | Other non-interest income | 6(29) and 7 | 75,822 | 1 | 138,443 | 3 |
| | **Net revenues** | | 6,126,732 | 102 | 5,609,201 | 106 |
| 58200 | Bad debts expense and reserve on guarantee liabilities | | ( 948,611) | ( 16) | ( 509,947) | ( 10) |
| | **Operating expenses** | | | | | |
| 58500 | Employee benefit expense | 6(19)(24)(30) and 7 | ( 2,694,508) | ( 45) | ( 2,553,928) | ( 48) |
| 59000 | Depreciation and amortization expenses | 6(31) | ( 245,167) | ( 4) | ( 273,233) | ( 5) |
| 59500 | Other general and administrative expenses | 6(32) and 7 | ( 1,810,157) | ( 30) | ( 1,550,860) | ( 29) |
| 61001 | **Income before income tax** | | 428,289 | 7 | 721,233 | 14 |
| 61003 | Income tax expense | 6(33) | ( 87,993) | ( 1) | ( 108,684) | ( 2) |
| 64000 | **Net income** | | 340,296 | 6 | 612,549 | 12 |
| | **Other Comprehensive Income** | | | | | |
| 65001 | Foreign currency translation differences for foreign operations | 6(23) | 76,859 | 1 | 11,303 | - |
| 65011 | Available-for-sale revaluation reserve | 6(23) | 3,288 | - | ( 14,937) | - |
| 65031 | Actuarial gains and losses of defined benefit plan | 6(19) | 8,911 | - | 8,029 | - |
| 65091 | Income tax in relation to components of other comprehensive income | 6(33) | ( 1,515) | - | ( 1,365) | - |
| 65000 | **Other comprehensive income – net** | | 87,543 | 1 | 3,030 | - |
| 66000 | **Total comprehensive income** | | $ 427,839 | 7 | $ 615,579 | 12 |
| | **Earnings Per Share (in New Taiwan dollars)** | | | | | |
| | **Basic and diluted earnings per share** | 6(34) | $ 0.15 | | $ 0.28 | |

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, 2014 AND 2013**
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

| | | | Retained earnings | | Other equity | | |
|---|---|---|---|---|---|---|---|
| | Notes | Common shares | Legal reserve | Retained earnings | Foreign currency translation differences for foreign operations | Available-for-sale revaluation reserve | Total equity |
| 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 | | | | | | | |
| Legal reserve | 6(22) | - | 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 |
| For the years ended December 31, 2014 | | | | | | | |
| Balance as of January 1, 2014 | | $ 22,000,000 | $ 147,504 | $ 929,146 | $ 3,730 | $ 31,517 | $ 23,111,897 |
| Appropriation of net income for 2013 | | | | | | | |
| Legal reserve | 6(22) | - | 183,765 | ( 183,765) | - | - | - |
| Net income | | - | - | 340,296 | - | - | 340,296 |
| Other comprehensive income | | - | - | 7,396 | 76,859 | 3,288 | 87,543 |
| Balance as of December 31, 2014 | | $ 22,000,000 | $ 331,269 | $ 1,093,073 | $ 80,589 | $ 34,805 | $ 23,539,736 |

Note: Employee's bonuses amounting to $4 and $3 for the years of 2013 and 2012 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, 2014 AND 2013**
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

| | NOTES | FOR THE YEAR ENDED DECEMBER 31, 2014 | FOR THE YEAR ENDED DECEMBER 31, 2013 |
|---|---|---|---|
| **Cash Flows From Operating Activities** | | | |
| Income before income tax | | $ 428,289 | $ 721,233 |
| Adjustment items | | | |
| Income and expenses without cash flows impact | | | |
| Bad debts expense and reserve on guarantee liabilities | | 1,142,612 | 706,178 |
| Depreciation expense (including investment properties' depreciation expense) | 6(31) | 192,074 | 230,721 |
| Amortization expense | 6(31) | 53,093 | 42,512 |
| Interest income | | ( 5,991,633 ) | ( 5,297,473 ) |
| Dividends income | | ( 14,743 ) | ( 13,641 ) |
| Interest expense | | 2,497,640 | 2,162,640 |
| Gain from sale of property and equipment | | ( 182 ) | ( 156 ) |
| Loss from retirement of property and equipment | | 18 | 7,083 |
| Realized gain on available-for-sale financial assets | | ( 307 ) | - |
| Change in assets/liabilities relating to operating activities | | | |
| Change in assets relating to operating activities | | | |
| Increase in due from Central Bank and call loans to other banks | | ( 199,076 ) | ( 275,776 ) |
| Increase in financial assets at fair value through profit or loss | | ( 11,178,806 ) | ( 6,354,934 ) |
| Increase in receivables | | ( 1,581,478 ) | ( 8,709,980 ) |
| Increase in bills discounted and loans | | ( 11,577,232 ) | ( 9,697,317 ) |
| Decrease (increase) in available-for-sale financial assets | | 1,604,584 | ( 20,977,039 ) |
| Decrease (increase) in other financial assets | | 78,894 | ( 178,757 ) |
| Increase in other assets | | ( 1,594,562 ) | ( 8,463 ) |
| Change in liabilities relating to operating activities | | | |
| (Decrease) increase in due to Central Bank and other banks | | ( 5,772,438 ) | 20,914,358 |
| Increase in financial liabilities at fair value through profit or loss | | 4,340,607 | 104,838 |
| Increase (decrease) in payables | | 4,729,396 | ( 473,254 ) |
| Increase in deposits and remittances | | 17,578,062 | 30,950,319 |
| (Decrease) increase in other financial liabilities | | ( 788,262 ) | 150,432 |
| Increase in provisions | | 476 | 1,264 |
| Increase in other liabilities | | 104,433 | 167,431 |
| Cash (used in) generated from operations | | ( 5,948,541 ) | 4,172,219 |
| Interest paid | | ( 2,389,867 ) | ( 2,199,424 ) |
| Income tax paid | | ( 139,388 ) | ( 70,780 ) |
| Interest received | | 5,777,014 | 5,137,334 |
| Dividend received | | 14,743 | 13,641 |
| Net cash (used in) generated from operating activities | | ( 2,686,039 ) | 7,052,990 |
| **Cash Flows From Investing Activities** | | | |
| Acquisition of property and equipment | | ( 62,065 ) | ( 83,448 ) |
| Proceeds from sales of property and equipment and investment properties | | - | 156 |
| Acquisition of intangible assets | | ( 71,712 ) | ( 21,013 ) |
| Net cash used in investing activities | | ( 133,777 ) | ( 104,305 ) |
| Impact to cash and cash equivalents from changes in exchange rates | | 112,911 | 19,784 |
| Net (decrease) increase in cash and cash equivalents | | ( 2,706,905 ) | 6,968,469 |
| Cash and cash equivalents at beginning of period | | 17,925,114 | 10,956,645 |
| Cash and cash equivalents at end of period | | $ 15,218,209 | $ 17,925,114 |
| Cash and cash equivalents: | 6(1) | | |
| Cash and cash equivalents in the balance sheet | | $ 13,720,057 | $ 10,167,947 |
| Due from Central Bank and call loans to other banks satisfying the definition of IAS No. 7 "Cash Flow Statements" | | 1,498,152 | 7,757,167 |
| Cash and cash equivalents at end of period | | $ 15,218,209 | $ 17,925,114 |

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

**DBS BANK (TAIWAN) LTD**
**NOTES TO FINANCIAL STATEMENTS**
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**
**(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 Former 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, 2014, the Company has 42 branches and an offshore banking unit across Taiwan. The total number of employees was 1,609 people and 1,484 people as of December 31, 2014 and 2013.

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 Act 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 23, 2015.

## 3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

None.

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

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on April 3, 2014, commencing 2015, the Company shall adopt the 2013 version of IFRS (not including IFRS 9, 'Financial instruments') as endorsed by the FSC and the "Regulations Governing the Preparation of Financial Reports by Public Bank" effective January 1, 2015 (collectively referred herein as the "2013 version of IFRSs") in preparing the financial statements. The related new standards, interpretations and amendments are listed below:

| New Standards, Interpretations and Amendments | Effective Date by International Accounting Standards Board |
| --- | --- |
| Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1) | July 1, 2010 |
| Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1) | July 1, 2011 |
| Government loans (amendment to IFRS 1) | January 1, 2013 |
| Disclosures－Transfers of financial assets (amendment to IFRS 7) | July 1, 2011 |
| Disclosures－Offsetting financial assets and financial Liabilities (amendment to IFRS 7) | January 1, 2013 |
| IFRS 10, 'Consolidated financial statements' | January 1, 2013 (Investment entities: January 1, 2014) |
| IFRS 11,'Joint arrangements' | January 1, 2013 |
| IFRS 12,'Disclosure of interests in other entities' | January 1, 2013 |
| IFRS 13, 'Fair value measurement' | January 1, 2013 |
| Presentation of items of other comprehensive income (amendment to IAS 1) | July 1, 2012 |
| Deferred tax: recovery of underlying assets (amendment to IAS 12) | January 1, 2012 |
| IAS 19 (revised), 'Employee benefits' | January 1, 2013 |
| IAS 27,'Separate financial statements' (as amended in 2011) | January 1, 2013 |
| IAS 28,'Investments in associates and joint ventures' (as amended in 2011) | January 1, 2013 |
| Offsetting financial assets and financial liabilities (amendment to IAS 32) | January 1, 2014 |
| IFRIC 20, 'Stripping costs in the production phase of a surface mine' | January 1, 2013 |
| Improvements to IFRSs 2010 | January 1, 2011 |
| Improvements to IFRSs 2009－2011 | January 1, 2013 |

Based on the Company's assessment, the adoption of the 2013 version of IFRSs has no significant impact on the financial statements of the Company, except for the following:

A. IAS 19 (revised), 'Employee benefits'

   The revised standard eliminates the corridor approach and requires actuarial gains and losses to be recognized immediately in other comprehensive income. Past service cost 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. An entity is required to recognize termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognizes any related restructuring costs. Additional disclosures are required to present how defined benefit plans may affect the amount, timing and uncertainty of the entity's future cash flows. Based on the Company's assessment, the adoption of the standard has no significant impact on its financial statement.

B. IAS 1, 'Presentation of financial statements'

   The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Company will adjust its presentation of the statement of comprehensive income.

C. IFRS 13, 'Fair value measurement'

   The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard sets out a framework for measuring fair value using the assumptions that market participants would use when pricing the asset or liability; for non-financial assets, fair value is determined based on the highest and best use of the asset. And, the standard requires disclosures about fair value measurements. Based on the Company's assessment, the adoption of the standard has no significant impact on its financial statements, and the Company will disclose additional information about fair value measurements accordingly.

D. 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. Based on the Company's assessment, the adoption of the amendment will require the Company to include qualitative and quantitative disclosures for all transferred financial assets.

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

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRS as endorsed by the FSC:

| New Standards, Interpretations and Amendments | Effective Date by International Accounting Standards Board |
|---|---|
| IFRS 9, 'Financial instruments' | January 1, 2018 |
| Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28) | January 1, 2016 |
| Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28) | January 1, 2016 |
| Accounting for acquisition of interests in joint operations (amendments to IFRS 11) | January 1, 2016 |
| IFRS 14, 'Regulatory deferral accounts' | January 1, 2016 |
| IFRS 15, 'Revenue from contracts with customers' | January 1, 2017 |
| Disclosure initiative (amendments to IAS 1) | January 1, 2016 |
| Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38) | January 1, 2016 |
| Agriculture: bearer plants (amendments to IAS 16 and IAS 41) | January 1, 2016 |
| Defined benefit plans: employee contributions (amendments to IAS 19R) | July 1, 2014 |
| Equity method in separate financial statements (amendments to IAS 27) | January 1, 2016 |
| Recoverable amount disclosures for non-financial assets (amendments to IAS 36) | January 1, 2014 |
| Novation of derivatives and continuation of hedge accounting (amendments to IAS 39) | January 1, 2014 |
| IFRIC 21, 'Levies' | January 1, 2014 |
| Improvements to IFRSs 2010-2012 | July 1, 2014 |
| Improvements to IFRSs 2011-2013 | July 1, 2014 |
| Improvements to IFRSs 2012-2014 | January 1, 2016 |

The Company is assessing the potential impact of the new standards, interpretations and amendments above. The impact on the financial statement will be disclosed when he assessment is complete.

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

The financial statements of the Company have been prepared 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 referred herein as the"IFRSs").

(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 actuarial losses, and less unrecognized actuarial gains and present value of defined benefit obligation.

B. The preparation of financial statements in conformity 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 Company's financial statements are presented in "New Taiwan dollars", which is the Company's functional and presentation currency.

A. Foreign currency transactions and balances

(A) Foreign currency transactions are translated into the functional currency using the 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 re-translated at the spot exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(C) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit 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 investments in bills and bonds under reverse repurchase agreements which meet the definition of cash and cash equivalents of IAS 7 adopted by the 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.

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 are financial liabilities held for trading. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing or resale in a short period of time. Derivatives are also categorized as financial liabilities held for trading.

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) Offsetting financial instruments

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) Impairment of financial assets

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 debts 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 credit losses 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 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 debts 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) Assets held for sale

Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(10) 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. 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:

| | | |
|---|---|---|
| Buildings | 50 | years |
| Accessories to buildings (Listed under buildings ) | 1~18 | years |
| Machinery and computer equipment | 3~5 | 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.

(11) 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.

(12) 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.

(13) 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 3-5 years.

(14) 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.

(15) 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.

(16) Financial guarantee contracts

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 debts 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”.

(17) Employee benefits

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. Employees' preferential deposits

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

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

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

(18) 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 employee benefit expense and accrued expense – share-based compensation over the vesting period.

(19) 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.

(20) 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 instruments are calculated by effective interest rate according to relevant regulations and recognized as "interest income" and "interest expense" in the statement of comprehensive income.

(21) 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 Banks", loans and receivables can be valued at original amount if the effect of discounting is immaterial.

(22) 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, 2014 | December 31, 2013 |
|---|---|---|
| Cash on hand | $ 1,163,938 | $ 1,096,856 |
| Foreign currency on hand | 294,417 | 227,627 |
| Checks for clearance | 165,781 | 94,894 |
| Due from banks | 12,095,921 | 8,748,570 |
| Total | $ 13,720,057 | $ 10,167,947 |

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, 2014 | December 31, 2013 |
|---|---|---|
| Cash and cash equivalents on the balance sheet | $ 13,720,057 | $ 10,167,947 |
| Due from Central Bank and call loans to other banks | 1,498,152 | 7,757,167 |
| Cash and cash equivalents on the statement of cash flows | $ 15,218,209 | $ 17,925,114 |

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

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Reserve for deposits – account A | $ 1,023,462 | $ 7,549,525 |
| Reserve for deposits – account B | 4,548,485 | 4,349,409 |
| Reserve for deposits – foreign currency account | 173,849 | 53,628 |
| Reserve for deposits – Financial Information Service Center | 250,598 | 150,940 |
| Call loans to banks | 50,243 | 3,074 |
| Total | $ 6,046,637 | $ 12,106,576 |

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, 2014 | December 31, 2013 |
|---|---|---|
| Financial assets for trading purposes | | |
| Government bonds | $ 15,581,905 | $ 13,240,184 |
| Corporate bonds | 1,541,848 | 100,478 |
| Treasury bills | 999,015 | - |
| Derivative financial instruments | | |
| Forward exchange contracts | 4,849,099 | 1,479,741 |
| Non-delivery FX forwards | 70,560 | 214,654 |
| Interest rate swap contracts | 186,124 | 174,862 |
| Cross currency swap contracts | 178,191 | 46,254 |
| Interest rate futures | 34 | - |
| Forward exchange options | 4,425,900 | 1,412,620 |
| Commodity options | - | 23,865 |
| Commodity swap | 74,025 | 35,237 |
| Total | $ 27,906,701 | $ 16,727,895 |

Please refer to Note 6(27) for the net profit on the financial assets at fair value through profit and loss of the Company for the years ended December 31, 2014 and 2013.

(4) Receivables – net

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Interests receivable | $ 950,768 | $ 736,149 |
| Fee and commission receivable | 236,718 | 74,318 |
| Credit card receivable | 71,149 | 65,139 |
| Acceptances receivable | 302,111 | 363,684 |
| Factoring receivable | 13,370,960 | 11,953,101 |
| Service receivable | 17,715 | 24,409 |
| Other receivables | 67,395 | 59,979 |
| Total | 15,016,816 | 13,276,779 |
| Less: Allowance for credit losses | ( 101,795) | ( 106,228) |
| Net | $ 14,915,021 | $ 13,170,551 |

(5) Assets held for sale

The Chung-Hsiao Branch has been reclassified as assets held for sale, following the sale approval of the Company's Board of Directors on August 26, 2014. The transaction was completed in January 2015; please refer to Note 11.

(6) Bills discounted and loans – net

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Short-term loans and overdrafts | $ 69,809,490 | $ 55,840,092 |
| Medium-term loans | 56,150,585 | 63,598,438 |
| Long-term loans | 62,838,717 | 62,693,044 |
| Export-import bills negotiated | 15,030,892 | 11,790,873 |
| Accounts receivable financing | 149,354 | 272,453 |
| Overdue loans | 1,333,686 | 889,116 |
| Total | 205,312,724 | 195,084,016 |
| Less: Allowance for credit losses | ( 2,707,809) | ( 2,906,398) |
| Net | $ 202,604,915 | $ 192,177,618 |

The Company had assessed the appropriateness of allowance for credit losses for bills discounted and loans and receivables. Movement in allowance for credit losses for the years ended December 31, 2014 and 2013 was as follows:

Bills discounted and loans

| | For the year ended December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Beginning balance | $ 2,906,398 | $ 3,151,053 |
| Charge to comprehensive income statement | 1,124,968 | 620,458 |
| Net write-off during the years | ( 1,348,524) | ( 874,735) |
| Exchange and other movements | 24,967 | 9,622 |
| Ending balance | $ 2,707,809 | $ 2,906,398 |

Receivables and other financial assets

| | For the year ended December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Beginning balance | $ 106,933 | $ 71,849 |
| Charge to comprehensive income statement | 41,342 | 57,783 |
| Net write-off during the years | ( 54,730) | ( 33,444) |
| Exchange and other movements | 10,285 | 10,745 |
| Ending balance | $ 103,830 | $ 106,933 |

A. Interest income on loans and receivables is not accrued when the principal and interest is overdue by 180 days. As of December 31, 2014 and 2013, the non-performing loans and other outstanding credit were $1,333,686 and $889,116, respectively. The interest income that were not internally accrued for the years ended December 31, 2014 and 2013 totaled $26,512 and $16,701, respectively.

B. Please refer to Note 12(3)B for impairment assessment of bills discounted and loans and receivables, as of December 31, 2014 and 2013.

(7) Available-for-sale financial assets

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Certificates of deposit | $ 61,200,000 | $ 64,605,000 |
| Treasury bills | 871,995 | 997,292 |
| Corporate bonds | 63,218 | 59,587 |
| Government bonds | 6,863,041 | 4,937,021 |
| Valuation adjustment for available-for-sale financial assets | 34,805 | 31,517 |
| Less: accumulated impairment | ( 63,218) | ( 59,587) |
| Net | $ 68,969,841 | $ 70,570,830 |

Please refer to Note 8 for the Company's available-for-sale financial assets pledged as collateral, as of December 31, 2014 and 2013.

Please refer to Note 6(23) for the realized net profit or valuation adjustment on the available-for-sale financial assets of the Company for the years ended December 31, 2014 and 2013.

(8) Other financial assets – net

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Exchange bills negotiated | $ 96,765 | $ 178,985 |
| Financial assets carried at cost – unlisted stocks | 49,881 | 46,881 |
| Others | 1,656 | - |
| Subtotal | 148,302 | 225,866 |
| Less: allowance for credit losses | ( 2,035) | ( 705) |
| Net | $ 146,267 | $ 225,161 |

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.

(9) Property and equipment – net

The following are the movements of property and equipment:

| | Land | Buildings | Machinery and computer equipment | Other equipment | Leasehold improvements | Total |
|---|---|---|---|---|---|---|
| At January 1, 2014 | | | | | | |
| 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) |
| | $ 950,719 | $ 137,635 | $ 161,875 | $ 42,432 | $ 234,269 | $ 1,526,930 |
| For the year ended December 31, 2014 | | | | | | |
| Opening net book amount | $ 950,719 | $ 137,635 | $ 161,875 | $ 42,432 | $ 234,269 | $ 1,526,930 |
| Additions (Note 1) | - | 8,596 | 15,055 | 4,874 | 38,326 | 66,851 |
| Disposals (Note 2) | - | ( 291) | ( 36) | ( 46) | ( 856) | ( 1,229) |
| Reclassified to assets held for sale | ( 441,313) | 6,258 | - | - | - | ( 435,055) |
| Depreciation | - | ( 15,142) | ( 63,375) | ( 21,199) | ( 92,517) | ( 192,233) |
| Exchange difference | - | 151 | 27 | 9 | 27 | 214 |
| Closing net book amount | $ 509,406 | $ 137,207 | $ 113,546 | $ 26,070 | $ 179,249 | $ 965,478 |
| At December 31, 2014 | | | | | | |
| Cost | $ 739,824 | $ 682,790 | $ 339,287 | $ 141,733 | $ 557,801 | $ 2,461,435 |
| Accumulated depreciation and impairment | ( 230,418) | ( 545,583) | ( 225,741) | ( 115,663) | ( 378,552) | ( 1,495,957) |
| | $ 509,406 | $ 137,207 | $ 113,546 | $ 26,070 | $ 179,249 | $ 965,478 |

Note 1: Including additional cost amounting to $4,786 of decommissioning assets.
Note 2: Including disposals of decommissioning assets at $1,411.

| | Land | Buildings | Machinery and computer equipment | Other equipment | Leasehold improvements | Total |
|---|---|---|---|---|---|---|
| At January 1, 2013 | | | | | | |
| Cost | $ 1,190,623 | $ 924,034 | $ 326,995 | $ 142,425 | $ 481,398 | $ 3,065,475 |
| Accumulated depreciation and impairment | ( 239,904) | ( 744,964) | ( 129,054) | ( 76,768) | ( 205,148) | ( 1,395,838) |
| | $ 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 (Note 1) | - | 624 | 26,794 | 2,612 | 60,670 | 90,700 |
| Disposals (Note 2) | - | ( 923) | ( 300) | ( 556) | ( 5,497) | ( 7,276) |
| Depreciation | - | ( 41,136) | ( 62,568) | ( 25,284) | ( 97,154) | ( 226,142) |
| Exchange 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) |
| | $ 950,719 | $ 137,635 | $ 161,875 | $ 42,432 | $ 234,269 | $ 1,526,930 |

Note 1: Including additional cost amounting to $7,252 of decommissioning assets.
Note 2: Including disposals of decommissioning assets at $205.

As of December 31, 2014 and 2013, the above property and equipment were not pledged as collateral by the Company.

(10) Investment properties – net

The following are the movements of investment properties:

| | Land | Buildings | Total |
|---|---|---|---|
| At January 1, 2014 | | | |
| Cost | $ 202,427 | $ 219,690 | $ 422,117 |
| Accumulated depreciation and impairment | ( 31,328) | ( 146,762) | ( 178,090) |
| | $ 171,099 | $ 72,928 | $ 244,027 |
| For the year ended December 31, 2014 | | | |
| Opening net book amount | $ 171,099 | $ 72,928 | $ 244,027 |
| Depreciation | - | 159 | 159 |
| Exchange difference | - | 47 | 47 |
| Closing net book amount | $ 171,099 | $ 73,134 | $ 244,233 |
| At December 31, 2014 | | | |
| Cost | $ 202,427 | $ 219,690 | $ 422,117 |
| Accumulated depreciation and impairment | ( 31,328) | ( 146,556) | ( 177,884) |
| | $ 171,099 | $ 73,134 | $ 244,233 |

| | Land | Buildings | Total |
|---|---|---|---|
| At January 1, 2013 | | | |
| Cost | $ 202,427 | $ 219,690 | $ 422,117 |
| Accumulated depreciation and impairment | ( 31,328) | ( 142,183) | ( 173,511) |
| | $ 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) |
| | $ 171,099 | $ 72,928 | $ 244,027 |

A. The fair value of the investment properties held by the Company as of December 31, 2014, and 2013 was $316,251 and $259,269, 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 $4,729 and $6,174, respectively, for the years ended December 31, 2014 and 2013. Direct operating expense for the years ended December 31, 2014 and 2013 were $698 and $770, respectively.

(11) Intangible assets – net

| | Computer software | |
|---|---|---|
| | 2014 | 2013 |
| At January 1 | | |
| Cost | $ 224,289 | $ 203,820 |
| Accumulated amortization | ( 125,318) | ( 83,344) |
| | $ 98,971 | $ 120,476 |
| | | |
| Opening net book amount | $ 98,971 | $ 120,476 |
| Additions | 71,712 | 21,013 |
| Retirement | ( 18) | ( 12) |
| Amortization | ( 53,093) | ( 42,512) |
| Translation difference | 23 | 6 |
| Closing net book amount | $ 117,595 | $ 98,971 |
| | | |
| At December 31 | | |
| Cost | $ 292,992 | $ 224,289 |
| Accumulated amortization | ( 175,397) | ( 125,318) |
| | $ 117,595 | $ 98,971 |

(12) Other assets – net

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Prepaid expenses | $ 93,382 | $ 108,821 |
| Refundable deposits | 1,697,385 | 88,781 |
| Other | 1,397 | - |
| Total | $ 1,792,164 | $ 197,602 |

(13) Due to Central Bank and other banks

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Call loans from banks | $ 53,519,913 | $ 61,039,971 |
| Overdrafts from banks | 1,747,882 | - |
| Due to other banks | 696,573 | 696,835 |
| Total | $ 55,964,368 | $ 61,736,806 |

Please refer to Note 6(25) for the interest expense on due to Central Bank and other banks of the Company for the years ended December 31, 2014 and 2013.

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

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Financial liabilities for trading purposes | | |
| Derivative financial instruments | | |
| Forward exchange contracts | $ 2,573,768 | $ 1,528,951 |
| Non-delivery FX forwards | 220,916 | 185,780 |
| Interest rate swap contracts | 209,416 | 160,274 |
| Cross currency swap contracts | 209,764 | 36,725 |
| Foreign exchange options | 4,434,814 | 1,412,646 |
| Commodity options | - | 23,865 |
| Commodity swap | 74,025 | 35,237 |
| Interest rate futures | 1,382 | - |
| | $ 7,724,085 | $ 3,383,478 |

Please refer to Note 6(27) for the net profit on the financial liabilities at fair value through profit and loss of the Company for the years ended December 31, 2014 and 2013.

(15) Payables

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Payable from settlement of bond transactions | $ 5,404,877 | $ 499,277 |
| Employees' salaries and bonus payable | 587,872 | 544,552 |
| Interests payable | 371,254 | 263,481 |
| Service fees payable | 78,911 | 67,640 |
| Collections payable for customers – checks for clearing | 165,781 | 94,894 |
| Business tax and stamp duty payable | 63,786 | 35,470 |
| Acceptances payable | 302,111 | 363,684 |
| Factoring payable | 1,273,638 | 1,381,459 |
| Receipts under custody | 26,410 | 37,100 |
| Refundable stock proceeds | 111,556 | 111,625 |
| Other payables | 444,793 | 594,638 |
| Total | $ 8,830,989 | $ 3,993,820 |

(16) Deposits and remittances

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Checking deposits | $ 809,052 | $ 872,898 |
| Demand deposits | 43,728,282 | 44,359,588 |
| Time deposits | 135,746,951 | 119,921,058 |
| Savings deposits | 55,240,354 | 55,259,230 |
| Negotiable certificates of deposit | 2,505,200 | 5,200 |
| Inward remittance | 16,735 | 50,538 |
| Total | $ 238,046,574 | $ 220,468,512 |

(17) Other financial liabilities

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Principal of structured products | $ 2,752,295 | $ 3,528,265 |
| Appropriated loan fund | - | 12,292 |
| Total | $ 2,752,295 | $ 3,540,557 |

(18) Provisions

| | Employee benefit liability reserve | Guarantee liability reserve | Decommissioning liability | Total |
|---|---|---|---|---|
| For the year ended December 31, 2014 | | | | |
| At January 1, 2014 | $ 43,383 | $ 222,328 | $ 45,014 | $ 310,725 |
| Increase in provisions | - | - | 4,786 | 4,786 |
| Decrease in provisions | ( 4,918) | ( 23,698) | ( 4,928) | ( 33,544) |
| Exchange difference | - | 1,084 | - | 1,084 |
| At December 31, 2014 | $ 38,465 | $ 199,714 | $ 44,872 | $ 283,051 |

| | Employee benefit liability reserve | Guarantee liability reserve | Decommissioning liability | Total |
|---|---|---|---|---|
| For the year ended December 31, 2013 | | | | |
| At January 1, 2013 | $ 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) |
| Exchange difference | - | ( 1,249) | - | ( 1,249) |
| At December 31, 2013 | $ 43,383 | $ 222,328 | $ 45,014 | $ 310,725 |

(19) Pensions

A. Defined contribution plans

The Company has 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 $89,636 and $84,244 for the years ended December 31, 2014 and 2013, 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, 2014 | December 31, 2013 |
|---|---|---|
| Present value of defined benefit obligations | $ 45,662 | $ 48,877 |
| Fair value of plan assets | ( 7,197) | ( 5,494) |
| Net liability in the balance sheet | $ 38,465 | $ 43,383 |

(B) Changes in present value of defined benefit obligations are as follows:

| | 2014 | 2013 |
|---|---|---|
| Present value of defined benefit obligations at January 1 | $ 48,877 | $ 50,517 |
| Current service cost | 4,632 | 5,606 |
| Interest cost | 1,022 | 805 |
| Actuarial profit and loss | ( 8,869) | ( 8,051) |
| Present value of defined benefit obligations at December 31 | $ 45,662 | $ 48,877 |

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

| | 2014 | 2013 |
|---|---|---|
| Fair value of plan assets at January 1 | $ 5,494 | $ 3,092 |
| Expected return on plan assets | 81 | 97 |
| Actuarial profit and loss | 42 | ( 22) |
| Employer contributions | 1,580 | 2,327 |
| Fair value of plan assets at December 31 | $ 7,197 | $ 5,494 |

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

| | 2014 | 2013 |
|---|---|---|
| Current service cost | $ 4,632 | $ 5,606 |
| Interest cost | 1,022 | 805 |
| Expected return on plan assets | ( 81) | ( 97) |
| Current pension cost | $ 5,573 | $ 6,314 |

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

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

| | 2014 | 2013 |
|---|---|---|
| Current amount | $ 8,911 | $ 8,029 |
| Accumulated amount | $ 17,353 | $ 8,442 |

(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, 2014 and 2013 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 returns on plan assets for the years ended December 31, 2014 and 2013 amounted to $123 and $75, respectively.

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

| | 2014 | 2013 |
|---|---|---|
| Discount rate | 2.20% | 2.10% |
| Expected return on plan assets | 1.50% | 2.25% |
| Future salary increases | 4.00% | 4.00% |

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:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Present value of defined benefit obligation | $ 45,662 | $ 48,877 | $ 50,517 |
| Fair value of plan assets | ( 7,197) | ( 5,494) | ( 3,092) |
| Deficit in the plan | $ 38,465 | $ 43,383 | $ 47,425 |
| Experience adjustments on plan liabilities | $ 4,520 | $ 4,522 | $ 2,936 |
| Experience adjustments on plan assets | $ 42 | ($ 22) | ($ 16) |

(I) Expected contributions to the defined benefit pension plans of the Company within one year from December 31, 2014 amounts to $1,643.

(20) Other liabilities

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Advanced receipts | $ 735,350 | $ 627,202 |
| Guarantee deposits received | 1,777 | 2,140 |
| Others | 104 | 3,456 |
| Total | $ 737,231 | $ 632,798 |

(21) Share capital

As of December 31, 2014, 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.

(22) 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 earnings distribution for 2012 of the Company has been resolved by the Board acting on behalf of the shareholders’ meeting on June 26, 2013, setting aside $147,504 as legal reserve.

   The earnings distribution for 2013 of the Company has been resolved by the Board acting on behalf of the shareholders meeting on April 22, 2014, setting aside $183,765 as legal reserve. The earnings distribution for 2014 of the Company has been resolved by the Board on March 23, 2015, setting $102,089 aside as legal reserve. The appropriation of the Company’s 2014 earnings is pending until the confirmation from the shareholders. More information regarding the earnings distribution is available at the website of the Market Observation Post System.

E. For the years ended December 31, 2014 and 2013, employees’ bonus and directors and supervisors’ remunerations were accrued at $4, $0 and $3, $0, respectively. Please refer to the Market Observation Post System for more information.

(23) Other equity items

| | For the year ended December 31, 2014 | | |
|---|---|---|---|
| | Available-for-sale revaluation reserve | Foreign currency translation differences for foreign operations | Total |
| At January 1, 2014 | $ 31,517 | $ 3,730 | $ 35,247 |
| Available-for-sale financial assets | | | |
| – Valuation adjustment in the period | 3,595 | - | 3,595 |
| – Realized gain and loss in the period | ( 307) | - | ( 307) |
| Changes in translation difference of foreign operating entities | - | 76,859 | 76,859 |
| At December 31, 2014 | $ 34,805 | $ 80,589 | $ 115,394 |

| | For the year ended December 31, 2013 | | |
|---|---|---|---|
| | Available-for-sale revaluation reserve | Foreign currency translation differences for foreign operations | 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 |

(24) Share-based payment – employee compensation plan

A. The Company’s ultimate parent company, DBS Group Holdings Ltd, introduced the DBSH Share Plan and DBSH Employee Share Plan.

(A) DBSH Share Plan

The DBSH Share Plan (the “Share Plan”) caters to Group executives as determined by the Committee appointed to administer the Share Plan from time to time. Participants are awarded shares of the ultimate company, their equivalent cash value or a combination. Awards made under the Share Plan consist of main award and retention award (20% of main awards). The vesting of main award is staggered between 2-4 years after grant i.e. 33% will vest 2 years after grant. Another 33% will vest on the third year and the remainder 34% plus the retention award will vest 4 years after grant. The fair value of the shares awarded is computed based on the market price of the ordinary shares at the time of the award and is recognized through comprehensive income statement over the vesting period.

(B) DBSH Employee Share Plan

The DBSH Employee Share Plan (the “ESP”) caters to employees who are not eligible to participate in the above listed Share Plan. Eligible employees are awarded ordinary shares of the ultimate company, their equivalent cash value or a combination of both at the discretion of the Committee, when time-based conditions are met. The awards structure and vesting conditions are similar to the Share Plan. There are no additional retention awards for shares granted to top performers and key employees. However, in specific cases where the award forms part of an employee’s annual performance remuneration, the retention award which constitutes 20% of the shares given in the main award will be granted. The shares in the retention award will vest 4 years after the date of grant.

| Type of arrangement | Grant date | Quantity granted | Vesting conditions | Actual resignation rate in the current period | Estimated resignation rate |
|---|---|---|---|---|---|
| Share Plan | 2010.2.17 | 116,552 | 2012.2.17 – 33%<br>2013.2.17 – 33%<br>2014.2.17 – 34% | 0% | 0% |
| ESP | 2010.2.17 | 16,600 | 2012.2.17 – 33%<br>2013.2.17 – 33%<br>2014.2.17 – 34% | 0% | 0% |
| Share Plan | 2010.9.1 | 12,970 | 2012.9.1 – 33%<br>2013.9.1 – 33%<br>2014.9.1 – 34% | 0% | 0% |
| Share Plan | 2011.2.21 | 147,056 | 2013.2.21 – 33%<br>2014.2.21 – 33%<br>2015.2.21 – 34% | 6% | 5% |
| ESP | 2011.2.21 | 29,000 | 2013.2.21 – 33%<br>2014.2.21 – 33%<br>2015.2.21 – 34% | 6% | 5% |
| Share Plan | 2012.2.20 | 184,981 | 2014.2.20 – 33%<br>2015.2.20 – 33%<br>2016.2.20 – 34% | 10% | 5% |
| ESP | 2012.2.20 | 42,700 | 2014.2.20 – 33%<br>2015.2.20 – 33%<br>2016.2.20 – 34% | 11% | 5% |
| Share Plan | 2013.2.18 | 205,923 | 2015.2.18 – 33%<br>2016.2.18 – 33%<br>2017.2.18 – 34% | 11% | 5% |
| ESP | 2013.2.18 | 51,273 | 2015.2.18 – 33%<br>2016.2.18 – 33%<br>2017.2.18 – 34% | 7% | 5% |
| Share Plan | 2014.2.25 | 200,552 | 2016.2.25 – 33%<br>2017.2.25 – 33%<br>2018.2.25 – 34% | 11% | 5% |
| ESP | 2014.2.25 | 60,295 | 2016.2.25 – 33%<br>2017.2.25 – 33%<br>2018.2.25 – 34% | 7% | 5% |

B. Expense incurred by share-based payment transactions for the years ended December 31, 2014 and 2013 were $76,614 and $66,609, respectively.

(25) Net interest income

| | For the year ended December 31, 2014 | 2013 |
|---|---|---|
| **Interest income** | | |
| Interest income from bills discounted and loans | $ 5,014,152 | $ 4,619,043 |
| Interest income on factoring receivable | 93,339 | 58,959 |
| Interest income on securities investment | 436,185 | 491,045 |
| Interest income from call loans to banks and due from banks | 441,088 | 121,997 |
| Others | 6,869 | 6,429 |
| Subtotal | 5,991,633 | 5,297,473 |
| **Interest expense** | | |
| Interest expense of deposits | ( 2,211,416) | ( 1,839,155) |
| Interest expense of Central Bank and other banks' deposit and of due to the Central Bank and other banks | ( 238,134) | ( 286,969) |
| Others | ( 48,090) | ( 36,516) |
| Subtotal | ( 2,497,640) | ( 2,162,640) |
| Total | $ 3,493,993 | $ 3,134,833 |

(26) Net fee and commission income

| | For the year ended December 31, 2014 | 2013 |
|---|---|---|
| Fee and commission income | | |
| Fee income on loans | $ 257,035 | $ 242,767 |
| Fee income on trust business | 243,181 | 174,863 |
| Fee income on imports and exports | 52,488 | 42,814 |
| Fee income on guarantee | 78,744 | 67,708 |
| Fee income on factoring | 29,986 | 34,677 |
| Commission income | 236,398 | 174,919 |
| Others | 57,043 | 45,109 |
| Subtotal | 954,875 | 782,857 |
| Fee and commission expense | | |
| Interbank service fee | ( 13,223) | ( 13,548) |
| Commission expense on trust business | ( 2,490) | ( 7,470) |
| Others | ( 68,200) | ( 59,179) |
| Subtotal | ( 83,913) | ( 80,197) |
| Total | $ 870,962 | $ 702,660 |

(27) Gains or losses on financial assets and financial liabilities at fair value through profit or loss

| | For the year ended December 31, 2014 | For the year ended December 31, 2013 |
|---|---|---|
| Realized gain or loss on financial assets and financial liabilities at fair value through profit or loss | | |
| Bonds | $ 139,459 | $ 93,636 |
| Interest-linked instrument | 11,097 | 6,740 |
| Exchange rate-linked instrument | ( 402,078) | 964,507 |
| Other derivative instruments | ( 68,226) | ( 33,795) |
| Subtotal | ( 319,748) | 1,031,088 |
| Unrealized gain or loss on financial assets and financial liabilities at fair value through profit or loss | | |
| Bonds | 8,835 | 18,035 |
| Interest-linked instrument | ( 39,228) | 56,235 |
| Exchange rate-linked instrument | 2,095,321 | 245,622 |
| Subtotal | 2,064,928 | 319,892 |
| Total | $ 1,745,180 | $ 1,350,980 |

A. The realized gains (losses) on the financial assets and liabilities at fair value through profit and loss of the Company for the years ended December 31, 2014 and 2013, including the gain and loss on disposal, were ($452,250) and $936,977, and the net interest income were $132,502 and $94,111, 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 FX forwards, cross currency swap contracts and foreign exchange options.

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

| | For the year ended December 31, 2014 | For the year ended December 31, 2013 |
|---|---|---|
| Gain on disposal of | | |
| Bonds | $ 307 | $ - |

(29) Other non-interest income

| | For the year ended December 31, 2014 | For the year ended December 31, 2013 |
|---|---|---|
| Rental income | $ 10,431 | $ 9,290 |
| Dividends income | 14,743 | 13,641 |
| Recoveries of receivables from acquisition | 93 | 95,715 |
| Others | 50,555 | 19,797 |
| Total | $ 75,822 | $ 138,443 |

(30) Employee benefit expense

| | For the year ended December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Wages and salaries | $ 2,375,070 | $ 2,246,689 |
| Labor and health insurance expense | 151,020 | 149,834 |
| Pension costs | 95,209 | 90,558 |
| Other employee benefit expense | 73,209 | 66,847 |
| Total | $ 2,694,508 | $ 2,553,928 |

(31) Depreciation and amortization expenses

| | For the year ended December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Property and equipment depreciation | $ 192,233 | $ 226,142 |
| Investment properties depreciation | ( 159) | 4,579 |
| Intangible assets amortization | 53,093 | 42,512 |
| Total | $ 245,167 | $ 273,233 |

(32) Other general and administrative expenses

| | For the year ended December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Tax | $ 241,195 | $ 141,456 |
| Rental expense | 335,143 | 324,794 |
| Service fee to affiliates | 332,697 | 292,646 |
| Insurance expense | 121,146 | 138,973 |
| Advertisement expense | 62,422 | 66,664 |
| Computer maintenance expense | 124,874 | 71,084 |
| Others | 592,680 | 515,243 |
| Total | $ 1,810,157 | $ 1,550,860 |

(33) Income tax

A. Income tax expense

(A) Components of income tax expense:

| | For the year ended December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Current tax | | |
| Current tax on profits for the period | $ 127,346 | $ 143,511 |
| Adjustments in respect of prior years | 7,850 | 5,240 |
| Subtotal | 135,196 | 148,751 |
| Deferred tax | | |
| Origination and reversal of temporary differences | ( 47,203) | ( 40,067) |
| Income tax expense | $ 87,993 | $ 108,684 |

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

| | For the year ended December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Actuarial gains and losses of defined benefit plan | $ 1,515 | $ 1,365 |

B. Reconciliation between income tax expense and accounting profit

| | For the year ended December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Tax calculated based on profit before tax and statutory rate | $ 72,809 | $ 122,610 |
| Effects from items disallowed by tax regulation | ( 103,581) | ( 113,671) |
| Additional 10% tax on undistributed earnings | 43,545 | 34,418 |
| Effects from Alternative Minimum Tax | 67,370 | 60,087 |
| Prior year income tax underestimate | 7,850 | 5,240 |
| Income tax expense | $ 87,993 | $ 108,684 |

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

| | 2014 | | | |
|---|---|---|---|---|
| | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | December 31 |
| Temporary differences | | | | |
| –Deferred tax assets | | | | |
| Salary expenses – Employee Stock Options | $ 20,196 | ($ 275) | $ - | $ 19,921 |
| Yearly amortization on employee benefit | 1,758 | ( 1,758) | - | - |
| Rental expenses | 8,311 | 783 | - | 9,094 |
| Decommissioning liabilities | 3,845 | 498 | - | 4,343 |
| Unrealized pension expense | 7,369 | 679 | ( 1,515) | 6,533 |
| Unrealized (gain) loss on financial instruments | - | 23,804 | - | 23,804 |
| Subtotal | $ 41,479 | $ 23,731 | ($ 1,515) | $ 63,695 |
| –Deferred tax liabilities | | | | |
| Unrealized (gain) loss on financial instruments | ($ 10,489) | $ 10,489 | $ - | $ - |
| Total | $ 30,990 | $ 34,220 | ($ 1,515) | $ 63,695 |

| | 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 |

D. Unappropriated earnings and related information

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Earnings generated after 1998 | $ 1,093,073 | $ 929,146 |

E. Imputation tax credit account for shareholders and related information

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Balances of the imputation tax credit account for shareholders | $ 187,462 | $ 98,702 |

The creditable tax rates are 17.15% and 7.7% for 2014 and 2013, respectively.

F. Tax return of the Company has been assessed by the Tax Authorities through year 2012. With respect to the income tax return for 2012, the Tax Authorities disallowed the service fee to affiliates. The Company disagreed with the assessment and has filed a petition for reexamination.

(34) Earnings per share

| | For the year ended December 31, 2014 | | |
|---|---|---|---|
| | Amount after tax | Adjusted weight average outstanding common shares (in thousands) | Earnings per share (in dollars) |
| Profits attributable to ordinary shareholders | $ 340,296 | 2,200,000 | $ 0.15 |

| | 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 |

## 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 their relatives of the Company and affiliated entities |

### (2) Significant transactions and balances with related parties

A. Deposits

| December 31, 2014 | | | |
|---|---|---|---|
| Name | Ending balance | Percentage of deposits (%) | Interest rate (%) |
| Others (Deposits of each related party less than 1% of total deposits) | $ 244,628 | 0.10 | 0%~8% |

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

Apart from 8% interest rate on employees' saving deposits, for the years ended December 31, 2014 and 2013, the range of interest rate on other related parties' savings was both 0.00%~0.16% and 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.

(Note) The numbers belong to managers and their relatives as of December 31, 2013 were included.

B. Loans

December 31, 2014

| 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 | | |
| Residential mortgage loans | 2 | $ 39,030 | $ 33,150 | $ 33,150 | $ - | Real estate | None |
| Other loans | 22 | 1,560 | 848 | 848 | - | None or movables | None |
| Total | | | $ 33,998 | $ 33,998 | $ - | | |

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 | | |
| Residential mortgage loans | 4 | $ 39,238 | $ 39,238 | $ 39,238 | $ - | Real estate | None |
| Other loans | 23 | 1,410 | 1,410 | 1,410 | - | None or movables | None |
| Total | | | $ 40,648 | $ 40,648 | $ - | | |

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

C. Due from banks

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Parent | | |
| DBS Bank | $ 155,482 | $ 218,599 |
| Other related parties | | |
| DBS Bank (Hong Kong) Ltd | 84,729 | 75,933 |
| DBS Bank (China) Ltd | 3,795 | 282,507 |
| PT Bank DBS Indonesia | 108 | 104 |
| | $ 244,114 | $ 577,143 |

D. Call loans to banks

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Parent | | |
| DBS Bank | $ 50,243 | $ 3,074 |

E. Interests receivable and other receivables

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Parent | | |
| DBS Bank | $ 20,781 | $ 37,392 |
| Other related parties | | |
| DBS Bank Insurance Agency Limited | 236,398 | 74,035 |
| DBS Bank (China) Ltd | - | 1,409 |
| | $ 257,179 | $ 112,836 |

F. Refundable deposits

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Parent | | |
| DBS Bank | $ 1,591,829 | $ - |
| Other related parties | | |
| DBS Vickers Securities (S) Pte Ltd | 11,143 | 3,692 |
| | $ 1,602,972 | $ 3,692 |

G. Call loans from and due to other banks

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Parent | | |
| DBS Bank | $ 52,732,677 | $ 59,046,963 |

H. Affiliates' service fees payable

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Parent | | |
| DBS Bank | $ 73,164 | $ 67,608 |
| Other related parties | | |
| DBS Bank (Hong Kong) Ltd | 5,161 | 32 |
| DBS Bank (China) Ltd | 586 | - |
| | $ 78,911 | $ 67,640 |

I. Interest and other payables

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Parent | | |
| DBS Bank | $ 63,216 | $ 53,698 |

J. Guarantee deposits received

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Other related parties | | |
| DBS Bank Insurance Agency Limited | $ 207 | $ 207 |

K. Interest income

| | For the year ended December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Parent | | |
| DBS Bank | $ 9,538 | $ 10,438 |
| Other related parties | | |
| DBS Bank (China) Ltd | 732 | - |
| | $ 10,270 | $ 10,438 |

L. Net fee and commission income

| | For the year ended December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Parent | | |
| DBS Bank | ($ 243) | $ 72 |
| Other related parties | | |
| DBS Bank (Hong Kong) Ltd | ( 22) | - |
| DBS Vickers Securities (S) Pte Ltd | ( 75) | ( 313) |
| PT Bank DBS Indonesia | 14 | - |
| DBS Bank Insurance Agency Limited | 236,398 | 174,919 |
| | $ 236,072 | $ 174,678 |

M. Other income

| | For the year ended December 31, | |
| --- | --- | --- |
| | 2014 | 2013 |
| Parent | | |
| DBS Bank | $ 34,927 | $ 42,498 |
| Other related parties | | |
| DBS Bank Insurance Agency Limited | 1,022 | 829 |
| | $ 35,949 | $ 43,327 |

N. Interest expense

| | For the year ended December 31, | |
| --- | --- | --- |
| | 2014 | 2013 |
| Parent | | |
| DBS Bank | $ 214,390 | $ 257,088 |
| Other related parties | | |
| DBS Bank (Hong Kong) Ltd | 5 | 60 |
| | $ 214,395 | $ 257,148 |

O. Service fee to affiliates

| | For the year ended December 31, | |
| --- | --- | --- |
| | 2014 | 2013 |
| Parent | | |
| DBS Bank | $ 310,379 | $ 266,443 |
| Other related parties | | |
| DBS Bank (Hong Kong) Ltd | 21,181 | 26,203 |
| DBS Bank (China) Ltd | 1,137 | - |
| | $ 332,697 | $ 292,646 |

P. Derivative financial instruments

The principal and amount receivable (payable) incurred from derivative financial instrument transactions with related parties as of December 31, 2014 and 2013 were as follows:

(A) Parent - DBS Bank

| | December 31, 2014 | | December 31, 2013 | |
| --- | --- | --- | --- | --- |
| | Contract notional principal | Receivable from (payable to) related parties (including valuation adjustment) | Contract notional principal | Receivable from (payable to) related parties (including valuation adjustment) |
| Forward exchange contracts | $ 223,717,024 | $ 2,675,575 | $ 148,666,313 | $ 159,190 |
| Non-delivery FX forwards | $ 33,863,511 | ($ 29,480) | $ 11,486,524 | ($ 10,992) |
| Interest rate swap contracts | $ 117,400,882 | ($ 56,429) | $ 92,397,514 | ($ 60,518) |
| Cross currency swap contracts | $ 7,254,034 | $ 8,622 | $ 1,342,305 | ($ 20,528) |
| Foreign exchange options | $ 65,826,110 | ($ 3,803,306) | $ 57,621,671 | $ 22,753 |
| Commodity options | $ 57,276 | $ - | $ 53,986 | ($ 23,865) |
| Commodity swap | $ 251,353 | ($ 37,773) | $ 58,023 | $ 31,625 |
| Interest rate futures | $ 14,698,185 | ($ 1,348) | $ - | $ - |

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

| | For the year ended December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Short-term employee benefits | $ 277,969 | $ 262,226 |
| Post-employment benefits | 2,598 | 2,066 |
| Total | $ 280,567 | $ 264,292 |

8. PLEDGED ASSETS

As of December 31, 2014 and 2013, the Company's assets provided for reserve for trust funds, intraday overdraft during settlement, interbank transactions, securities companies' deposit and guarantees with the court for the provisional seizure are as follows:

| Item | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Receivables – matured government bonds | $ - | $ 400 |
| Available-for-sale financial assets – government bonds | 406,900 | 354,000 |
| Available-for-sale financial assets – certificates of deposit | 6,500,000 | 3,000,000 |
| Total | $ 6,906,900 | $ 3,354,400 |

To comply with the Central Bank's clearing system of Real-time Gross Settlement (RTGS), as of December 31, 2014 and 2013, certificates of deposit amounting to $6,500,000 and $3,000,000, 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, 2014 | December 31, 2013 |
|---|---|---|
| Non-cancellable loan commitments | $ 16,285,438 | $ 17,230,834 |
| Unused credit commitments for credit cards | 21,947 | 19,690 |
| Unused letters of credit issued | 7,862,632 | 3,472,804 |
| Guarantees | 14,303,382 | 18,906,267 |
| Collections receivable for customers | 917,522 | 1,436,433 |
| Trust assets | 22,775,684 | 18,683,898 |
| Guaranteed notes | 6,906,900 | 3,354,400 |

(3) GIO Optoelectronics Corp. (hereinafter "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 NTD 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). On October 31, 2014, the Taiwan Taipei District Court has rejected this case, and GIO filed an appeal to the Taiwan Taipei District Court for it. The matter is now at the Taiwan High 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 the operation and financial situation.

10. SIGNIFICANT LOSSES FROM DISASTERS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

(1)The Company issued 800 million shares of non-cumulative, perpetual preferred shares A via private placement amounted to $8,000,000 with effective date on January 20, 2015. It was resolved by the Board in August 2014 and was approved by the FSC on November 12, 2014 in the letter JinGuanyinwai No. 10300282580.

(2)The disposal of self-owned property—Chung-Hsiao Branch was resolved by the Board on August 26, 2014. The transaction was completed in January 2015 in accordance with the sales agreement. The proceeds from sales amounted to $828,800 with carrying amount at $435,055 and gain on disposal (less costs to sell) at $370,782 which is recognized following the FSC's letter Jinguanyinfa No.102200070270.

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, receivables, other financial assets (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.

(1) 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.

(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

Hierarchy of fair value estimation of financial instruments as of December 31, 2014, and 2013 are as follows：

| | December 31, 2014 | | | |
|---|---|---|---|---|
| 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 | $ 18,122,768 | $ - | $ 18,122,768 | $ - |
| Available-for-sale financial assets | | | | |
| Bond investments | 7,753,803 | - | 7,753,803 | - |
| Others | 61,216,038 | - | 61,216,038 | - |
| Derivative financial instruments | | | | |
| Assets | | | | |
| Financial assets at fair value through profit or loss | 9,783,933 | 34 | 9,783,899 | - |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | 7,724,085 | 1,382 | 7,722,703 | - |

| Non-derivative financial instruments | December 31, 2013 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** | | | | |
| 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 | - |

C. Transfers between level 1 and level 2

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

(2) 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 framework

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 fail 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 to other 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. The company has established its policies governing the procedures to evaluate assets and deal with non-performing and non-accrual loans.

(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).

For institutional banking customers, the Company has developed an internal credit assessment process to evaluate large enterprises' default risk. Ratings of customers are evaluated at least once year. In order to ensure the design, process and estimate of relevant risk components of credit rating system are reasonable, the Company verifies and performs back test on the model with customers actual default situations annually. This enables the results to be close to actual default situation.

For small and medium enterprises, the internal credit rating systems have not been developed and the credit assessment process is different by whether it is a project loan or not. Client are categorized, rated and granted credits according to project's rules. In non-project loans, the Company uses its credit policy and internal credit approving rules in granting credits.

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

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 instruments 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. Non-financial institutions 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, due from and call loans to other 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, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| Industry | Amount | % | Amount | % |
| Private owned businesses | $ 152,249,271 | 65.26 | $ 154,487,282 | 68.26 |
| Private individuals | 80,010,952 | 34.30 | 70,633,095 | 31.21 |
| Financial institutions | 1,030,181 | 0.44 | 947,701 | 0.42 |
| Others | - | - | 238,990 | 0.11 |
| Total | $ 233,290,404 | 100.00 | $ 226,307,068 | 100.00 |

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

b. Geography location

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

c. Collateral

| | December 31, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| Collateral | Amount | % | Amount | % |
| Unsecured | $ 130,457,549 | 55.92 | $ 137,382,292 | 60.71 |
| Secured | | | | |
| -Financial instruments | 6,101,924 | 2.62 | 4,181,997 | 1.85 |
| -Real estate | 64,666,953 | 27.72 | 53,659,709 | 23.71 |
| -Letter of guarantee | 11,319,682 | 4.85 | 9,087,015 | 4.02 |
| -Other collateral | 20,744,296 | 8.89 | 21,996,055 | 9.71 |
| Total | $ 233,290,404 | 100.00 | $ 226,307,068 | 100.00 |

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

(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, receivables and other financial assets

| December 31, 2014 | Financial assets that are neither past due nor impaired: Pass | Financial assets that are neither past due nor impaired: Special mentioned | Financial assets that are neither past due nor impaired: 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 | Recognized impairment of financial assets (D): Without individual objective evidence of impairment | Net (A)+(B)+(C)-(D) |
|---|---|---|---|---|---|---|---|---|---|
| Receivables | | | | | | | | | |
| - Credit card business | $ 69,217 | $ - | $ 69,217 | $ 1,288 | $ 644 | $ 71,149 | $ 487 | $ 1,459 | $ 69,203 |
| - Acceptances receivable | 302,111 | - | 302,111 | - | - | 302,111 | - | 5,202 | 296,909 |
| - Factoring receivable | 13,370,960 | - | 13,370,960 | - | - | 13,370,960 | - | 76,314 | 13,294,646 |
| - Interests receivable | 930,235 | - | 930,235 | 5,874 | 14,659 | 950,768 | 14,659 | - | 936,109 |
| - Others | 319 | - | 319 | 129 | 3,674 | 4,122 | 3,674 | - | 448 |
| Bills discounted and loans | 197,648,274 | 2,261,394 | 199,909,668 | 1,955,471 | 3,447,585 | 205,312,724 | 1,119,810 | 1,587,999 | 202,604,915 |
| Other financial assets | 96,765 | - | 96,765 | - | 1,656 | 98,421 | 1,656 | 379 | 96,386 |

| December 31, 2013 | Financial assets that are neither past due nor impaired: Pass | Financial assets that are neither past due nor impaired: Special mentioned | Financial assets that are neither past due nor impaired: 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 | Recognized impairment of financial assets (D): Without individual objective evidence of impairment | Net (A)+(B)+(C)-(D) |
|---|---|---|---|---|---|---|---|---|---|
| Receivables | | | | | | | | | |
| - 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 |

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

| December 31, 2014 | Positions that are neither past due nor impaired | | |
|---|---|---|---|
| | Pass | Special mentioned | Total |
| Receivables | $ 14,672,842 | $ - | $ 14,672,842 |
| Consumer Banking | | | |
| -Mortgage loans | 61,284,819 | - | 61,284,819 |
| -Auto loans | 13,247,170 | - | 13,247,170 |
| -Micro credit loans | 2,429,469 | - | 2,429,469 |
| -Others | 403,072 | - | 403,072 |
| Institutional Banking | | | |
| -Secured | 24,942,130 | 931,876 | 25,874,006 |
| -Unsecured | 95,341,614 | 1,329,518 | 96,671,132 |
| Other financial assets | 96,765 | - | 96,765 |
| Total | $ 212,417,881 | $ 2,261,394 | $ 214,679,275 |

| December 31, 2013 | Positions that are neither past due nor impaired | | |
|---|---|---|---|
| | Pass | Special mentioned | Total |
| Receivables | $ 12,098,727 | $ 8,298 | $ 12,107,025 |
| Consumer Banking | | | |
| -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 |
| Institutional Banking | | | |
| -Secured | 27,830,074 | 2,260,181 | 30,090,255 |
| -Unsecured | 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 |

c. Credit quality analysis of investment in securities

| December 31, 2014 | Financial assets at fair value through profit and loss | Available-for-sale financial assets | Total |
|---|---|---|---|
| AA- | $ 16,580,920 | $ 7,753,803 | $ 24,334,723 |
| A | 758,630 | - | 758,630 |
| A- | 783,218 | - | 783,218 |
| Total | $ 18,122,768 | $ 7,753,803 | $ 25,876,571 |

| 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 |

Note 1: 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(7).

Note 2: 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, 2014 | | |
|---|---|---|---|
| Items | Overdue for less than 1 month | Overdue for 1~3 months | Total |
| Receivables | | | |
| -Credit card business | $ 353 | $ 935 | $ 1,288 |
| -Interests receivable | 4,677 | 1,197 | 5,874 |
| -Others | 88 | 41 | 129 |
| Bills discounted and loans | | | |
| Consumer Banking | | | |
| -Mortgage loans | 1,071,293 | 91,086 | 1,162,379 |
| -Auto loans | 509,880 | 7,112 | 516,992 |
| -Micro credit loans | 148,883 | 24,490 | 173,373 |
| -Others | 14,872 | 3,347 | 18,219 |
| Institutional Banking | | | |
| -Secured | - | - | - |
| -Unsecured | 83,918 | 590 | 84,508 |

| | 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 |
| -Others | - | 469 | 469 |
| Bills discounted and loans | | | |
| Consumer Banking | | | |
| -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 |
| Institutional Banking | | | |
| -Secured | 1,535 | 4,235 | 5,770 |
| -Unsecured | 3,207 | 47,089 | 50,296 |

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, 2014 | December 31, 2013 | December 31, 2014 | December 31, 2013 |
| With individual objective evidence of impairment | Individual assessment | Institutional banking-secured | $ 1,547,115 | $ 1,196,451 | $ 163,368 | $ 228,263 |
| | | Institutional banking-unsecured | 765,679 | 842,794 | 666,256 | 746,124 |
| | Collective assessment | Credit guarantee fund | 723,351 | 921,204 | 137,555 | 342,602 |
| | | Micro credit loans | 27,820 | 174,450 | 21,041 | 135,975 |
| | | Mortgage loans | 191,669 | 153,394 | 4,559 | 2,674 |
| | | Auto Loans | 36,823 | 8,183 | 23,182 | 6,505 |
| | | Others | 155,130 | 6,834 | 103,849 | 932 |
| Without individual objective evidence of impairment | Collective assessment | Institutional banking | 122,629,644 | 121,944,596 | 1,247,121 | 1,149,891 |
| | | Mortgage loans | 62,447,197 | 56,527,207 | 63,633 | 46,230 |
| | | Auto Loans | 13,764,162 | 10,940,459 | 173,270 | 144,924 |
| | | Micro credit loans | 2,602,842 | 2,022,253 | 85,606 | 90,244 |
| | | Others | 421,292 | 346,191 | 18,369 | 12,034 |
| | | | $ 205,312,724 | $ 195,084,016 | $ 2,707,809 | $ 2,906,398 |

| Item | | | Receivables | | Allowance for credit losses | |
|---|---|---|---|---|---|---|
| | | | December 31, 2014 | December 31, 2013 | December 31, 2014 | December 31, 2013 |
| With individual objective evidence of impairment | Individual assessment | Interests receivable | $ 4,077 | $ 8,593 | $ 4,077 | $ 8,593 |
| | | Others | 560 | - | 560 | - |
| | Collective assessment | Credit cards | 644 | 952 | 487 | 925 |
| | | Interests receivable | 10,582 | 16,396 | 10,582 | 16,313 |
| | | Others | 3,419 | 7,348 | 3,114 | 7,348 |
| Without individual objective evidence of impairment | Collective assessment | Credit cards | 70,505 | 64,187 | 1,459 | 1,068 |
| | | Factoring receivable | 13,370,960 | 11,953,101 | 76,314 | 66,079 |
| | | Interests receivable | 936,109 | 711,160 | - | - |
| | | Acceptances receivable | 302,111 | 363,684 | 5,202 | 5,902 |
| | | Others | 143 | 469 | - | - |
| | | | $ 14,699,110 | $ 13,125,890 | $ 101,795 | $ 106,228 |

(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, 2014 | | | | |
|---|---|---|---|---|---|---|---|
| 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) |
| Institutional banking | Secured loans | | $ 1,186,489 | $ 28,851,315 | 4.11% | $ 449,738 | 37.90% |
| | Unsecured loans | | 145,147 | 96,814,473 | 0.15% | 1,764,563 | 1215.71% |
| Consumer banking | Residential mortgage loans (Note 4) | | 116,875 | 47,049,516 | 0.25% | 51,346 | 43.93% |
| | Cash card services | | 1,299 | 253,293 | 0.51% | 10,216 | 786.45% |
| | Micro credit loans (Note 5) | | 34,566 | 2,630,662 | 1.31% | 106,646 | 308.53% |
| | Others (Note 6) | Secured loans | 74,356 | 29,398,178 | 0.25% | 213,298 | 286.86% |
| | | Unsecured loans | 12,213 | 315,287 | 3.87% | 112,002 | 917.07% |
| Gross loan business | | | $ 1,570,945 | $ 205,312,724 | 0.77% | $ 2,707,809 | 172.37% |
| | | | Amount of overdue accounts | Balance of accounts receivable | Overdue account ratio (%) | Allowance for credit losses | Coverage ratio |
| Credit card business | | | $ 924 | $ 71,149 | 1.30% | $ 1,946 | 210.61% |
| Factoring without recourse (Note 7) | | | - | 13,370,960 | 0.00% | 76,314 | - |

| 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) |
| Institutional 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 | - |

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 finance 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, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | 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) | $ 106,374 | $ - | $ 129,743 | $ - |
| Performing in accordance with debt liquidation program and restructuring program (Note 2) | 62,232 | - | 92,698 | - |
| Total | $ 168,606 | $ - | $ 222,441 | $ - |

Note 1: Additional disclosure requirement pertaining to the 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 dated September 15, 2008.

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

| December 31, 2014 | | | |
|---|---|---|---|
| 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 | $ 5,865,708 | 24.92 |
| 2 | Group B –Real Estate Development | 4,092,630 | 17.39 |
| 3 | Company C –Liquid Crystal Display and Components Manufacturer | 3,624,030 | 15.40 |
| 4 | Group D –Cable and Other Paid Channels Distribution | 2,854,486 | 12.13 |
| 5 | Group E- Other Retail Sale | 2,726,480 | 11.58 |
| 6 | Group F- Real Estate Development | 2,689,560 | 11.43 |
| 7 | Group G- Cable and Other Paid Channels Distribution | 2,658,651 | 11.29 |
| 8 | Group H- Cable and Other Paid Channels Distribution | 2,437,647 | 10.36 |
| 9 | Group I- Semi-Conductor Packing and Testing Industry | 2,019,193 | 8.58 |
| 10 | Group J- Petroleum Refineries | 1,896,540 | 8.06 |

| 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 –Semi-Conductor Packing and Testing Industry | 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 |

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 bills negotiations, export bills negotiations, bills discounted, overdrafts, short-term loans, short-term loans secured, account receivable financing, mid-term loans, mid-term loan secured, long-term loans, long-term loans secured, and overdue loans), exchange bills negotiated, 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: Loan to deposit ratio, currency swap ratio, loan commitment 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, bills discounted and loans, available-for-sale financial assets, and other financial assets.

(Expressed in Thousands of New Taiwan Dollars)

| December 31, 2014 | 0~30 days | 31~90 days | 91~180 days | 181 days~1 year | over 1 year | Total |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | $ 4,870,697 | $ 4,297,534 | $ 1,449,464 | $ 3,102,362 | $ - | $ 13,720,057 |
| Due from Central Bank and call loans to other banks | 6,046,637 | - | - | - | - | 6,046,637 |
| Financial assets at fair value through profit and loss | 18,122,768 | - | - | - | - | 18,122,768 |
| Receivables | 1,321,100 | 1,572,715 | 11,287,053 | 474,301 | 361,647 | 15,016,816 |
| Bills discounted and loans | 33,043,538 | 29,271,488 | 16,493,798 | 11,222,997 | 115,280,903 | 205,312,724 |
| Available-for-sale financial assets | 13,400,000 | 4,621,995 | 9,100,000 | 24,542,551 | 17,333,708 | 68,998,254 |
| Other financial assets | 96,765 | - | - | - | - | 96,765 |
| Total | $ 76,901,505 | $ 39,763,732 | $ 38,330,315 | $ 39,342,211 | $ 132,976,258 | $ 327,314,021 |

| 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 |

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, 2014 | 0~30 days | 31~90 days | 91~180 days | 181 days~1 year | over 1 year | Total |
|---|---|---|---|---|---|---|
| Due to Central Bank and other banks | $ 24,003,729 | $ 27,412,923 | $ 3,656,310 | $ 891,406 | $ - | $ 55,964,368 |
| Payables | 389,519 | 1,727,101 | 713,091 | 93,374 | 5,907,904 | 8,830,989 |
| Deposits and remittances | 98,095,436 | 49,632,845 | 40,549,101 | 49,599,807 | 169,385 | 238,046,574 |
| Other financial liabilities | 887,893 | 354,697 | 336,722 | 409,340 | 763,643 | 2,752,295 |
| Total | $ 123,376,577 | $ 79,127,566 | $ 45,255,224 | $ 50,993,927 | $ 6,840,932 | $ 305,594,226 |

| 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 |

(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 FX forwards, and

(b) Interest rate derivatives: interest rate swaps contract 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; and

(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, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | ($ 119,718) | ($ 113,250) | ($ 42,775) | ($ 22,647) | ($ 71) | ($ 298,461) |
| – Cash inflow | 119,721 | 114,546 | 43,594 | 22,891 | 82 | 300,834 |
| Interest rate derivatives | | | | | | |
| – Cash outflow | ( 597) | ( 4,270) | ( 413) | ( 1,697) | ( 11,596) | ( 18,573) |
| – Cash inflow | 609 | 4,374 | 427 | 1,620 | 11,643 | 18,673 |
| Commodity derivatives | | | | | | |
| – Cash outflow | ( 436) | ( 46) | ( 69) | ( 137) | ( 23) | ( 711) |
| – Cash inflow | 436 | 46 | 69 | 137 | 23 | 711 |
| Subtotal cash outflow | ( 120,751) | ( 117,566) | ( 43,257) | ( 24,481) | ( 11,690) | ( 317,745) |
| Subtotal cash inflow | 120,766 | 118,966 | 44,090 | 24,648 | 11,748 | 320,218 |
| Total | $ 15 | $ 1,400 | $ 833 | $ 167 | $ 58 | ($ 2,473) |

| | 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 |

(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, 2014 | 0-30 days | 31-90 days | 91 -180 days | 181 days-1 year | Over 1 year | Total |
|---|---|---|---|---|---|---|
| Non-cancellable loan commitments | $ 628,728 | $ 1,257,456 | $ 1,886,184 | $ 3,020,166 | $ 9,492,904 | $ 16,285,438 |
| Unused letters of credit issued | 3,261,789 | 3,514,590 | 1,048,983 | 7,940 | 29,330 | 7,862,632 |
| Guarantees | 665,728 | 2,959,293 | 2,118,334 | 4,929,651 | 3,630,376 | 14,303,382 |
| Total | $ 4,556,245 | $ 7,731,339 | $ 5,053,501 | $ 7,957,757 | $ 13,152,610 | $ 38,451,452 |

| 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 |

(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, 2014 | Less than 1 year | 1~5 years | More than 5 years | Total |
|---|---|---|---|---|
| Lease contract commitment | | | | |
| Operating lease expense (lessee) | $ 293,382 | $ 867,251 | $ 133,402 | $ 1,294,035 |
| Operating lease income (lessor) | 5,731 | 1,170 | - | 6,901 |
| **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 |

(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, 2014

| | Total | 0~30 days | 31~90 days | 91~180 days | 181 days ~ 1 year | Over 1 year |
|---|---|---|---|---|---|---|
| Primary funds inflow upon maturity | 319,195,680 | 100,307,769 | 42,291,170 | 18,210,838 | 31,868,209 | 126,517,694 |
| Primary funds outflow upon maturity | 341,913,623 | 58,530,158 | 89,684,665 | 64,593,160 | 51,451,116 | 77,654,524 |
| Gap | ( 22,717,943) | 41,777,611 | ( 47,393,495) | ( 46,382,322) | ( 19,582,907) | 48,863,170 |

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 |

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, 2014

| | Total | 0~30 days | 31~90 days | 91~180 days | 181 days ~ 1 year | Over 1 year |
|---|---|---|---|---|---|---|
| Primary funds inflow upon maturity | 7,744,749 | 2,081,130 | 2,681,411 | 1,586,272 | 729,705 | 666,231 |
| Primary funds outflow upon maturity | 10,066,084 | 3,736,215 | 3,040,004 | 789,765 | 1,057,248 | 1,442,852 |
| Gap | ( 2,321,335) | ( 1,655,085) | ( 358,593) | 796,507 | ( 327,543) | ( 776,621) |

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 |

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 changes in profit and loss 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 framework 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, 2014 | USD:TWD=31.6090 | Effects on Profit and loss | Effects on Equity |
|---|---|---|---|
| Risk Type | Changes | | |
| Interest rate risk | Main interest rates increase by 0.25% | ( 10.59) | ( 121.78) |
| Interest rate risk | Main interest rates decrease by 0.25% | 10.59 | 121.78 |
| Exchange rate risk | USD appreciates by 3% against NTD, JPY, RMB and other currencies | 51.86 | - |
| Exchange rate risk | USD depreciates by 3% against NTD, JPY, RMB and other currencies | ( 51.86) | - |

| 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 | - |

(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, 2014 and 2013 by currency and shown in book value.

| | December 31, 2014 | | | | December 31, 2013 | | |
|---|---|---|---|---|---|---|---|
| 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 | $ 2,251,712 | 31.61 | $ 71,174,379 | USD | $ 2,333,069 | 29.79 | $ 69,510,283 |
| CNH | 1,652,726 | 5.09 | 8,425,223 | CNH | 2,005,851 | 4.92 | 9,866,455 |
| CNY | 1,581,381 | 5.10 | 8,061,520 | JPY | 22,502,503 | 0.28 | 6,391,424 |
| EUR | 36,672 | 38.45 | 1,410,139 | EUR | 108,332 | 41.10 | 4,451,957 |
| JPY | 8,334,382 | 0.26 | 2,205,823 | CNY | 868,863 | 4.92 | 4,275,824 |
| Financial liabilities | | | | Financial liabilities | | | |
| Monetary items | | | | Monetary items | | | |
| USD | $ 3,463,588 | 31.61 | $ 109,480,552 | USD | $ 2,304,126 | 29.79 | $ 68,647,981 |
| CNY | 1,397,875 | 5.10 | 7,126,052 | CNH | 2,005,851 | 4.92 | 9,866,455 |
| CNH | 1,310,213 | 5.09 | 6,679,168 | JPY | 22,502,503 | 0.28 | 6,391,424 |
| AUD | 242,716 | 25.92 | 6,291,805 | EUR | 108,332 | 41.10 | 4,451,957 |
| EUR | 29,816 | 38.45 | 1,146,489 | CNY | 868,863 | 4.92 | 4,275,824 |

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

(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, 2014

(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 | $ 63,863,414 | $ 16,140,273 | $ 29,767,553 | $ 122,202,128 | $ 231,973,368 |
| Interest-rate-sensitive liabilities | 64,788,486 | 33,814,376 | 41,781,610 | 22,046,147 | 162,430,619 |
| Interest-rate-sensitive gap | ( 925,072) | ( 17,674,103) | ( 12,014,057) | 100,155,981 | 69,542,749 |
| Total equity | | | | | 22,016,167 |
| Ratio of interest-rate-sensitive assets to liabilities (%) | | | | | 142.81% |
| Ratio of interest-rate-sensitive gap to equity (%) | | | | | 315.87% |

December 31, 2013

| 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% |

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, 2014

| Items | 1~90 days | 91~180 days | 181 days ~1 year | Over 1 year | Total |
|---|---|---|---|---|---|
| Interest-rate-sensitive assets | $ 1,003,828 | $ 235,789 | $ 154,581 | $ 268,440 | $ 1,662,638 |
| Interest-rate-sensitive liabilities | 2,705,785 | 283,409 | 195,627 | 196,472 | 3,381,293 |
| Interest-rate-sensitive gap | ( 1,701,957) | ( 47,620) | ( 41,046 ) | 71,968 | ( 1,718,655) |
| Total equity | | | | | 48,782 |
| Ratio of interest-rate-sensitive assets to liabilities (%) | | | | | 49.17% |
| Ratio of interest-rate-sensitive gap to equity (%) | | | | | -3523.13% |

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% |

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 USD denominated interest-rate-sensitive assets and interest-rate-sensitive liabilities)

(3) 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 ratio of common shares equity capital to risk-weighted assets, Tier 1 capital to risk-weighted assets and capital adequacy ratio, are calculated in compliance with this regulation.

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 for the years ended December 31, 2014 and 2013

(Expressed in Thousands of New Taiwan Dollars, %)

| | | | December 31, 2014 | December 31, 2013 |
|---|---|---|---|---|
| Eligible capital | | Common share equity capital | 23,321,486 | 22,922,061 |
| | | Other Tier capital | - | - |
| | | Tier 2 capital | 3,101 | 871 |
| | | Self-owned capital | 23,324,587 | 22,922,932 |
| Total risk - weighted assets | Credit risk | Standardized Approach | 207,729,086 | 191,112,816 |
| | | Internal Ratings - Based Approach | - | - |
| | | Credit Valuation Adjustment | 2,535,956 | 1,118,137 |
| | | Asset securitization | - | - |
| | Operation risk | Basic Indicator Approach | 10,467,350 | 9,540,075 |
| | | Standardized Approach / Alternative Standardized Approach | - | - |
| | | Advanced Measurement Approaches | - | - |
| | Market risk | Standardized Approach | 9,112,789 | 6,302,445 |
| | | Internal Models Approach | - | - |
| | Total risk-weighted assets | | 229,845,181 | 208,073,473 |
| Capital adequacy ratio | | | 10.15 | 11.02 |
| Ratio of common shares equity capital to risk-weighted assets (%) | | | 10.15 | 11.02 |
| Tier 1 capital to risk-weighted assets (%) | | | 10.15 | 11.02 |
| Leverage ratio (%) | | | 6.19 | 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

(4) 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, 2014 | December 31, 2013 |
|---|---|---|
| Fund investments | $ 19,372,027 | $ 18,110,052 |
| Structure notes | 300,802 | - |
| Foreign bonds | 788,949 | - |
| Advanced receipt trust | 1,900 | - |
| Real estate | 2,312,006 | 573,846 |
| Total | $ 22,775,684 | $ 18,683,898 |

| Trust liabilities | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Trust capital | $ 22,775,684 | $ 18,683,898 |
| Total | $ 22,775,684 | $ 18,683,898 |

B. Schedule of investments

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Fund investments | | |
| Overseas mutual funds | $ 18,295,084 | $ 17,130,718 |
| Domestic mutual funds | 1,076,943 | 979,334 |
| Structure notes | 300,802 | - |
| Overseas bonds | 788,949 | - |
| Advanced receipt trust | 1,900 | - |
| Real estate | | |
| Land | 2,097,846 | 419,528 |
| Buildings | 331 | 119 |
| Advances | 156,490 | 154,199 |
| Funding account | 57,339 | - |
| Total | $ 22,775,684 | $ 18,683,898 |

C. For the years ended December 31, 2014 and 2013, the trust revenue, trust expense and trust net income were $0.

(5) Profitability

Expressed in %

| Item | | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| Return on total assets | Before tax | 0.13 | 0.25 |
| | After tax | 0.10 | 0.21 |
| Return on equity | Before tax | 1.84 | 3.16 |
| | After tax | 1.46 | 2.69 |
| Net profit margin ratio | | 5.55 | 10.92 |

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

Note 2: Return on equity = Income before (after) income tax / average 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: Institutional banking, consumer banking and others. Main income sources of products and services are as follows:

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

Consumer banking: mortgage loans, auto loans, consumer loans, credit business, wealth 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, 2014 | | | |
|---|---|---|---|---|
| | Institutional banking | Consumer banking | Others | Consolidated |
| Net interest income | $ 2,293,590 | $ 1,249,320 | ( $ 48,917) | $ 3,493,993 |
| Net non-interest income (note) | 1,878,403 | 693,887 | 60,449 | 2,632,739 |
| Net revenues | 4,171,993 | 1,943,207 | 11,532 | 6,126,732 |
| Bad debt expense and reserve on guarantee liabilities | ( 889,656) | ( 65,092) | 6,137 | ( 948,611) |
| Operating expenses | ( 2,376,100) | ( 2,323,775) | ( 49,957) | ( 4,749,832) |
| Income(loss) before income tax | $ 906,237 | ($ 445,660) | ( $ 32,288) | $ 428,289 |

| | For the year ended December 31, 2013 | | | |
|---|---|---|---|---|
| | Institutional 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) |
| Income(loss) before income tax | $ 1,356,868 | ( $ 695,106) | $ 59,471 | $ 721,233 |

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 (losses) 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% or more of total interest income.