DBS BANK (TAIWAN) LTD

FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2015 AND 2014

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

Report of Independent Accountants Translated from Chinese

PWCR15001299
To DBS Bank (Taiwan) Ltd

We have audited the accompanying balance sheets of DBS Bank (Taiwan) Ltd (the "Company") as of December 31, 2015 and 2014 and the related statements of comprehensive income, of changes in equity, and of cash flows for the years ended December 31, 2015 and 2014. 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 statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DBS Bank (Taiwan) Ltd as of December 31, 2015 and 2014, and its financial performance and cash flows for the years ended December 31, 2015 and 2014 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 22, 2016

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, 2015 AND 2014
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			December 31, 2015		December 31, 2014	
	ASSETS	Notes	Amount	%	Amount	%
	ASSETS					
11000	Cash and cash equivalents	6(1) and 7	$ 11,007,762	3	$ 13,720,057	4
11500	Due from Central Bank and call loans to other banks	6(2) and 7	20,879,659	6	6,046,637	2
12000	Financial assets at fair value through profit or loss	6(3) and 7	30,029,750	8	27,906,701	8
13000	Receivables – net	6(4)(5) and 7	14,011,948	4	14,915,021	5
13200	Current income tax assets		60,072	-	5,345	-
13300	Assets held for sale	6(8)	-	-	435,055	-
13500	Bills discounted and loans – net	6(5) and 7	200,636,453	55	202,604,915	60
14000	Available-for-sale financial assets	6(6) and 8	82,234,145	22	68,969,841	20
15500	Other financial assets – net	6(7)	178,370	-	146,267	-
18500	Property and equipment – net	6(8)	1,021,315	-	965,478	-
18700	Investment properties – net	6(9)	144,148	-	244,233	-
19000	Intangible assets – net	6(10)	153,637	-	117,595	-
19300	Deferred income tax assets – net	6(32)	76,788	-	63,695	-
19500	Other assets – net	6(11) and 7	7,229,909	2	1,792,164	1
	TOTAL ASSETS		$ 367,663,956	100	$ 337,933,004	100
	LIABILITIES AND EQUITY					
	LIABILITIES					
21000	Due to Central Bank and other banks	6(12) and 7	$ 47,063,305	13	$ 55,964,368	17
22000	Financial liabilities at fair value through profit or loss	6(13) and 7	11,982,727	3	7,724,085	2
23000	Payables	6(14) and 7	8,710,702	2	8,830,989	3
23200	Current income tax liabilities		-	-	54,675	-
23500	Deposits and remittances	6(15) and 7	264,031,642	72	238,046,574	70
25500	Other financial liabilities	6(16)	2,785,774	1	2,752,295	1
25600	Provisions	6(17)	256,914	-	283,051	-
29300	Deferred income tax liabilities	6(32)	55,139	-	-	-
29500	Other liabilities	6(19)	826,336	-	737,231	-
	TOTAL LIABILITIES		335,712,539	91	314,393,268	93
	EQUITY					
31100	**Share capital**					
31101	Common shares	6(20)	22,000,000	6	22,000,000	7
31103	Preferred shares	6(20)	8,000,000	2	-	-
32000	**Retained earnings**	6(21)				
32001	Legal reserve		433,357	-	331,269	-
32011	Retained earnings		1,299,097	1	1,093,073	-
32500	**Other equity**	6(22)	218,963	-	115,394	-
	TOTAL EQUITY		31,951,417	9	23,539,736	7
	TOTAL LIABILITIES AND EQUITY		$ 367,663,956	100	$ 337,933,004	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, 2015 AND 2014
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE)

			FOR THE YEAR ENDED DECEMBER 31, 2015		(RESTATED) FOR THE YEAR ENDED DECEMBER 31, 2014	
		Notes	Amount	%	Amount	%
41000	Interest income	6(24) and 7	$ 6,497,360	100	$ 5,991,633	100
51000	Less: Interest expense	6(24) and 7	(2,871,830)	(44)	(2,497,640)	(42)
	Net interest income		3,625,530	56	3,493,993	58
	Net non-interest income					
49100	Net fee and commission income	6(25) and 7	1,224,276	19	870,962	15
49200	Gains or losses on financial assets and financial liabilities at fair value through profit or loss	6(26)	620,621	9	1,745,180	29
49300	Realised gains or losses on available-for-sale financial assets	6(27)	2,629	-	307	-
49600	Foreign exchange gains (losses)		859,418	13	(59,532)	(1)
48063	Gains on disposal of assets	6(8)	193,907	3	-	-
49800	Other non-interest income	6(28) and 7	47,192	1	75,822	1
	Net revenues		6,573,573	101	6,126,732	102
58200	Bad debts expense and reserve on guarantee liabilities		(1,005,930)	(15)	(948,611)	(16)
	Operating expenses					
58500	Employee benefit expenses	6(18)(23)(29) and 7	(2,953,362)	(45)	(2,694,453)	(45)
59000	Depreciation and amortisation expenses	6(30)	(239,149)	(4)	(245,167)	(4)
59500	Other general and administrative expenses	6(31) and 7	(1,997,831)	(31)	(1,810,157)	(30)
61001	**Income before income tax**		377,301	6	428,344	7
61003	Income tax expense	6(32)	(66,643)	(1)	(88,002)	(1)
64000	**Net income**		310,658	5	340,342	6
	Other Comprehensive Income					
	Not reclassifiable to profit or loss					
65201	Remeasurement arising on defined benefit plan	6(18)	(3,067)	-	8,856	-
65205	Change in the fair value of the financial liability designated as at fair value through profit or loss that is attributable to changes in its credit risk	6(13)(22)	(9,035)	-	-	-
65220	Income tax related to other comprehensive income not reclassifiable to profit or loss	6(32)	521	-	(1,506)	-
	Potentially reclassifiable to profit or loss					
65301	Foreign currency translation differences for foreign operations	6(22)	54,937	-	76,859	1
65302	Available-for-sale revaluation reserve	6(22)	57,667	1	3,288	-
65000	**Other comprehensive income – net**		101,023	1	87,497	1
66000	**Total comprehensive income**		$ 411,681	6	$ 427,839	7
	Earnings Per Share (in New Taiwan dollars)					
	Basic and diluted earnings per share	6(33)	$ 0.14		$ 0.15	

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, 2015 AND 2014
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Share capital		Retained earnings		Other equity			
(Restated)	Notes	Common shares	Preferred shares	Legal reserve	Retained earnings	Foreign currency translation differences for foreign operations	Available-for-sale revaluation reserve	Change in the fair value of the financial liability designated as at fair value through profit or loss that is attributable to changes in its credit risk	Total equity
For the year 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(21)	-	-	183,765	(183,765)	-	-	-	-
Net income		-	-	-	340,342	-	-	-	340,342
Other comprehensive income (loss)		-	-	-	7,350	76,859	3,288	-	87,497
Balance as of December 31, 2014		$ 22,000,000	$ -	$ 331,269	$ 1,093,073	$ 80,589	$ 34,805	$ -	$ 23,539,736
For the year ended December 31, 2015									
Balance as of January 1, 2015		$ 22,000,000	$ -	$ 331,269	$ 1,093,073	$ 80,589	$ 34,805	$ -	$ 23,539,736
Appropriation of net income for 2014									
Legal reserve	6(21)	-	-	102,088	(102,088)	-	-	-	-
Issuance of preferred shares		-	8,000,000	-	-	-	-	-	8,000,000
Net income		-	-	-	310,658	-	-	-	310,658
Other comprehensive income (loss)		-	-	-	(2,546)	54,937	57,667	(9,035)	101,023
Balance as of December 31, 2015		$ 22,000,000	$ 8,000,000	$ 433,357	$ 1,299,097	$ 135,526	$ 92,472	($ 9,035)	$ 31,951,417

Note: Employees’ bonuses amounting to $2 and $4 for the years of 2014 and 2013 have been recognised under operating expenses of statements of comprehensive income, not “Appropriation of earnings.”

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, 2015 AND 2014
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	FOR THE YEAR ENDED DECEMBER 31, 2015	(RESTATED) FOR THE YEAR ENDED DECEMBER 31, 2014
Cash Flows From Operating Activities			
Income before income tax		$ 377,301	$ 428,344
Adjustment items			
Income and expenses items			
Bad debts expense and reserve on guarantee liabilities		1,203,318	1,142,612
Depreciation expense (including investment properties' depreciation expense)	6(30)	185,685	192,074
Amortisation expense	6(30)	53,464	53,093
Interest income		(6,497,360)	(5,991,633)
Dividend income		(13,692)	(14,743)
Interest expense		2,871,830	2,497,640
Gains from disposal of property and equipment and investment properties		(13,336)	(182)
Gains from disposal of assets held for sale	6(8)	(180,571)	-
Losses from retirement of property and equipment and intangible assets		2,045	18
Realised gain on available-for-sale financial assets		(2,629)	(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		(470,874)	(199,076)
Increase in financial assets at fair value through profit or loss		(2,123,049)	(11,178,806)
Decrease (increase) in receivables		958,178	(1,581,478)
Decrease (increase) in bills discounted and loans		862,839	(11,577,232)
(Increase) decrease in available-for-sale financial assets		(13,204,008)	1,604,584
(Increase) decrease in other financial assets		(32,259)	78,894
Increase in other assets		(5,437,745)	(1,594,562)
Change in liabilities relating to operating activities			
Decrease in due to Central Bank and other banks		(8,901,063)	(5,772,438)
Increase in financial liabilities at fair value through profit or loss		2,299,307	4,340,607
(Decrease) increase in payables		(107,931)	4,729,396
Increase in deposits and remittances		25,985,068	17,578,062
Increase (decrease) in other financial liabilities		33,479	(788,262)
(Decrease) increase in other liabilities		(101,106)	104,433
(Decrease) increase in provisions		(12,932)	421
Cash used in operations		(2,266,041)	(5,948,541)
Interest paid		(2,884,186)	(2,389,867)
Income tax paid		(133,478)	(139,388)
Interest received		6,290,213	5,777,014
Dividend received		13,692	14,743
Net cash generated from (used in) operating activities		1,020,200	(2,686,039)
Cash Flows From Investing Activities			
Acquisition of property and equipment		(238,752)	(62,065)
Proceeds from disposal of property and equipment and investment properties		111,422	-
Acquisition of intangible assets		(89,426)	(71,712)
Proceeds from disposal of assets held for sale		805,836	-
Net cash generated from (used in) investing activities		589,080	(133,777)
Cash Flows From Financing Activities			
Increase in financial liabilities designated as at fair value through profit or loss on initial recognition		1,950,300	-
Issuance of preferred shares		8,000,000	-
Net cash generated from financing activities		9,950,300	-
Impact to cash and cash equivalents from changes in exchange rates		90,273	112,911
Net increase (decrease) in cash and cash equivalents		11,649,853	(2,706,905)
Cash and cash equivalents at beginning of period		15,218,209	17,925,114
Cash and cash equivalents at end of period		$ 26,868,062	$ 15,218,209
Cash and cash equivalents:	6(1)		
Cash and cash equivalents in the balance sheet		$ 11,007,762	$ 13,720,057
Due from Central Bank and call loans to other banks satisfying the definition of IAS No. 7 "Cash Flow Statements"		15,860,300	1,498,152
Cash and cash equivalents at end of period		$ 26,868,062	$ 15,218,209

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, 2015 AND 2014
(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, 2015, the Company has 42 branches and an offshore banking unit across Taiwan. The total number of employees was 1,671 people and 1,609 people as of December 31, 2015 and 2014, respectively.

The Company's core business includes 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% common shares of the Company. The ultimate parent company of the Company is DBS Group Holdings Ltd.

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

These financial statements were authorised for issuance by the Board of Directors on March 22, 2016.

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")

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by FSC on April 3, 2014, commencing 2015, the Company shall adopt the 2013 version of IFRSs (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 impact of adopting the 2013 version of IFRSs is listed below:

A. IAS 19 (revised), ‘Employee benefits’

The revised standard makes amendments that net interest amount, calculated by applying the discount rate to the net defined benefit asset or liability, replaces the finance charge and expected return on plan assets. The revised standard eliminates the accounting policy choice that the actuarial gains and losses could be recognised based on corridor approach or recognised in profit or loss. The revised standard requires that the actuarial gains and losses can only be recognised immediately in other comprehensive income when incurred. Past service cost will be recognised immediately in the period incurred and will no longer be amortised using straight-line basis over the average period until the benefits become vested. An entity is required to recognise termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs, rather than when the entity is demonstrably committed to a termination. Additional disclosures are required for defined benefit plans. The effect of transition led to $55 decrease in employee benefit expense, $9 increase in income tax expense, $55 decrease in remeasurement arising on defined benefit plan and $9 decrease in income tax in relation to components of other comprehensive income for the year ended December 31, 2014.

B. IAS 1, ‘Presentation of financial statements’

The amendments change the presentation of other comprehensive income. They require the grouping of items of other comprehensive income into “items that might be reclassified to profit or loss in subsequent periods” and “items that will not be reclassified to profit or loss in subsequent periods.” Furthermore, all lines under other comprehensive income shall be presented in pre-tax amount. The related tax effects shall be disclosed separately based on the aforesaid grouping method. The Company has changed the presentation of other comprehensive income in conformity with the amendments.

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 from market participants’ perspective, and requires disclosures about fair value measurements. For non-financial assets only, fair value is determined based on the highest and best use of the asset. Based on the Company’s assessment, the adoption of the standard has no significant impact on its financial statements, and the Company has disclosed additional information about fair value measurements accordingly.

D. Disclosures - Transfers of financial assets (amendments to IFRS 7)

The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in transferred assets, existing at the reporting date. The Company includes qualitative and quantitative disclosures for all transferred financial assets.

E. IFRS 7 “Disclosures - Offsetting Financial Assets and Financial Liabilities”

The amendment requires an entity to disclose, at the end of the reporting period, information that enable the users of its financial statements to evaluate the effect or potential effect of netting arrangements on an entity’s financial position. These disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

The above-mentioned amendment increases the Company's quantitative and qualitative disclosures on enforceable master netting arrangements or similar agreements required on recognised financial instruments.

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

None.

(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 IFRSs 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)	To be determined by International Accounting Standards Board
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, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Clarification of acceptable methods of depreciation and amortisation (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 statements will be disclosed when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted in the financial reports are summarized as 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 recognised based on the net amount of pension fund assets less 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.

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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised at fair value. Transaction costs are recognised in profit and loss. Subsequent measurements are at fair value are recognised 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 recognised 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 recognised at fair value plus the acquisition cost, and measured at fair value with changes in fair value recognised in other comprehensive income.

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

Equity instruments traded in a non-active market are initially recognised 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 or loss and financial liabilities carried at amortised cost.

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

a. Financial liabilities at fair value through profit or 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. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

- Hybrid (combined) contracts; or
- They eliminate or significantly reduce a measurement or recognition inconsistency; or
- They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

b. Financial liabilities at fair value through profit or loss at initial recognition are measured at fair value, and any change in fair value is recognised in profit and loss. Except for the circumstances to avoid inappropriate accounting appropriation, fair value movements arising from credit risk for financial liabilities designated as at fair value through profit or loss should be recognised in other comprehensive income.

(B) Financial liabilities carried at amortised cost

Financial liabilities carried at amortised 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 derecognises 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 derecognised when the obligation of the contracts are fulfilled, cancelled or expired.

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

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

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

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

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

(A) Significant financial difficulty of the issuer or obligor;

(B) A breach of contract, such as a default or delinquency in interest or principal payments;

(C) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider; or

(D) High probability of bankruptcy or other financial reorganization of the borrower.

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

(A) Loans and receivables

If there is any objective evidence that the financial asset is impaired, the impairment amount is the difference between the financial assets' book value and the estimated future cash flow (exclusive of future credit loss) discounted using the original effective interest rate. The asset's book value is decreased by adjusting the account of allowance for bad debt, and loss amount is recognised 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 recognised (for example, the upgraded credit rating of the debtor), the previously recognised impairment loss is reversed through the allowance for credit losses to the extent that the carrying amounts do not exceed the amortised cost that would have been determined had no impairment loss been recognised in prior years. The reversal is recognised 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. In addition, pursuant to Jinguanyinkuo No. 10410001840 of FSC dated April 23, 2015, the domestic banks are required to provide at least 1.5% provision for normal credit assets (including short-term trade financing) as well as the financial guarantee in relation to China exposure by the end of 2015. 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 amortisation and principal paid) and its fair value less the impairment loss which previously had been recognised 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 recognised in profit or loss, the impairment loss shall be reversed to the extent of the loss recognised 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 recognised 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) <u>Derivative financial instruments</u>

Derivative instruments are initially recognised 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 recognised as assets when the fair value is positive and as liabilities when the fair value is negative.

(9) <u>Assets held for sale</u>

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) <u>Property and equipment</u>

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

B. Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised. 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	1~5	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 recognised under "other non-interest income" in the statement of comprehensive income. For those properties disposed and leased back by the Company without specific leasing period, gains on disposal of assets should be deferred and amortised over 10 years in conformity with the Jinguanyinfa No.12000702070 issued by the FSC. Otherwise, it should be deferred and amortised over the remaining leasing period. The deferred revenue is recognised under "other liabilities".

(11) Lease

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

(12) Investment property

Investment property is initially recognised 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 amortised 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 recognised 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 disposal. 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 amortisation before impairment loss.

(15) Provisions and contingent liability

A. Provisions are recognised 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 recognised 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 recognise any contingent liabilities but made appropriate disclosure in compliance with relevant regulations.

(16) Financial guarantee contracts

A. The Company initially recognises 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 recognised in deferred accounts and amortised 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 recognised less, if appropriate, cumulative amortisation recognised in accordance with IAS 18, "Revenue".

C. The increase in liabilities due to financial guarantee contract is recognised 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 recognised as expenses when the service is rendered.

B. Pensions

(A) Defined contribution plans

The contributions are recognised as pension expenses in the period as incurred.

Prepaid contributions are recognised 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 recognised at the net amount of actuarial present value of defined benefit obligation less the fair value of fund, which is adjusted with the net unrecognised gain and loss on pension and recognises 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. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees', directors' and supervisors' remuneration

Employees', directors' and supervisors' remuneration are recognised 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', 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 recognised 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 recognised 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 payable from employee compensation plan over the vesting period.

(19) Income tax

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

D. Deferred income tax assets are recognised 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, unrecognised and recognised 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 recognised amounts and there is an intention to settle on a net basis or realise 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 realise 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 or 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 recognised as “interest income” and “interest expense” in the statement of comprehensive income.

(21) Fee and commission income

Fee and commission income and expense are recognised after underwriting or providing services. Service fee earned through performing significant items is recognised 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 amortised 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 recognised amounts in the financial statements:

(1) Impairment losses of loans

The Company establishes, through charges against profit, allowance for credit losses in respect of estimated loss in loans and receivables. The allowances consist of individual impairment allowances and collective impairment allowances. For individual impairment allowances, judgment is required in determining whether there are indications that an impairment loss may already have been incurred, such as economic environment, the repayment ability of the borrower in the future and the collateral value, and then estimating the amount and timing of the expected cash flows, which form the basis of the impairment loss that is recorded. In determining collective impairment allowances, management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Please refer to Note 12(3)B for the credit risk management policies.

(2) Fair value of financial instruments

The majority of the Company's financial instruments reported at fair value are based on quoted and observable market prices or on internally developed models that are based on independently sourced market parameters. The fair value of financial instruments without an observable market price in a liquid market may be determined using valuation models. Policies and procedures have been established to facilitate the exercise of judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors used in the valuation process.

Please refer to Note 12(1)(2) for details on the fair value information and the fair value hierarchy of the Company's financial instruments measured at fair value.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2015	December 31, 2014
Cash on hand	$ 1,116,973	$ 1,163,938
Foreign currency on hand	294,641	294,417
Checks for clearance	113,712	165,781
Due from banks	9,482,436	12,095,921
Total	$ 11,007,762	$ 13,720,057

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, 2015	December 31, 2014
Cash and cash equivalents on the balance sheet	$ 11,007,762	$ 13,720,057
Due from Central Bank and call loans to other banks	15,860,300	1,498,152
Cash and cash equivalents on the statement of cash flows	$ 26,868,062	$ 15,218,209

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

	December 31, 2015	December 31, 2014
Reserve for deposits – account A	$ 1,715,160	$ 1,023,462
Reserve for deposits – account B	5,019,359	4,548,485
Reserve for deposits – foreign currency account	180,617	173,849
Reserve for deposits – Financial Information Service Center	166,888	250,598
Call loans to banks	13,797,635	50,243
Total	$ 20,879,659	$ 6,046,637

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, 2015	December 31, 2014
Financial assets for trading purposes		
Government bonds	$ 17,722,620	$ 15,581,905
Corporate bonds	2,013,080	1,541,848
Treasury bills	-	999,015
Derivative financial instruments		
Forward exchange contracts	1,415,150	4,849,099
Non-delivery FX forwards	153,175	70,560
Interest rate swap contracts	907,280	186,124
Cross currency swap contracts	546,994	178,191
Interest rate futures	634	34
Forward exchange options	7,233,939	4,425,900
Commodity swap	35,459	74,025
Equity swap	1,419	-
Total	$ 30,029,750	$ 27,906,701

Please refer to Note 6 (26) for the net profit on the financial assets at fair value through profit or loss of the Company for the years ended December 31, 2015 and 2014.

(4) Receivables – net

	December 31, 2015	December 31, 2014
Factoring receivable	$ 12,183,058	$ 13,370,960
Interest receivable	1,157,915	950,768
Acceptances receivable	374,440	302,111
Receivable from settlement of bond transactions	149,712	-
Fee and commission receivable	102,636	236,718
Receivables on settlement default of derivatives	88,328	-
Credit card receivable	69,046	71,149
Other receivables	95,142	85,110
Total	14,220,277	15,016,816
Less: Allowance for credit losses	(208,329)	(101,795)
Net	$ 14,011,948	$ 14,915,021

(5) Bills discounted and loans – net

	December 31, 2015	December 31, 2014
Short-term loans and overdrafts	$ 76,848,552	$ 69,809,490
Medium-term loans	55,456,183	56,150,585
Long-term loans	58,766,314	62,838,717
Export-import bills negotiated	11,289,853	15,030,892
Accounts receivable financing	116,332	149,354
Overdue loans	1,274,512	1,333,686
Total	203,751,746	205,312,724
Less: Allowance for credit losses	(3,115,293)	(2,707,809)
Net	$ 200,636,453	$ 202,604,915

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, 2015 and 2014 was as follows:

Bills discounted and loans

	For the year ended December 31,	
	2015	2014
Beginning balance	$ 2,707,809	$ 2,906,398
Charge to comprehensive income statement	1,063,396	1,124,968
Net write-off during the year	(698,138)	(1,348,524)
Exchange and other movements	42,226	24,967
Ending balance	$ 3,115,293	$ 2,707,809

Receivables and other financial assets

	For the year ended December 31,	
	2015	2014
Beginning balance	$ 103,830	$ 106,933
Charge to comprehensive income statement	159,687	41,342
Net write-off during the year	(45,508)	(54,730)
Exchange and other movements	(9,145)	10,285
Ending balance	$ 208,864	$ 103,830

Interest income on loans and receivables is not accrued when the principal and interest is overdue by 180 days. Please refer to Note 12(3)B for impairment assessment of bills discounted and loans and receivables, as of December 31, 2015 and 2014.

(6) Available-for-sale financial assets

	December 31, 2015	December 31, 2014
Certificates of deposit	$ 63,835,000	$ 61,200,000
Treasury bills	-	871,995
Corporate bonds	65,679	63,218
Government bonds	18,306,673	6,863,041
Valuation adjustment for available-for-sale financial assets	92,472	34,805
Less: accumulated impairment– available-for-sale financial assets	(65,679)	(63,218)
Net	$ 82,234,145	$ 68,969,841

Please refer to Note 8 for the Company's available-for-sale financial assets pledged as collateral, as of December 31, 2015 and 2014.

Please refer to Note 6 (22) for the realised net profit or valuation adjustment on the available-for-sale financial assets of the Company for the years ended December 31, 2015 and 2014.

(7) Other financial assets – net

	December 31, 2015	December 31, 2014
Exchange bills negotiated	$ 129,024	$ 96,765
Financial assets carried at cost – unlisted stocks	49,881	49,881
Others	-	1,656
Subtotal	178,905	148,302
Less: allowance for credit losses	(535)	(2,035)
Net	$ 178,370	$ 146,267

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

(8) Property and equipment – net

The following are the movements of property and equipment

	Land	Buildings	Machinery and computer equipment	Other equipment	Leasehold improvements	Total
At January 1, 2015						
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
For the year ended December 31, 2015						
At January 1, 2015	$ 509,406	$ 137,207	$ 113,546	$ 26,070	$ 179,249	$ 965,478
Additions (Note 1)	-	5,961	123,193	15,169	96,941	241,264
Disposals	-	(1,551)	(3)	(20)	(471)	(2,045)
Reclassifications	-	(2,364)	-	(3)	2,367	-
Depreciation	-	(8,342)	(61,737)	(17,649)	(95,950)	(183,678)
Exchange difference	-	22	115	34	125	296
At December 31, 2015	$ 509,406	$ 130,933	$ 175,114	$ 23,601	$ 182,261	$ 1,021,315
At December 31, 2015						
Cost	$ 739,824	$ 609,008	$ 458,960	$ 152,320	$ 619,091	$ 2,579,203
Accumulated depreciation and impairment	(230,418)	(478,075)	(283,846)	(128,719)	(436,830)	(1,557,888)
	$ 509,406	$ 130,933	$ 175,114	$ 23,601	$ 182,261	$ 1,021,315

Note 1: Including additional cost (excluding reversal in current period) amounting to $2,512 of decommissioning assets.

	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						
At January 1, 2014	$ 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	-	(291)	(36)	(46)	(856)	(1,229)
Reclassifications	(441,313)	6,258	-	-	-	(435,055)
Depreciation	-	(15,142)	(63,375)	(21,199)	(92,517)	(192,233)
Exchange difference	-	151	27	9	27	214
At December 31, 2014	$ 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 (excluding reversal in current period) amounting to $3,327 of decommissioning assets.

As of December 31, 2015 and 2014, the above property and equipment were not pledged as collateral by the Company.

The self-owned branch (Chung-Hsiao branch) has been disposed with the approval from the Company’s Board of Directors on August 26, 2014. (It was recognised under “Assets held for sale” as of December 31, 2014.) The transaction was completed in January 2015 with proceeds amounting to $828,800 in accordance with the contract. Part of the properties disposed was leased back by the Company. In accordance with Jinguanyinfa No. 10200070270 issued by the FSC, the Company has recognised $180,571 and $190,211 under “gains on disposal of assets” and “deferred revenue” for the year ended December 31, 2015, respectively.

(9) Investment properties – net

The following are the movements of investment properties:

	Land	Buildings	Total
At January 1, 2015			
Cost	$ 202,427	$ 219,690	$ 422,117
Accumulated depreciation and impairment	(31,328)	(146,556)	(177,884)
	$ 171,099	$ 73,134	$ 244,233
For the year ended December 31, 2015			
At January 1	$ 171,099	$ 73,134	$ 244,233
Disposals	(73,099)	(24,987)	(98,086)
Depreciation	-	(2,007)	(2,007)
Exchange difference	-	8	8
At December 31, 2015	$ 98,000	$ 46,148	$ 144,148
At December 31, 2015			
Cost	$ 98,000	$ 159,590	$ 257,590
Accumulated depreciation and impairment	-	(113,442)	(113,442)
	$ 98,000	$ 46,148	$ 144,148

	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			
At January 1	$ 171,099	$ 72,928	$ 244,027
Depreciation	-	159	159
Exchange difference	-	47	47
At December 31, 2014	$ 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

A. The fair value of the investment properties held by the Company as of December 31, 2015 and 2014 were $153,706 and $316,251, respectively, which were assessed by the Company referring to recent transaction prices in the market and classified as level 2 of the fair value hierarchy.

B. Rental income from the lease of the investment properties were $1,963 and $4,729, respectively, for the years ended December 31, 2015 and 2014. Direct operating expense for the years ended December 31, 2015 and 2014 were $1,175 and $698, respectively.

(10) Intangible assets – net

	Computer software	
	2015	2014
At January 1		
Cost	$ 292,992	$ 224,289
Accumulated amortisation	(175,397)	(125,318)
	$ 117,595	$ 98,971
At January 1	$ 117,595	$ 98,971
Additions	89,426	71,712
Retirement	-	(18)
Amortisation	(53,464)	(53,093)
Exchange difference	80	23
At December 31	$ 153,637	$ 117,595
At December 31		
Cost	$ 382,092	$ 292,992
Accumulated amortisation	(228,455)	(175,397)
	$ 153,637	$ 117,595

(11) Other assets – net

	December 31, 2015	December 31, 2014
Prepaid expenses	$ 90,983	$ 93,382
Refundable deposits	7,138,926	1,697,385
Others	-	1,397
Total	$ 7,229,909	$ 1,792,164

(12) Due to Central Bank and other banks

	December 31, 2015	December 31, 2014
Call loans from banks	$ 46,234,930	$ 53,519,913
Overdrafts from banks	7,242	1,747,882
Due to other banks	821,133	696,573
Total	$ 47,063,305	$ 55,964,368

Please refer to Note 6 (24) for the interest expense on due to Central Bank and other banks of the Company for the years ended December 31, 2015 and 2014.

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

	December 31, 2015	December 31, 2014
Financial liabilities for trading purposes		
Borrowed securities payables	$ 149,710	$ -
Derivative financial instruments		
Forward exchange contracts	1,011,249	2,573,768
Non-delivery FX forwards	110,929	220,916
Interest rate swap contracts	1,017,911	209,416
Cross currency swap contracts	251,762	209,764
Interest rate futures	13,723	1,382
Foreign exchange options	7,535,110	4,434,814
Commodity swap	35,459	74,025
Equity swap	1,419	-
Subtotal	10,127,272	7,724,085
Financial liabilities designated as at fair value through profit or loss on initial recognition		
Financial bonds	1,970,370	-
Valuation adjustment of financial liabilities designated as at fair value through profit or loss on initial recognition	(114,915)	-
	1,855,455	-
	$ 11,982,727	$ 7,724,085

A. The fixed-rate debt instruments issued by the Company use derivative financial instruments for economic hedge to achieve the Company's risk management policy. The debt instruments are initially measured at amortised cost; however, derivative financial instruments are measured at fair value and the accounting will be different. Thus, the financial liabilities are initially designated to be measured at fair value. Relevant information is as follows:

	First series of unsecured financial bonds in 2015
Par value	USD 60,000,000
Stated interest rate	Fixed interest rate at 0%
Period	30 years (Issue date: October 16, 2015)
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
Redemption price on maturity	364.97479463%

B. The change in the fair value of the financial liability designated as at fair value through profit or loss attributable to changes in its credit risk for the year ended December 31, 2015 is ($9,035).

C. Please refer to Note 6 (26) for the net profit on the financial liabilities at fair value through profit or loss of the Company for the years ended December 31, 2015 and 2014.

(14) Payables

	December 31, 2015	December 31, 2014
Payable from settlement of bond transactions	$ 5,314,620	$ 5,404,877
Factoring payable	1,197,657	1,273,638
Employees' salaries and bonus payable	624,757	587,872
Acceptances payable	374,440	302,111
Interest payable	358,898	371,254
Collections payable for customers – checks for clearing	113,712	165,781
Refundable stock proceeds	111,517	111,556
Service fees payable	91,721	78,911
Business tax and stamp duty payable	64,407	63,786
Receipts under custody	28,057	26,410
Other payables	430,916	444,793
Total	$ 8,710,702	$ 8,830,989

(15) Deposits and remittances

	December 31, 2015	December 31, 2014
Checking deposits	$ 655,504	$ 809,052
Demand deposits	45,901,891	43,733482
Time deposits	146,344,208	135,746,951
Savings deposits	67,099,987	55,240,354
Negotiable certificates of deposit	4,000,000	2,500,000
Inward remittance	30,052	16,735
Total	$ 264,031,642	$ 238,046,574

(16) Other financial liabilities

	December 31, 2015	December 31, 2014
Principal of structured deposits	$ 2,785,774	$ 2,752,295

(17) Provisions

	Employee benefit liability reserve	Guarantee liability reserve	Decommissioning liability	Total
For the year ended December 31, 2015				
At January 1, 2015	$ 38,465	$ 199,714	$ 44,872	$ 283,051
Increase in provisions	-	-	2,512	2,512
Decrease in provisions	(9,520)	(19,765)	(345)	(29,630)
Exchange difference	-	981	-	981
At December 31, 2015	$ 28,945	$ 180,930	$ 47,039	$ 256,914

	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	-	-	3,327	3,327
Decrease in provisions	(4,918)	(23,698)	(3,469)	(32,085)
Exchange difference	-	1,084	-	1,084
At December 31, 2014	$ 38,465	$ 199,714	$ 44,872	$ 283,051

(18) 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 recognised pension expense of $98,319 and $89,636 for the years ended December 31, 2015 and 2014, respectively.

B. Defined benefit plans

The Company has 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. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

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

	December 31,2015	December 31, 2014
Present value of defined benefit obligations	$ 53,429	$ 45,662
Fair value of plan assets	(24,484)	(7,197)
Net defined benefit liability	$ 28,945	$ 38,465

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

	2015	2014
Balance at January 1	$ 45,662	$ 48,877
Current service cost	3,613	4,632
Interest cost	998	1,022
Remeasurements:		
- Change in demographic assumptions	-	(3,813)
- Change in financial assumptions	2,864	(536)
- Experience adjustments	292	(4,520)
Balance at December 31	$ 53,429	$ 45,662

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

	2015	2014
Balance at January 1	$ 7,197	$ 5,494
Interest income	170	136
Remeasurements: Return on plan assets (excluding amounts included in interest income)	89	(13)
Employer contributions	17,028	1,580
Balance at December 31	$ 24,484	$ 7,197

(D) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan ("Fund") 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. If the earning is less than aforementioned rates, government shall make payment for the deficit after authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The constitution of fair value of plan assets as of December 31, 2015 and 2014 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	2015	2014
Discount rate	1.70%	2.20%
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.

(F) When calculating the present value of defined benefits obligation, the Company must evaluate the actuarial assumptions, including discount rate and rate of future salary increases, related to the balance sheet date. Any changes in the actuarial assumptions may materially affect the amount of defined benefits obligation. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2015				
Effect on present value of defined benefit obligation	($ 6,310)	$ 9,276	$ 9,239	($ 6,338)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculate net pension liability in the balance sheet are the same.

(G) Expected contribution to the defined benefit pension plans of the Company for the year ended December 31, 2016 amounts to $3,197.

(19) Other liabilities

	December 31, 2015	December 31, 2014
Advanced receipts	$ 608,143	$ 735,350
Deferred revenue	190,211	-
Guarantee deposits received	20,410	1,777
Others	7,572	104
Total	$ 826,336	$ 737,231

Please refer to Note 6(8) for the information relating to deferred revenue.

(20) Share capital

A. As of December 31, 2015, the authorised and paid-in capital were $50 billion dollars and $30 billion dollars consisting of 5,000,000 thousand and 3,000,000 thousand shares, respectively, with par value of $10 dollars per share. Paid-in capital includes common shares and preferred shares amounting to $22,000,000 and $8,000,000, respectively.

B. The Company issued 800 million shares of non-cumulative, perpetual preferred shares A via private placement amounting to $8,000,000 to DBS Group Holdings Ltd (the ultimate parent company) 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 and Ministry of Economic Affairs on February 3, 2015 in the letter Jinsoxan No. 10401016840. The dividends are fixed at an annual rate of 4.0%. The distributable dividends are calculated based on the issue price, and are distributed annually by cash subject to the Company's Articles of Incorporation. The annual shareholders' meeting of the Company has the discretion to approve the distribution of the dividends on the Preferred Shares.

(21) Retained earnings

A. According to the Company’s Articles of Incorporation, after paying tax and off-setting accumulated losses, if there is a still a surplus in the annual account, the Company shall set aside 30% of the surplus as legal reserve, then set aside or reverse special reserve as required by law. The allocation of the distributable earnings, which are the sum of the remaining surplus plus the accumulated retained earnings, will be proposed by Board of Directors and resolved at the shareholders’ meeting.

B. In addition to legal reserve, the Company sets aside special reserve in accordance with the Company’s Articles of Incorporation or applicable laws. In accordance with Jinguanzhengfa No. 1010012865, 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 and Company 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 2014 of the Company has been resolved by the shareholders’ meeting on June 17, 2015, setting aside $102,088 as legal reserve. The earnings distribution for 2015 of the Company has been resolved by the Board on March 22, 2016, setting $93,197 aside as legal reserve, distributing $303,342 of cash dividend on preferred shares and not to distribute dividends on common shares. The appropriation of the Company’s 2015 earnings is pending until the confirmation (declaration) from the Shareholders’ meeting. More information regarding the earnings distribution is available at the website of the Market Observation Post System.

E. For information relating to employees’ remuneration (bonuses) and directors’ and supervisors’ remuneration, please refer to Note 6 (29).

(22) Other equity items

	For the year ended December 31, 2015			
	Available-for-sale revaluation reserve	Foreign currency translation differences for foreign operations	Change in the fair value of the financial liability designated as at fair value through profit or loss that is attributable to changes in its credit risk	Total
At January 1, 2015	$ 34,805	$ 80,589	$ -	$ 115,394
Available-for-sale financial assets				
– Valuation adjustment in the period	60,296	-	-	60,296
– Realised gain and loss in the period	(2,629)	-	-	(2,629)
Changes in translation difference of foreign operating entities	-	54,937	-	54,937
Valuation adjustment relating to its credit risk	-	-	(9,035)	(9,035)
At December 31, 2015	$ 92,472	$ 135,526	($ 9,035)	$ 218,963

	For the year ended December 31, 2014			
	Available-for-sale revaluation reserve	Foreign currency translation differences for foreign operations	Change in the fair value of the financial liability designated as at fair value through profit or loss that is attributable to changes in its credit risk	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
– Realised 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

(23) Share-based payment

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 recognised 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	2012.2.20	184,981	2014.2.20 – 33% 2015.2.20 – 33% 2016.2.20 – 34%	9%	5%
ESP	2012.2.20	42,700	2014.2.20 – 33% 2015.2.20 – 33% 2016.2.20 – 34%	11%	5%
Share Plan	2013.2.18	205,923	2015.2.18 – 33% 2016.2.18 – 33% 2017.2.18 – 34%	7%	5%
ESP	2013.2.18	51,273	2015.2.18 – 33% 2016.2.18 – 33% 2017.2.18 – 34%	8%	5%
Share Plan	2014.2.25	200,552	2016.2.25 – 33% 2017.2.25 – 33% 2018.2.25 – 34%	8%	5%
ESP	2014.2.25	60,295	2016.2.25 – 33% 2017.2.25 – 33% 2018.2.25 – 34%	12%	5%
Share Plan	2015.2.12	178,992	2017.2.12 – 33% 2018.2.12 – 33% 2019.2.12 – 34%	5%	5%
ESP	2015.2.12	59,984	2017.2.12 – 33% 2018.2.12 – 33% 2019.2.12 – 34%	10%	5%

B. Expense incurred by share-based payment transactions for the years ended December 31, 2015 and 2014 were $87,581 and $76,614, respectively.

(24) Net interest income

	For the year ended December 31,	
	2015	2014
Interest income		
Interest income from bills discounted and loans	$ 5,261,417	$ 5,014,152
Interest income on factoring receivable	133,333	93,339
Interest income on securities investment	513,115	436,185
Interest income from call loans to banks and due from banks	578,198	441,088
Others	11,297	6,869
Subtotal	6,497,360	5,991,633
Interest expense		
Interest expense of deposits	(2,567,668)	(2,211,416)
Interest expense of Central Bank and other banks' deposit and of due to the Central Bank and other banks	(285,421)	(238,134)
Others	(18,741)	(48,090)
Subtotal	(2,871,830)	(2,497,640)
Total	$ 3,625,530	$ 3,493,993

(25) Net fee and commission income

	For the year ended December 31,	
	2015	2014
Fee and commission income		
Fee income on loans	$ 448,708	$ 257,035
Fee income on trust business	253,928	243,181
Fee income on imports and exports	36,796	52,488
Fee income on guarantee	101,465	78,744
Fee income on factoring	58,398	29,986
Commission income	364,333	236,398
Others	65,733	57,043
Subtotal	1,329,361	954,875
Fee and commission expense		
Interbank service fee	(16,926)	(13,223)
Commission expense on factoring	(12,806)	-
Others	(75,353)	(70,690)
Subtotal	(105,085)	(83,913)
Total	$ 1,224,276	$ 870,962

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

	For the year ended December 31, 2015	For the year ended December 31, 2014
Realised gain or loss on financial assets and financial liabilities at fair value through profit or loss		
Bonds	$ 228,391	$ 139,459
Financial bonds payable	(3,426)	-
Interest-linked instruments	(42,705)	11,097
Exchange rate-linked instruments	1,922,459	(402,078)
Other derivative instruments	59,878	(68,226)
Subtotal	2,164,597	(319,748)
Unrealised gain or loss on financial assets and financial liabilities at fair value through profit or loss		
Bonds	74,737	8,835
Financial bonds payable	124,647	-
Interest-linked instruments	(99,080)	(39,228)
Exchange rate-linked instruments	(1,644,280)	2,095,321
Subtotal	(1,543,976)	2,064,928
Total	$ 620,621	$ 1,745,180

A. The realised gains (losses) on the financial assets and liabilities at fair value through profit or loss of the Company for the years ended December 31, 2015 and 2014, including the gain and loss on disposal, were $1,998,193 and ($452,250), and the net interest income were $166,404 and $132,502, respectively. Credit risk adjustment is considered and incorporated into the aforementioned unrealised gain or loss.

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

C. Net income on the exchange rate-linked instruments include realised and unrealised gains and losses on forward exchange contracts, non-delivery FX forwards, cross currency swap contracts and foreign exchange options.

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

	For the year ended December 31, 2015	For the year ended December 31, 2014
Gain on disposal of bonds	$ 2,629	$ 307

(28) Other non-interest income

	For the year ended December 31, 2015	For the year ended December 31, 2014
Dividends income	$ 13,692	$ 14,743
Rental income	7,382	10,431
Loss from retirement of property and equipment and intangible assets	(2,045)	(1,247)
Others	28,163	51,895
Total	$ 47,192	$ 75,822

(29) Employee benefit expenses

	For the year ended December 31,	
	2015	2014
Wages and salaries	$ 2,581,584	$ 2,375,070
Labor and health insurance expense	165,983	151,020
Pension costs	102,760	95,154
Other employee benefit expense	103,035	73,209
Total	$ 2,953,362	$ 2,694,453

1. The Board of Directors resolved to amend the Company's Articles of Incorporation on January 26, 2016. In accordance with the amended Articles of Incorporation, if there are profits earned, at least 0.001% of those profits shall be allocated to employees as employees' remuneration. However, when there is accumulated deficit, the Company shall retain the amount upfront. The amended articles will be resolved in the shareholders' meeting in 2016.

2. The employees' remuneration was estimated and accrued at $4 based on 0.001% of profit of current year distributable for the year ended December 31, 2015. The employees' remuneration is recognized as "Wages and salaries" in the employee benefit expenses and it will be distributed in the form of cash.

   For the year ended December 31, 2014, employees' bonus and directors' and supervisors' remuneration had been resolved by the stockholders at their stockholders' meeting, amounting to $2 and $0, respectively. Where the accrued amounts are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences are accounted for as changes in estimates. Information about the appropriation of employees' bonus and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(30) Depreciation and amortisation expenses

	For the year ended December 31,	
	2015	2014
Property and equipment depreciation	$ 183,678	$ 192,233
Investment properties depreciation	2,007	(159)
Intangible assets amortisation	53,464	53,093
Total	$ 239,149	$ 245,167

(31) Other general and administrative expenses

	For the year ended December 31,	
	2015	2014
Tax	$ 350,924	$ 241,195
Service fee to affiliates	344,061	332,697
Rental expense	335,243	335,143
Insurance expense	140,888	121,146
Repairs and maintenance	69,618	64,916
Advertisement expense	53,764	62,422
Computer maintenance expense	43,113	124,874
Others	660,220	527,764
Total	$ 1,997,831	$ 1,810,157

(32) Income tax

A. Income tax expense

(A) Components of income tax expense:

	For the year ended December 31, 2015	For the year ended December 31, 2014
Current tax		
Current tax on profits for the period	$ -	$ 83,810
Tax on undistributed surplus earnings	24,560	43,545
Adjustments in respect of prior years	(484)	7,850
Subtotal	24,076	135,205
Deferred tax		
Origination and reversal of temporary differences	42,567	(47,203)
Income tax expense	$ 66,643	$ 88,002

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

	For the year ended December 31, 2015	For the year ended December 31, 2014
Remeasurement arising on defined benefit plan	($ 521)	$ 1,506

B. Reconciliation between income tax expense and accounting profit

	For the year ended December 31, 2015	For the year ended December 31, 2014
Tax calculated based on profit before tax and statutory rate	$ 64,141	$ 72,818
Effects from items disallowed by tax regulation	(21,574)	(103,581)
Tax on undistributed surplus earnings	24,560	43,545
Effect from Alternative Minimum Tax	-	67,370
Adjustments in respect of prior years	(484)	7,850
Income tax expense	$ 66,643	$ 88,002

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

	2015			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences				
–Deferred income tax assets				
Salary expenses – Employee Stock Options	$ 19,921	($ 2,665)	$ -	$ 17,256
Rental expenses	9,094	1,158	-	10,252
Decommissioning liabilities	4,343	626	-	4,969
Unrealised pension expense	6,533	(2,139)	521	4,915
Unrealised (gain) loss on financial instruments	23,804	(23,804)	-	-
Loss carryforwards	-	39,396	-	39,396
Subtotal	$ 63,695	$ 12,572	$ 521	$ 76,788
– Deferred income tax liabilities				
Unrealised (gain) loss on financial instruments	-	(55,139)	-	(55,139)
Total	$ 63,695	($ 42,567)	$ 521	$ 21,649

	2014			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences				
–Deferred income tax assets				
Salary expenses – Employee Stock Options	$ 20,196	($ 275)	$ -	$ 19,921
Yearly amortisation on employee benefit	1,758	(1,758)	-	-
Rental expenses	8,311	783	-	9,094
Decommissioning liabilities	3,845	498	-	4,343
Unrealised pension expense	7,369	670	(1,506)	6,533
Unrealised (gain) loss on financial instruments	-	23,804	-	23,804
Subtotal	$ 41,479	$ 23,722	($ 1,506)	$ 63,695
– Deferred income tax liabilities				
Unrealised (gain) loss on financial instruments	(10,489)	10,489	-	-
Total	$ 30,990	$ 34,211	($ 1,506)	$ 63,695

D. The expiry dates of unused loss carryforwards are as follows:

December 31, 2015

Year incurred	Amount estimated	Unused amount	Usable until year
2015	$ 231,743	$ 231,743	2025

E. Unappropriated earnings and related information

	December 31, 2015	December 31, 2014
Earnings generated after 1998	$ 1,299,097	$ 1,093,073

F. Imputation tax credit account for shareholders and related information

	December 31, 2015	December 31, 2014
Balances of the imputation tax credit account for shareholders	$ 285,475	$ 226,837

The creditable tax rates are 21.97% (estimated) and 25.75% for 2015 and 2014, respectively.

G. Tax returns of the Company have been assessed by the Tax Authorities through year 2013. With respect to the income tax return for 2013 and 2012, the Tax Authorities disallowed the service fee to affiliates. The Company disagreed with the assessment and has filed a petition for reexamination. In the opinion of the Company, the matter now does not have a material impact on the operation and financial situation.

(33) Earnings per share

	For the year ended December 31, 2015		
	Amount after tax	Adjusted weighted average outstanding common shares (in thousands)	Earnings per share (in dollars)
Profits attributable to ordinary shareholders	$ 310,658	2,200,000	$ 0.14

	For the year ended December 31, 2014		
	Amount after tax	Adjusted weighted average outstanding common shares (in thousands)	Earnings per share (in dollars)
Profits attributable to ordinary shareholders	$ 340,342	2,200,000	$ 0.15

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 Insurance Agency (Taiwan) Ltd	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, 2015			
Name	Ending balance	Percentage of Deposits (%)	Interest rate (%)
Others (Deposits of each related party less than 1% of total deposits)	$ 356,178	0.13	0%~0.12%

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 %~0.16%

The interest rates and other terms and conditions provided to related parties were the same as those offered to the general depositors.

B. Loans

December 31, 2015

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	$33.060	$ 32,042	$ 32,042	$ -	Real estate	None
Other loans	27	2,539	1,084	1,084	-	None	None
Total			$ 33,126	$ 33,126	$ -		

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	$ -		

C. Due from banks

	December 31, 2015	December 31, 2014
Parent		
DBS Bank	$ 208,334	$ 155,482
Other related parties		
DBS Bank (Hong Kong) Ltd	82,686	84,729
DBS Bank (China) Ltd	3,532	3,795
PT Bank DBS Indonesia	102	108
	$ 294,654	$ 244,114

D. Call loans to banks

	December 31, 2015	December 31, 2014
Parent		
DBS Bank	$ 13,797,635	$ 50,243

E. Interest receivable and other receivables

	December 31, 2015	December 31, 2014
Parent		
DBS Bank	$ 101,339	$ 20,781
Other related parties		
DBS Insurance Agency (Taiwan) Ltd	102,516	236,398
	$ 203,855	$ 257,179

F. Refundable deposits

	December 31, 2015	December 31, 2014
Parent		
DBS Bank	$ 7,018,129	$ 1,591,829
Other related parties		
DBS Vickers Securities (S) Pte Ltd	28,188	11,143
	$ 7,046,317	$ 1,602,972

The refundable deposits to DBS Bank are set aside in accordance with relevant regulations and contracts by the Company with regard to the risk of derivatives.

G. Call loans from and due to other banks

	December 31, 2015	December 31, 2014
Parent		
DBS Bank	$ 45,476,918	$ 52,732,677

H. Affiliates' service fees payable

	December 31, 2015	December 31, 2014
Parent		
DBS Bank	$ 87,053	$ 73,164
Other related parties		
DBS Bank (Hong Kong) Ltd	3,860	5,161
DBS Bank (China) Ltd	808	586
	$ 91,721	$ 78,911

I. Interest payable and other payables

	December 31, 2015	December 31, 2014
Parent		
DBS Bank	$ 75,524	$ 63,216

J. Interest income

	For the year ended December 31,	
	2015	2014
Parent		
DBS Bank	$ 230,759	$ 9,538
Other related parties		
DBS Bank (China) Ltd	-	732
	$ 230,759	$ 10,270

K. Net fee and commission income

	For the year ended December 31,	
	2015	2014
Parent		
DBS Bank	$ 248	($ 243)
Other related parties		
DBS Bank (Hong Kong) Ltd	-	(22)
DBS Vickers Securities (S) Pte Ltd	-	(75)
PT Bank DBS Indonesia	-	14
DBS Insurance Agency (Taiwan) Ltd	364,333	236,398
	$ 364,581	$ 236,072

L. Other income

	For the year ended December 31,	
	2015	2014
Parent		
DBS Bank	$ 12,420	$ 34,927
Other related parties		
DBS Insurance Agency (Taiwan) Ltd	533	1,022
	$ 12,953	$ 35,949

M. Interest expense

	For the year ended December 31,	
	2015	2014
Parent		
DBS Bank	$ 258,657	$ 214,390
Other related parties		
DBS Bank (Hong Kong) Ltd	12	5
	$ 258,669	$ 214,395

N. Service fee to affiliates

	For the year ended December 31,	
	2015	2014
Parent		
DBS Bank	$ 320,613	$ 310,379
Other related parties		
DBS Bank (Hong Kong) Ltd	20,265	21,181
DBS Bank (China) Ltd	3,183	1,137
	$ 344,061	$ 332,697

O. Derivative financial instruments

The principal and amount receivable (payable) incurred from derivative financial instrument transactions with related parties as of December 31, 2015 and 2014 were as follows:

Parent - DBS Bank

	December 31, 2015			December 31, 2014		
	Contract duration Period	Contract notional Principal	Receivable from (payable to) related parties (including valuation adjustment)	Contract duration Period	Contract notional principal	Receivable from (payable to) related parties (including valuation adjustment)
Forward exchange contracts	2014.7.4 ~2017.5.22	$ 169,818,356	$ 447,267	2013.5.31 ~2016.7.8	$ 223,717,024	$ 2,675,575
Non-delivery FX forwards	2014.12.31 ~2016.7.28	$ 8,527,440	$ 38,503	2014.1.16 ~2016.1.6	$ 33,863,511	($ 29,480)
Interest rate swap contracts	2012.1.11~ 2146.10.16	$ 119,697,558	($ 232,561)	2011.2.8 ~2124.11.7	$ 117,400,882	($ 56,429)
Cross currency swap contracts	2013.10.21 ~2017.8.3	$ 8,686,998	$ 383,726	2013.10.21 ~2016.12.26	$ 7,254,034	$ 8,622
Foreign exchange options	2014.10.27 ~2017.12.7	$ 148,322,754	($ 7,136,878)	2014.10.9 ~2016.12.21	$ 65,826,110	($ 3,803,306)
Commodity options	-	$ -	$ -	2014.4.1 ~2015.1.18	$ 57,276	$ -
Commodity swap	2015.1.1 ~2017.1.4	$ 36,348	($ 35,459)	2014.4.1 ~2015.1.17	$ 251,353	($ 37,773)
Interest rate futures	2015.3.12~ 2016.12.19	$ 13,004,442	($ 13,089)	2014.9.10 ~2016.6.13	$ 14,698,185	($ 1,348)
Equity swap	2015.8.17 ~2017.8.24	$ 33,693	($ 1,419)	-	$ -	$ -

Receivable from (payable to) related parties (including valuation adjustment) recognised as “Financial assets (liabilities) measured at fair value through profit or loss.”

P. Key management personnel compensation:

	For the year ended December 31, 2015	For the year ended December 31, 2014
Salary and other short-term employee benefits	$ 274,920	$ 277,969
Post-employment benefits	2,625	2,598
Total	$ 277,545	$ 280,567

8. PLEDGED ASSETS

As of December 31, 2015 and 2014, the Company's assets provided for reserve for trust funds, intraday overdraft during settlement, interbank transactions, bills finance business' deposit, security department's operational guarantee deposits and clearing and settlement fund and guarantees with the court for the provisional seizure are as follows:

Item	December 31, 2015	December 31, 2014
Available-for-sale financial assets – government bonds	$ 516,100	$ 406,900
Available-for-sale financial assets – certificates of deposit	7,300,000	6,500,000
Total	$ 7,816,100	$ 6,906,900

To comply with the Central Bank's clearing system of Real-time Gross Settlement (RTGS), as of December 31, 2015 and 2014, certificates of deposit amounting to $2,000,000 and $4,500,000, respectively, had been provided as collateral for intraday overdraft. However, pledged amounts may be adjusted anytime.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACTUAL COMMITMENTS

(1) COMMITMENTS

A. Operating leases

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

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

(2) Others：

	December 31, 2015	December 31, 2014
Non-cancellable loan commitments	$ 16,068,159	$ 16,285,438
Unused credit commitments for credit cards	23,913	21,947
Unused letters of credit issued	2,539,852	7,862,632
Guarantees	18,849,534	14,303,382
Collections receivable for customers	1,681,441	917,522
Trust assets	21,193,518	22,775,684
Guaranteed notes	7,816,100	6,906,900

(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 incurred damages 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. GIO filed an appeal to the Taiwan Taipei District Court on November 28, 2014. The matter is now with the Taiwan High Court. In the preparation process for the appeal at Taiwan High Court, GIO decreased its damage claim for foreign exchange transaction to NTD 827,527 thousand. In the opinion of the Company, the case does not have a material impact on the operation and financial situation.

10. SIGNIFICANT LOSSES FROM DISASTERS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

On January 26, 2016, the Board of Directors resolved to merge with DBS Insurance Agency (Taiwan) Limited in the form of a cash merger. The purchase price for the merger is tentatively set to be based on the net asset value of DBS Insurance Agency (Taiwan) Limited as of September 20, 2016, the tentative merger record date. After completion of the merger, all of the assets, debts, rights and obligations of DBS Insurance Agency (Taiwan) Limited as of the merger record date will be assumed by the Company.

12. OTHERS

(1) Information of fair value of financial instruments

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 recognised 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 recognised by fair value, which is transaction price in most cases. Subsequent recognitions are measured by fair value except that certain financial instruments are recognised by amortised 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. If the above mentioned conditions are not met, the market is regarded as inactive. Generally the indications of an inactive market include large difference of selling price and purchasing price, significant increase in the difference of selling price and purchasing price or small volume of tractions.

(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. The majority of valuation techniques employ only observable market data as inputs including but not limited to yield curves, volatilities and foreign exchange rates.

(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.

C. Fair value adjustment

(A) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs. In accordance with the Company's "Valuation Policy and Supporting Standards" and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial instruments at the balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

(B) Credit risk adjustment is incorporated into financial instruments valuations to reflect the impact on fair value of counterparty credit risk and the Company's credit quality.

(2) Fair value hierarchy:

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial instruments have been defined as follows:

(A) Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(B) Level 2

Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The Company's investment in government bonds, corporate bonds, most of derivatives, and financial liabilities designated as at fair value through profit or loss on initial recognition are all classified within Level 2.

(C) Level 3

Unobservable inputs for the asset or liability. If unobservable inputs are deemed as significant, the financial instrument will be categorised as Level 3.

B. Fair value hierarchy information on financial instruments

Fair value hierarchy information on financial instruments as of December 31, 2015 and 2014 are as follows：

Recurring fair value measurements	December 31, 2015			
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	$ 19,735,700	$ -	$ 19,735,700	$ -
Available-for-sale financial assets				
Bond investments	18,389,437	-	18,389,437	-
Others	63,844,708	-	63,844,708	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities for trading purposes				
Borrowed securities payables	149,710	-	149,710	-
Financial liabilities designated as at fair value through profit or loss on initial recognition	1,855,455	-	1,855,455	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	10,294,050	634	10,293,416	-
Liabilities				
Financial liabilities at fair value through profit or loss	9,977,562	13,723	9,963,839	-

Recurring fair value measurements	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	-

C. Transfers between level 1 and level 2

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

(3) Management objective and policy for financial risk

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

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

A. Risk management 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 risk of the Company is the risk of financial loss if a client or counterparty fails to meet its contractual obligations. Credit risk arises from both on-balance sheet items and off-balance sheet items. On-balance sheet items include mainly bill discounted and loans and credit card business, due from and call loans to other banks, debt instruments and derivatives, etc. Off-balance sheet items mainly include guarantees, bank acceptances, letters of credit and loan commitments.

(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 trading 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 loss provision is 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

The Company follows the applicable laws and regulations with regard to the limits on large exposures to the same entity or the same affiliated group and reports to Credit Risk Committee on this monthly. In addition, in order to control concentration risk of various assets, limits are established based on the major industry groups and regularly monitored in respect of credit assets exposures and reports to Credit Risk Committee monthly.

c. Master netting arrangement

The transactions of the Company are usually gross-settled. However, The Company enters into master netting arrangements with counterparties where it is appropriate and feasible to do so to mitigate counterparty risk. The credit risk is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis

(D) Maximum exposure to credit risk

Without taking collateral or other credit enhancement mitigation effect into account, the maximum exposure to credit risk of on-balance sheet financial assets is equal to their carrying values. Refer to Note 9(2) for the maximum exposures of financial instruments with off-balance sheet credit risk.

Based on the Company's assessment, the credit risk exposure of off-balance sheet item can be controlled and minimized because the Company adopts stricter process of credit evaluation and reviews it on a regular basis.

The description of collateral for each class of financial asset is set out below:

a. Due from Central Bank and call loans to other banks, government bonds, treasury bills and corporate bonds: Collateral is generally not sought for these assets.

b. Derivatives: The Company maintains collateral agreements and enters into master netting agreements with most of the counterparties for derivative transactions.

c. Receivables, bills discounted and loans and credit commitments:

(a) Mortgage loans

Residential mortgage exposures are generally fully secured by residential properties. The collaterals are classified into three categories by its location. The Company has set up standard loan-to-value (LTV) ratio and lending limits according to loan purpose, collaterals' type and location and borrower's payment capability, under the rulings of Central Bank of the Republic of China (Taiwan).

(b) Auto loans

The collaterals are classified into two categories according to the vehicle's condition (brand new or used). The Company has set up standard LTV ratio and lending limits according to loan purpose, borrower's payment capability and borrower's credit ratings within the Company.

(c) Institutional banking

Collateral, as an asset or claim of right, is a kind of tool for credit risk mitigation. Although the collateral is a secondary recourse to the borrower, it cannot avoid or compensate the reputation losses from specific counterparties or specific types of credit default. The Company has put in place policies to determine the eligibility of collateral for credit risk mitigation, with a LTV ratio from 40% ~ 90%, taking into consideration factors such as property type, liquidity, marketability and regulations. The policy also governs the regular revaluation of all collaterals to reflect the current market value. The maximum LTV ratio is required to be approved by the Board.

(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 and type of collateral are shown as follows:

a. By Industry

Industry	December 31, 2015 Amount	%	December 31, 2014 Amount	%
Private owned businesses	$ 148,765,900	63.26	$ 152,249,271	65.26
Individuals	85,542,351	36.38	80,010,952	34.30
Financial institutions	850,527	0.36	1,030,181	0.44
Total	$ 235,158,778	100.00	$ 233,290,404	100.00

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

b. By Geography

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

c. By type of collaterals

Collateral	December 31, 2015 Amount	%	December 31, 2014 Amount	%
Unsecured	$ 123,640,121	52.58	$ 130,457,549	55.92
Secured				
-Financial instruments	6,879,422	2.93	6,101,924	2.62
-Real estate	72,176,008	30.69	64,666,953	27.72
-Letter of guarantee	11,670,585	4.96	11,319,682	4.85
-Other collateral	20,792,642	8.84	20,744,296	8.89
Total	$ 235,158,778	100.00	$ 233,290,404	100.00

Note: 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

Some 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 or loss, refundable deposits and etc., are with counterparties with good credit quality and can be considered as low 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, 2015	Financial assets that are neither past due nor impaired			Financial assets that are past due but not impaired (B)	Impaired amount (C)	Total (A)+(B)+(C)	Recognised impairment of financial assets (D)		Net (A)+(B)+(C)-(D)
	Pass	Special mentioned	Subtotal (A)				With individual objective evidence of impairment	Without individual objective evidence of impairment	
Receivables									
- Credit card business	$ 67,953	$ -	$ 67,953	$ 892	$ 201	$ 69,046	$ 201	$ 1,700	$ 67,145
- Acceptances receivable	374,440	-	374,440	-	-	374,440	-	7,727	366,713
- Factoring receivable	12,176,165	-	12,176,165	-	6,893	12,183,058	5,671	85,489	12,091,898
- Receivables on settlement default of derivatives	-	-	-	-	88,328	88,328	88,262	-	66
- Interest receivable	1,138,853	-	1,138,853	7,468	11,594	1,157,915	11,594	-	1,146,321
- Others	346	-	346	128	7,685	8,159	7,685	-	474
Bills discounted and loans	197,458,076	252,213	197,710,289	2,130,320	3,911,137	203,751,746	1,421,685	1,693,608	200,636,453
Other financial assets	129,024	-	129,024	-	-	129,024	-	535	128,489

December 31, 2014	Financial assets that are neither past due nor impaired			Financial assets that are past due but not impaired (B)	Impaired amount (C)	Total (A)+(B)+(C)	Recognised impairment of financial assets (D)		Net (A)+(B)+(C)-(D)
	Pass	Special mentioned	Subtotal (A)				With individual objective evidence of impairment	Without individual objective evidence of impairment	
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
- Interest 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

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:

	Positions that are neither past due nor impaired		
December 31, 2015	Pass	Special mentioned	Total
Receivables	$ 13,757,757	$ -	$ 13,757,757
Consumer Banking			
-Mortgage loans	65,340,833	-	65,340,833
-Auto loans	14,130,814	-	14,130,814
-Micro credit loans	2,593,831	-	2,593,831
-Others	357,259	-	357,259
Institutional Banking			
-Secured	28,567,349	102,464	28,669,813
-Unsecured	86,467,990	149,749	86,617,739
Other financial assets	129,024	-	129,024
Total	$ 211,344,857	$ 252,213	$ 211,597,070

	Positions that are neither past due nor impaired		
December 31, 2014	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

c. Credit quality analysis of investment in securities

December 31, 2015	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
AA-	$ 17,722,620	$ 18,389,437	$ 36,112,057
A	1,763,071	-	1,763,071
BBB+	250,009	-	250,009
Total	$ 19,735,700	$ 18,389,437	$ 38,125,137

December 31, 2014	Financial assets at fair value through profit or 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

Note 1: All other investments in securities are not overdue or impaired except for the

corporate bond in available-for-sale financial assets. The Company has made sufficient impairment provision for such impaired corporate bond under available-for-sale financial assets, and therefore no credit quality analysis is available. Please see Note 6(6).

Note 2: The credit rating information is mainly from Standard & Poor's and Taiwan Ratings.

d. Age analysis 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.

Age analysis of financial assets that are past due but not impaired of the Company:

	December 31, 2015		
Items	Overdue for less than 1 month	Overdue for 1~3 months	Total
Receivables			
-Credit card business	$ 464	$ 428	$ 892
-Interest receivable	5,455	2,013	7,468
-Others	81	47	128
Bills discounted and loans			
Consumer Banking			
-Mortgage loans	1,004,568	188,297	1,192,865
-Auto loans	555,205	4,380	559,585
-Micro credit loans	234,052	34,636	268,688
-Others	11,522	2,909	14,431
Institutional Banking			
-Secured	30,503	-	30,503
-Unsecured	64,248	-	64,248

	December 31, 2014		
Items	Overdue for less than 1 month	Overdue for 1~3 months	Total
Receivables			
-Credit card business	$ 353	$ 935	$ 1,288
-Interest 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			
-Unsecured	83,918	590	84,508

e. Analysis of impaired financial assets of the Company

Impairment on bills discounted and loans and receivables of the Company are analyzed by client as follows:

Item			Bills discounted and loans		Allowance for credit losses	
			December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
With individual objective evidence of impairment	Individual assessment	Institutional banking -secured	$ 1,309,118	$ 1,547,115	$ 193,228	$ 163,368
		Institutional banking -unsecured	1,069,586	765,679	813,319	666,256
	Collective assessment	Credit guarantee fund	912,517	723,351	243,874	137,555
		Micro credit loans	49,094	27,820	43,556	21,041
		Mortgage loans	378,825	191,669	19,022	4,559
		Auto Loans	25,314	36,823	11,100	23,182
		Others	166,685	155,130	97,586	103,849
Without individual objective evidence of impairment	Collective assessment	Institutional banking	115,382,302	122,629,644	1,380,556	1,247,121
		Micro credit loans	2,862,518	2,602,842	78,380	85,606
		Mortgage loans	66,533,698	62,447,197	88,221	63,633
		Auto Loans	14,690,399	13,764,162	133,995	173,270
		Others	371,690	421,292	12,456	18,369
			$ 203,751,746	$ 205,312,724	$ 3,115,293	$ 2,707,809

Item			Receivables		Allowance for credit losses	
			December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
With individual objective evidence of impairment	Individual assessment	Interest receivable	$ 3,225	$ 4,077	$ 3,225	$ 4,077
		Factoring receivable	6,893	-	5,671	-
		Receivables on settlement default of derivatives	88,328	-	88,262	-
		Others	805	560	805	560
	Collective assessment	Credit cards	201	644	201	487
		Interest receivable	8,369	10,582	8,369	10,582
		Others	6,880	3,419	6,880	3,114
Without individual objective evidence of impairment	Collective assessment	Credit cards	68,845	70,505	1,700	1,459
		Factoring receivable	12,176,165	13,370,960	85,489	76,314
		Interest receivable	1,146,321	936,109	-	-
		Acceptances receivable	374,440	302,111	7,727	5,202
		Others	474	143	-	-
			$ 13,880,946	$ 14,699,110	$ 208,329	$ 101,795

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

a. Non-performing loan and overdue receivables asset quality

Month / Year			December 31, 2015				
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		$ 1,050,809	$ 26,810,060	3.92%	$ 568,55	54.11%
	Unsecured loans		302,262	91,863,462	0.33%	2,062,174	682.25%
Consumer banking	Residential mortgage loans (Note 4)		186,141	50,926,890	0.37%	81,928	44.01%
	Cash card services		555	222,736	0.25%	6,116	1101.98%
	Micro credit loans (Note 5)		50,807	2,911,612	1.74%	121,936	240.00%
	Other (Note6)	Secured loans	58,460	30,726,534	0.19%	170,663	291.93%
		Unsecured loans	6,093	290,452	2.10%	103,925	1705.65%
Gross loan business			$ 1,655,127	$ 203,751,746	0.81%	$ 3,115,29	188.22%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio (%)	Allowance for credit losses	Coverage ratio
Credit card business			$ 201	$ 69,046	0.29%	$ 1,90	945.77%
Factoring without recourse (Note 7)			-	12,183,058	-	91,160	-
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%	$ 449,73	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%	$ 2,707,80	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%	$ 1,94	210.61%
Factoring without recourse (Note 7)			-	13,370,960	-	76,314	-

Note 1: The amount recognised 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 recognised 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 are as follows:

	December 31, 2015		December 31, 2014	
	Total amount of non-performing loans exempted from reporting to competent authority	Total amount of overdue receivables exempted from reporting to competent authority	Total amount of non-performing loans exempted from reporting to competent authority	Total amount of overdue receivables exempted from reporting to competent authority
Restructured loans in accordance with debt restructuring negotiation exempt from reporting to the competent authority (Note 1)	$ 75,867	$ -	$ 106,374	$ -
Restructured loans in accordance with consumer act and rehabilitation program (Note 2)	49,731	-	62,232	-
Total	$ 125,598	$ -	$ 168,606	$ -

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, 2015			
Rank (Note 1)	Industry Classification of Group /Enterprise (Note 2)	Total exposure (Note 3)	% of equity for the period
1	Company A – Semi-Conductor Manufacturing	$ 7,351,073	23.01
2	Company B – Commodity wholesalers and Retailers	4,409,426	13.80
3	Group C – Real Estate Development	4,178,765	13.08
4	Company D – Semi-Conductor Manufacturing	4,160,826	13.02
5	Group E – Petroleum Refineries	3,645,020	11.41
6	Group F – Real Estate Development	3,026,980	9.47
7	Group G – Cable and Other Paid Channels Distribution	2,657,813	8.32
8	Group H – Real Estate Development	2,632,840	8.24
9	Group I – Cable and Other Paid Channels Distribution	2,300,892	7.20
10	Group J – Other Retail Sale	2,299,158	7.20

December 31, 2014			
Rank (Note 1)	Industry Classification of Group /Enterprise (Note 2)	Total exposure (Note 3)	% of equity for the period
1	Group A – Petroleum Refineries	$ 5,865,708	24.92
2	Group B – Real Estate Development	4,092,630	17.39
3	Group 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	Company 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 – Liquid Crystal Display and Components Manufacturer	2,019,193	8.58
10	Group J – Petroleum Refineries	1,896,540	8.06

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.

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 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, 2015	0~30 days	31~90 days	91~180 days	181 days~1 year	over 1 year	Total
Cash and cash equivalents	$ 6,358,788	$ 1,499,669	$ 1,749,614	$ 1,399,691	$ -	$ 11,007,762
Due from Central Bank and call loans to other banks	18,130,266	-	2,749,393	-	-	20,879,659
Financial assets at fair value through profit or loss	-	-	150,483	2,418,604	17,166,613	19,735,700
Receivables	517,582	2,679,226	9,528,836	171,737	1,322,896	14,220,277
Bills discounted and loans	32,548,398	33,564,106	19,804,210	15,003,371	102,831,661	203,751,746
Available-for-sale financial assets	12,865,679	9,337,128	7,500,000	24,008,040	28,496,505	82,207,352
Other financial assets	129,024	-	-	-	-	129,024
Total	$ 70,549,737	$ 47,080,129	$ 41,482,536	$ 43,001,443	$ 149,817,675	$ 351,931,520

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 or 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

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, 2015	0~30 days	31~90 days	91~180 days	181 days~1 year	over 1 year	Total
Due to Central Bank and other banks	$ 24,539,274	$ 22,015,430	$ 179,320	$ 329,281	$ -	$ 47,063,305
Financial liabilities at fair value through profit or loss	149,710	-	-	-	1,855,455	2,005,165
Payables	635,617	701,625	520,173	84,291	6,768,996	8,710,702
Deposits and remittances	104,931,548	43,688,160	43,307,546	71,351,017	753,371	264,031,642
Other financial liabilities	933,744	484,329	391,125	56,455	920,121	2,785,774
Total	$ 131,189,893	$ 66,889,544	$ 44,398,164	$ 71,821,044	$ 10,297,943	$ 324,596,588

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

(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 the maturity 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, 2015					
	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	($ 123,235)	($ 80,189)	($ 44,885)	($ 18,369)	($ 996)	($ 267,674)
– Cash inflow	123,311	80,479	45,070	18,268	992	268,120
Interest rate derivatives						
– Cash outflow	(155)	(246)	(4,311)	(7,313)	(18,538)	(30,563)
– Cash inflow	156	257	4,301	7,562	18,654	30,930
Commodity derivatives						
– Cash outflow	(40)	(57)	(54)	(109)	(18)	(278)
– Cash inflow	40	57	54	109	18	278
Subtotal cash outflow	(123,430)	(80,492)	(49,250)	(25,791)	(19,552)	(298,515)
Subtotal cash inflow	123,507	80,793	49,425	25,939	19,664	299,328
Total	$ 77	$ 301	$ 175	$ 148	$ 112	$ 813

	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

(F) Maturity analysis for off balance sheet items

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. The amount of the guarantee and committed credit lines will be allocated to the earliest period when such obligation can be exercised by customers. 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, 2015	0-30 days	31-90 days	91 -180 days	181 days-1 year	Over 1 year	Total
Non-cancellable loan commitments	$ 662,182	$ 1,324,362	$ 1,986,543	$ 3,046,475	$ 9,048,597	$ 16,068,159
Unused letters of credit issued	651,670	834,533	891,644	154,825	7,180	2,539,852
Guarantees	2,241,421	2,035,008	1,863,592	4,717,202	7,992,311	18,849,534
Total	$ 3,555,273	$ 4,193,903	$ 4,741,779	$ 7,918,502	$ 17,048,088	$ 37,457,545
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

(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, 2015	Less than 1 year	1~5 years	More than 5 years	Total
Lease contract commitment				
Operating lease expense (lessee)	$ 292,286	$ 833,207	$ 17,586	$ 1,143,079
Operating lease income (lessor)	4,872	6,562	-	11,434
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

(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, 2015

	Total	0~30 days	11~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	332,719,007	69,162,229	33,006,027	38,047,847	22,564,247	39,564,574	130,374,083
Primary funds outflow upon maturity	356,300,192	33,323,649	38,482,293	68,917,290	57,453,596	73,118,492	85,004,872
Gap	(23,581,185)	35,838,580	(5,476,266)	(30,869,443)	(34,889,349)	(33,553,918)	45,369,211

December 31, 2014

	Total	0~30 days	11~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	319,195,680	60,346,663	39,961,106	42,291,170	18,210,838	31,868,209	126,517,694
Primary funds outflow upon maturity	341,913,623	19,827,736	38,702,422	89,684,665	64,593,160	51,451,116	77,654,524
Gap	(22,717,943)	40,518,927	1,258,684	(47,393,495)	(46,382,322)	(19,582,907)	48,863,170

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, 2015

	Total	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	7,408,065	2,606,773	2,271,002	1,255,227	565,851	709,212
Primary funds outflow upon maturity	9,975,169	3,339,442	2,116,246	813,427	1,015,789	2,690,265
Gap	(2,567,104)	(732,669)	154,756	441,800	(449,938)	(1,981,053)

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)

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 Transaction Services and Finance.

(E) Sensitivity analysis

a. Analysis of changes in profit and loss:

(In millions of NTD)

December 31, 2015	USD:TWD=32.8395	Effects on Profit and loss	Effects on Equity
Risk Type	Changes		
Interest rate risk	Main interest rates increase by 0.25%	(104.26)	(26.72)
Interest rate risk	Main interest rates decrease by 0.25%	104.26	26.72
Exchange rate risk	USD appreciates by 3% against NTD, JPY, RMB and other currencies	15.48	-
Exchange rate risk	USD depreciates by 3% against NTD, JPY, RMB and other currencies	(15.48)	-

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)	-

(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, 2015 and December 31, 2014 by currency and shown in book value.

	December 31, 2015			December 31, 2014		
Financial assets	In thousands of foreign currency	Exchange rate	Amount (in thousands of NTD)	In thousands of foreign currency	Exchange rate	Amount (in thousands of NTD)
Monetary items						
USD (2015) / USD (2014)	$ 2,872,331	32.84	$ 94,325,929	$ 2,251,712	31.61	$ 71,174,379
CNY / CNY	2,212,155	5.06	11,186,986	1,581,381	5.10	8,061,520
CNH / CNH	835,363	5.00	4,175,892	1,652,726	5.09	8,425,223
JPY / JPY	3,979,907	0.27	1,085,488	8,334,382	0.26	2,205,823
EUR / EUR	32,751	35.90	1,175,765	36,672	38.45	1,410,139
Financial liabilities						
Monetary items						
USD / USD	$ 3,574,780	32.84	$ 117,393,992	$ 3,463,588	31.61	$ 109,480,552
CNY / CNY	2,236,200	5.06	11,308,587	1,397,875	5.10	7,126,052
CNH / CNH	1,554,361	5.00	7,770,088	1,310,213	5.09	6,679,168
AUD / AUD	244,334	23.98	5,859,386	242,716	25.92	6,291,805
NZD / EUR	4,744,802	0.27	1,294,107	29,816	38.45	1,146,489

Note 1: The above foreign currencies (including forward exchange contracts) 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 on interest rate sensitive assets and liabilities (NTD)

December 31, 2015

(Expressed in thousands of New Taiwan Dollars, %)

Items	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	$ 82,053,151	$ 16,931,881	$ 35,543,465	$ 124,309,663	$ 258,838,160
Interest-rate-sensitive liabilities	59,858,866	35,337,578	62,181,781	23,403,783	180,782,008
Interest-rate-sensitive gap	22,194,285	(18,405,697)	(26,638,316)	100,905,880	78,056,152
Total equity					30,614,585
Ratio of interest-rate-sensitive assets to liabilities (%)					143.18%
Ratio of interest-rate-sensitive gap to equity (%)					254.96%

December 31, 2014

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%

Note 1: The amounts listed above represent the items denominated in New Taiwan 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 liabilities＝Interest-rate-sensitive assets / interest-rate-sensitive liabilities (refer to NTD denominated interest-rate-sensitive assets and interest-rate-sensitive liabilities)

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

(Expressed in thousands of USD, %)

December 31, 2015

Items	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	$ 1,034,747	$ 228,633	$ 129,325	$ 191,059	$ 1,583,764
Interest-rate-sensitive liabilities	2,297,392	69,868	269,164	455,010	3,091,434
Interest-rate-sensitive gap	(1,262,645)	158,765	(139,839)	(263,951)	(1,507,670)
Total equity					47,447
Ratio of interest-rate-sensitive assets to liabilities (%)					51.23%
Ratio of interest-rate-sensitive gap to equity (%)					-3177.59%

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%

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 liabilities＝Interest-rate-sensitive assets / interest-rate-sensitive liabilities (refer to USD denominated interest-rate-sensitive assets and interest-rate-sensitive liabilities)

(4) Transfer of financial assets

The transferred financial assets are not fully derecognised.

During the Company's daily operating activities, the transferred financial assets that do not meet derecognition conditions are mainly debt instruments with purchase agreements. Since the cash flow of the contract has been transferred and related liabilities of transferred financial assets that will be repurchased at a fixed price in the future have been reflected, the financial assets were not derecognised.

The Company does not have the financial assets which meet the above mentioned criteria and related financial liabilities as of December 31, 2015.

(5) Offsetting financial assets and financial liabilities

The Company's financial assets and financial liabilities do not meet the offsetting criteria. However, as enforceable master netting arrangements or similar agreements are signed with counterparties, transactions are settled on a net basis after offsetting financial assets with financial liabilities if both parties of the transaction choose to use net settlement; otherwise, transactions are settled on a gross basis. However, if one party breaches the contract, the counterparty can choose to use net settlement.

The offsetting of financial assets and financial liabilities are set as follows:

December 31, 2015						
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements						
Item	Gross amounts of recognised financial assets (a)	Gross amount set off in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivatives	$ 10,294,050	$ -	$ 10,294,050	$ 2,637,166	$ 1,142,849	$ 6,514,035
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements						
Item	Gross amounts of recognised financial liabilities (a)	Gross amount set off in the balance sheet (b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivatives	$ 9,977,562	$ -	$ 9,977,562	$ 2,637,166	$ -	$ 7,340,396

December 31, 2014						
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements						
Item	Gross amounts of recognised financial assets (a)	Gross amount set off in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivatives	$ 9,783,933	$ -	$ 9,783,933	$ 698,425	$ 447,048	$ 8,638,460
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements						
Item	Gross amounts of recognised financial liabilities (a)	Gross amount set off in the balance sheet (b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivatives	$ 7,724,085	$ -	$ 7,724,085	$ 698,425	$ -	$ 7,025,660

Note: Including master netting arrangements.

(6) 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 eligible 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 eligible capital of the Company. The calculation of eligible capital and capital required by law 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 operational 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.

Eligible 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 total eligible capital to total risk - weighted assets, including the Common Equity Capital Ratio, Tier 1 Capital Ratio and Capital adequacy ratio, are calculated in compliance with this regulation.

C. Capital adequacy ratio

The following table shows 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, 2015 and 2014.

(Expressed in Thousands of New Taiwan Dollars, %)

			December 31, 2015	December 31, 2014
Eligible capital		Common Equity	23,570,848	23,321,486
		Additional Tier 1 Capital	7,987,530	-
		Tier 2 Capital	42,364	3,101
		Total Eligible Capital	31,600,742	23,324,587
Total risk - weighted assets	Credit risk	Standardized Approach	211,577,823	207,729,086
		Internal Rating Approach	-	-
		Credit Valuation Adjustment	4,778,147	2,535,956
		Asset securitization	-	-
	Operational risk	Basic Indicator Approach	11,326,899	10,467,350
		Standardized Approach / Alternative Standardized Approach	-	-
		Advanced Measurement Approach	-	-
	Market risk	Standardized Approach	7,972,047	9,112,789
		Internal Model Approach	-	-
	Total risk-weighted assets		235,654,916	229,845,181
Capital adequacy ratio (%)			13.41	10.15
Common Equity Capital Ratio (%)			10.00	10.15
Tier 1 Capital Ratio (%)			13.39	10.15
Leverage ratio (%)			7.69	6.19

Note 1: The calculation of eligible 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 Equity + Additional Tier 1 Capital + Tier 2 capital

(2) Total risk-weighted assets = credit risk-weighted assets + (operational risk + market risk) * 12.5

(3) Capital adequacy ratio = Eligible capital / Total risk-weighted assets

(4) Common Equity Capital Ratio = Common Equity / Total risk-weighted assets

(5) Tier 1 Capital Ratio = (Common equity + Additional Tier 1 Capital) / Total risk-weighted assets

(6) Leverage ratio = Tier 1 capital / Total Exposures

(7) 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, 2015	December 31, 2014
Fund investments	$ 15,812,277	$ 19,372,027
Structure notes	1,020,011	300,802
Foreign bonds	1,639,213	788,949
Advanced receipt trust	3,800	1,900
Real estate	2,718,217	2,312,006
Total	$ 21,193,518	$ 22,775,684

Trust liabilities	December 31, 2015	December 31, 2014
Trust capital	$ 21,193,518	$ 22,775,684
Total	$ 21,193,518	$ 22,775,684

B. Schedule of investments

	December 31, 2015	December 31, 2014
Fund investments		
Overseas mutual funds	$ 14,885,312	$ 18,295,084
Domestic mutual funds	926,965	1,076,943
Structure notes	1,020,011	300,802
Foreign bonds	1,639,213	788,949
Advanced receipt trust	3,800	1,900
Real estate		
Land	2,481,511	2,097,846
Buildings	209	331
Advances	142,619	156,490
Funding account	93,878	57,339
Total	$ 21,193,518	$ 22,775,684

Note: Foreign currency pecuniary trust operated by the Offshore Banking Unit (OBU) as of December 31, 2015 and 2014, was included in the trust balance sheet and schedule of investments for the trust business.

C. For the years ended December 31, 2015 and 2014, the trust revenue, trust expense and trust net income were $0.

(8) Profitability

Expressed in %

Item		December 31, 2015	December 31, 2014
Return on assets ratio	Before tax	0.11	0.13
	After tax	0.09	0.10
Return on equity ratio	Before tax	1.36	1.84
	After tax	1.12	1.46
Net income ratio		4.73	5.55

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

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

Note 3: Net income 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:

Property name	Transaction date	Acquisition date	Carrying amount	Proceeds	Payment Status	Gains or losses from disposal	Counterparty	Relationship	Purpose of disposal	References of prices	Others
Self-owned property : Chung-Hsiao Branch	2015.1.31	1992.7.1	$ 435,055	$ 828,800	Fully received	$ 370,781	Shin 0000 Investment Ltd	Non-related party	Maximize the efficiency of property using	Appraisal reports	The Company leased back the 1st floor for operations.

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 on sale of 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. Business relationship and material transaction between the parent company and subsidiaries: Not applicable.

I. Other material transaction items which were significant to the users of the financial reports: 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 paid-in capital and derivative transactions of investee companies: Not applicable.

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

(4) Related information on 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 and financing, 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 amortised 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, 2015			
	Institutional banking	Consumer banking	Others	Consolidated
Net interest income	$ 2,285,109	$ 1,380,587	($ 40,166)	$ 3,625,530
Net non-interest income (note)	2,005,638	810,121	132,284	2,948,043
Net revenues	4,290,747	2,190,708	92,118	6,573,573
Bad debts expense and reserve on guarantee liabilities	(964,595)	(53,821)	12,486	(1,005,930)
Operating expenses	(2,572,864)	(2,498,809)	(118,669)	(5,190,342)
Income before income tax	$ 753,288	($ 361,922)	($ 14,065)	$ 377,301

	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 debts expense and reserve on guarantee liabilities	(889,656)	(65,092)	6,137	(948,611)
Operating expenses	(2,376,100)	(2,323,775)	(49,902)	(4,749,777)
Income before income tax	$ 906,237	($ 445,660)	($ 32,233)	$ 428,344

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