The Shanghai Commercial & Savings Bank, Ltd.

Financial Statements for the Years Ended December 31, 2015 and 2014 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
The Shanghai Commercial & Savings Bank, Ltd.

We have audited the accompanying balance sheets of The Shanghai Commercial & Savings Bank, Ltd. (the "Bank") as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2015 and 2014. These financial statements are the responsibility of the management of the Bank. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements of Financial Institutions by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Bank's 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 in the first paragraph present fairly, in all material respects, the financial position of the Bank as of December 31, 2015 and 2014 and the results of its operations and its 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 Criteria Governing the Preparation of Financial Reports by Securities Firms.

March 15, 2016

Notice to Readers

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

For reader's convenience, 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. If inconsistencies arise between the English version and the original Chinese version or if differences arise in the interpretation between the two versions, the Chinese version of the auditors' report and financial statements shall prevail.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015		2014	
ASSETS	**Amount**	**%**	**Amount**	**%**
Cash and cash equivalents (notes 6 and 32)	$ 22,852,149	2	$ 24,851,320	3
Due from the central bank and call loans to banks (notes 7 and 32)	59,424,018	6	52,793,115	5
Financial assets at fair value through profit or loss (note 8)	25,204,642	3	33,121,048	3
Derivative financial assets for hedging (note 9)	-	-	27,315	-
Securities purchased under resell agreements (note 10)	10,245,428	1	11,046,883	1
Receivables, net (notes 11 and 32)	7,598,666	1	9,826,593	1
Current income tax assets (note 30)	98,643		62,895	-
Discounts and loans, net (notes 12 and 32)	577,110,139	58	578,560,463	60
Available-for-sale financial assets, net (notes 13 and 33)	142,341,823	14	101,461,564	11
Held-to-maturity financial assets (notes 14 and 33)	82,141,191	8	89,765,674	9
Equity investments under the equity method (note 15)	60,163,431	6	55,450,872	6
Other financial assets, net (note 16)	31,269	-	213,056	-
Properties, net (note 17)	12,565,276	1	12,263,526	1
Deferred income tax assets (note 30)	588,149	-	597,375	-
Other assets, net (note 18 and 30)	2,452,031	-	2,744,240	-
Total	$ 1,002,816,855	100	$ 972,785,939	100
LIABILITIES AND EQUITY				
Due to the central bank and banks (notes 19 and 32)	$ 12,559,456	1	$ 9,713,600	1
Financial liabilities at fair value through profit or loss (note 8)	475,344	-	1,024,107	-
Securities sold under repurchase agreements (note 20)	6,320,676	1	6,475,072	1
Payables (notes 21 and 32)	17,098,744	2	18,289,262	2
Current income tax liabilities (note 30)	742,989	-	688,316	-
Deposits and remittances (notes 22 and 32)	798,149,251	80	775,594,905	80
Bank debentures (note 23)	38,150,000	4	38,027,600	4
Other financial liabilities (note 24)	3,979,973	-	5,630,516	-
Provisions (note 25)	754,898	-	642,474	-
Deferred income tax liabilities (note 30)	8,553,572	1	8,033,248	1
Other liabilities (notes 26 and 32)	792,956	-	842,880	-
Total liabilities	887,577,859	89	864,961,980	89
Equity (note 28)				
Share capital				
Ordinary shares	39,991,207	4	38,086,864	4
Capital surplus	4,639,910	-	4,632,533	-
Retained earnings				
Legal reserve	37,023,528	3	33,751,333	3
Special reserve	7,480,146	1	7,480,146	1
Unappropriated earnings	17,171,825	2	16,201,932	2
Total retained earnings	61,675,499	6	57,433,411	6
Other equity	9,015,524	1	7,754,295	1
Treasury stock	(83,144)	-	(83,144)	-
Total equity	115,238,996	11	107,823,959	11
Total	$ 1,002,816,855	100	$ 972,785,939	100

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	**%**	**Amount**	**%**
Interest revenues	$ 17,447,368	85	$ 17,232,785	89
Interest expenses	6,586,338	32	6,767,653	35
Net interest (notes 29 and 32)	10,861,030	53	10,465,132	54
Net revenues other than interest				
Service fee incomes, net (notes 29 and 32)	2,599,041	13	2,621,662	13
Gains on financial assets and liabilities at fair value through profit or loss (note 29)	705,961	3	1,357,526	7
Realized gains on available-for-sale financial assets	772,388	4	338,603	2
Foreign exchange gains (losses), net	860,981	4	(197,995)	(1)
Share of profit of subsidiaries, associates and joint ventures, net	4,654,694	22	4,411,172	23
Other net revenues (note 32)	192,460	1	476,249	2
Total net revenues other than interest	9,785,525	47	9,007,217	46
Net revenues	20,646,555	100	19,472,349	100
Bad debt expenses (note 12)	599,984	3	797,500	4
Operating expenses				
Personnel (notes 4, 27,29 and 32)	3,634,776	18	3,392,734	18
Depreciation and amortization (note 29)	500,209	2	520,393	3
Other general and administrative (note 32)	2,324,102	11	2,014,014	10
Total operating expenses	6,459,087	31	5,927,141	31
Profit before income tax	13,587,484	66	12,747,708	65
Income tax expense (notes 4 and 30)	(1,689,492)	(8)	(1,842,340)	(9)
Net income	11,897,992	58	10,905,368	56
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(46,423)	-	(86,200)	(1)
Income tax relating to items that will not be reclassified subsequently to profit or loss	7,892	-	14,653	-
	(38,531)	-	(71,547)	(1)

(Continued)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$ 2,138,445	10	$ 3,113,509	16
Unrealized gain (loss) on available-for-sale financial assets	(457,918)	(2)	522,553	3
Cash flow hedge	-	-	24,429	-
Share of the other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(196,750)	(1)	532,626	3
Income tax relating to items that may be reclassified subsequently to profit or loss (notes 4 and 30)	(222,548)	(1)	(555,805)	(3)
	1,261,229	6	3,637,312	19
Other comprehensive income for the period, net of income tax	1,222,698	6	3,565,765	18
Total comprehensive income for the period	$ 13,120,690	64	$ 14,471,133	74
Earnings per share (note 31)				
Basic	$2.98		$2.73	
Diluted	$2.98		$2.73	

The accompanying notes are an integral part of the financial statements. (Concluded)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

			Retained Earnings (Note 28)			Other Equity				
	Share Capital (Note 28)	Capital Surplus (Note 28)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Treasury Stock (Note 28)	Total Equity
Balance at January 1, 2014	$ 37,157,916	$ 4,625,336	$ 30,708,270	$ 7,480,146	$ 14,913,809	$ (409,408)	$ 4,550,820	$ (24,429)	$ (83,144)	$ 98,919,316
Appropriation of 2013 earnings										
Legal reserve	-	-	3,043,063	-	(3,043,063)	-	-	-	-	-
Cash dividends	-	-	-	-	(5,573,687)	-	-	-	-	(5,573,687)
Stock dividends	928,948	-	-	-	(928,948)	-	-	-	-	-
Change in capital surplus from investments in associates and joint ventures accounted for by using equity method	-	7,197	-	-	-	-	-	-	-	7,197
Net profit for the year ended December 31, 2014	-	-	-	-	10,905,368	-	-	-	-	10,905,368
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	(71,547)	2,532,071	1,080,812	24,429	-	3,565,765
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	10,833,821	2,532,071	1,080,812	24,429	-	14,471,133
Balance at December 31, 2014	38,086,864	4,632,533	33,751,333	7,480,146	16,201,932	2,122,663	5,631,632	-	(83,144)	107,823,959
Appropriation of 2014 earnings										
Legal reserve	-	-	3,272,195	-	(3,272,195)	-	-	-	-	-
Cash dividends	-	-	-	-	(5,713,030)	-	-	-	-	(5,713,030)
Stock dividends	1,904,343	-	-	-	(1,904,343)	-	-	-	-	-
Change in capital surplus from investments in associates and joint ventures accounted for by using equity method	-	7,377	-	-	-	-	-	-	-	7,377
Net profit for the year ended December 31, 2015	-	-	-	-	11,897,992	-	-	-	-	11,897,992
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	(38,531)	1,584,992	(323,763)	-	-	1,222,698
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	11,859,461	1,584,992	(323,763)	-	-	13,120,690
Balance at December 31, 2015	$ 39,991,207	$ 4,639,910	$ 37,023,528	$ 7,480,146	$ 17,171,825	$ 3,707,655	$ 5,307,869	$ -	$ (83,144)	$ 115,238,996

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015	2014
Cash flows from operating activities		
Net profit before income tax	$ 13,587,484	$ 12,747,708
Adjustments to reconcile net profit to net cash provided by operating activities		
Depreciation expenses	242,404	240,809
Amortization expenses	257,805	279,584
Bad debt expenses	599,984	797,500
Losses (gains)on financial assets and liabilities at fair value through profit or loss	149,514	(326,861)
Interest expenses	6,586,338	6,767,653
Dividend income	(206,500)	(233,352)
Interest revenues	(17,447,368)	(17,232,785)
Share of profit of subsidiaries, associates and joint ventures	(4,654,694)	(4,411,172)
(Gains) losses on disposal of properties and equipment, net	(100,735)	10,536
Other adjustments	64,528	596,125
Changes in operating assets and liabilities		
Increase in due from the central bank and call loans to banks	(8,433,610)	(1,245,022)
Decrease (increase) in financial assets at fair value through profit or loss	7,149,564	(920,870)
Decrease (increase) in receivables	2,319,103	(1,158,249)
Decrease (increase) in discounts and loans	823,149	(41,034,144)
Increase in available-for-sale financial assets	(40,929,977)	(11,530,419)
Decrease in held-to-maturity financial assets	7,625,030	17,284,757
Increase in other financial assets	(18,213)	(3,201)
Increase (decrease) in due to the Central Bank and banks	2,845,856	(4,456,095)
Increase (decrease) in financial liabilities at fair value through profit or loss	68,564	(794,334)
(Decrease) increase in securities sold under repurchase agreements	(154,396)	728,205
(Decrease) increase in payables	(1,073,340)	2,036,935
Increase in deposits and remittances	22,554,346	29,058,486
Decrease in other financial liabilities	(1,650,543)	(1,050,308)
Increase in employee benefit provisions	66,356	26,662
Decrease in other liabilities	(88,359)	(102,119)
Cash used in operation	(9,817,710)	(13,923,971)
Interest received	16,695,277	15,771,464
Dividend received	2,479,384	2,218,459
Interest paid	(6,704,201)	(6,587,134)
Income tax paid	(1,201,385)	(1,110,334)
Net cash generated from (used in) operating activities	1,451,365	(3,631,516)
Cash flows from investing activities		
Acquisition of equity investments under the equity method	(400,000)	(100,000)
Acquisition of properties	(589,579)	(248,381)
Proceeds from disposal of properties	145,601	2,464

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THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015	2014
Increase in refundable deposits	$ (25,519)	$ -
Decrease in refundable deposits	-	35,933
Decrease (increase) in other assets	19,043	(1,005,011)
Redemption of debt instrument in non-active market	200,000	-
Net cash used in investing activities	(650,454)	(1,314,995)
Cash flows from financing activities		
Decrease in borrowings from the Central Bank and banks	-	(3,932,016)
Issuance of bank debentures	5,150,000	10,000,000
Repayment of bank debentures	(5,000,000)	(5,000,000)
Increase in guarantee deposit received	38,435	-
Decrease in guarantee deposit received	-	(23,750)
Payment of cash dividend	(5,713,030)	(5,573,687)
Net cash used in financing activities	(5,524,595)	(4,529,453)
Effects of exchange rate changes on the balance of cash held in foreign currencies	120,589	115,895
Net decrease in cash and cash equivalents	(4,603,095)	(9,360,069)
Cash and cash equivalents at the beginning of the year	60,150,111	69,510,180
Cash and cash equivalents at the end of the year	$ 55,547,016	$ 60,150,111

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets at December 31, 2015 and 2014:

	2015	2014
Cash and cash equivalents in balance sheets	$ 22,852,149	$ 24,851,320
Due from the Central Bank and call loans to banks fall within the definition of cash and cash equivalents under IFRS 7	22,449,439	24,251,908
Securities purchased under resell agreements fall within the definition of cash and cash equivalents under IFRS 7	10,245,428	11,046,883
Cash and cash equivalents in statements of cash flows	$ 55,547,016	$ 60,150,111

The accompanying notes are an integral part of the financial statements. (Concluded)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. ORGANIZATION AND OPERATIONS

The Bank was incorporated in the Republic of China ("ROC") and engaged in various commercial banking businesses under related laws and regulations. The Bank has a head office in Taipei, 68 domestic branches two foreign branches, Hong Kong branch and Dong Nai (Vietnam) branch, and 3 agencies located in Thailand, Cambodia, and Indonesia.

The operations of the Bank's Trust Department include services related to planning, managing and operating a trust business as allowed under the Banking Law and Trust Law.

The financial statements are presented in the Bank's functional currency, New Taiwan dollar.

2. AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on March 12, 2016.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC

   Rule No. 1030010325 and Rule No. 10310006010 issued by the FSC, stipulated that the Bank should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the Regulations Governing the Preparation of Financial Reports Securities Issuers starting January 1, 2015.

   Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version did not have any material impact on the Bank's accounting policies:

   1) IFRS 13 "Fair Value Measurement"

      IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the previous standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy previously required only for financial instruments will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 are applied prospectively from January 1, 2015. Refer to Note 35 for related disclosure.

2) Amendment to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under previous IAS 1, there were no such requirements.

The Bank retrospectively applied the above amendments starting in 2015. Items not to be reclassified to profit or loss are remeasurements of the defined benefit plans. Items to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gain (loss) on available-for-sale financial assets, cash flow hedges, and share of the other comprehensive income (except the share of the remeasurements of the defined benefit plans) of associates and joint ventures accounted for using the equity method. However, the application of the above amendments did not have any impact on the net profit for the period, other comprehensive income for the period (net of income tax), and total comprehensive income for the period.

3) Revision to IAS 19 “Employee Benefits”

The interest cost and expected return on plan assets used in previous IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost and also includes more extensive disclosure. The Bank chose not to disclose the sensitivity analysis of defined benefit obligation in the comparative period. Refer to Note 27 for relevant disclosure.

4) Amendments to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”

The amendments to IFRS 7 require disclosure of information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under enforceable master netting arrangements and similar arrangements. Refer to Note 35 for related disclosure.

5) Recognition and measurement of financial liabilities designated as at fair value through profit or loss

Based on the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks, for a financial liability designated as at fair value through profit or loss, the amount of change in the fair value attributable to changes in the credit risk of that liability is presented in other comprehensive income, and the remaining amount of change in the fair value of that liability is presented in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. If this accounting treatment would create or enlarge an accounting mismatch, all gains or losses on that liability are presented in profit or loss.

b. New IFRSs in issue but not yet endorsed by the FSC

On March 10, 2016, the FSC announced the scope of the 2016 version of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” and those with undetermined effective date. In addition, the FSC announced that the Bank should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

The Bank has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after the respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Bank's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Bank's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss, if any, recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method.

b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Bank may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required.

The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For originated credit-impaired financial assets, the Bank takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

2) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

In issuing IFRS 13 "Fair Value Measurement", the IASB made consequential amendment to the disclosure requirements in IAS 36 "Impairment of Assets", introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Bank is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

3) Annual Improvements to IFRSs: 2010-2012 Cycle

2010-2012 cycle amended standards such as IFRS 13 "Fair Value Measurements' and IAS 24 "Related Parties Disclosure".

IFRS 13 "Fair Value Measurements' was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 "Related Parties Disclosure" was amended to clarify that a management entity providing key management personnel services to the Bank is a related party of the Bank. Consequently, the Bank is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

4) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards including IFRS 13 and IAS 40 "Investment Property" were amended in this annual improvement.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

5) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

6) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Bank is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Bank may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Bank should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Bank as lessor.

When IFRS 16 becomes effective, the Bank may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

7) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Bank expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Bank should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses to deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Bank's assets for more than their carrying amount if there is sufficient evidence that it is probable that the Bank will achieve this, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

Except for the above impact, as of the date the financial statements were authorized for issue, the Bank is continuingly assessing the possible impact that the application of other standards and interpretations will have on the Bank's financial position and financial performance, and will disclose the relevant impact when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments assets that are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c. Level 3 inputs are unobservable inputs for the asset or liability.

When the Bank prepared the financial statements, its investments in the subsidiaries and associates were accounted for by the equity method. To make the current losses and profits, other comprehensive income and equity equal to the current losses and profits, other comprehensive income and equity which are attributable to owner of the Bank in the consolidated financial statements, "equity investments under the equity method", "share of profit or loss of subsidiaries, associates and joint ventures", "share of the other comprehensive income of subsidiaries, associates and joint ventures" were adjusted.

Classification of Current and Non-current Assets and Liabilities

Since the operating cycle in the banking industry cannot be reasonably identified, accounts included in the Bank's financial statements are not classified as current or noncurrent. Nevertheless, these accounts are properly categorized according to the nature of each account and sequenced by liquidity.

Foreign Currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Nonmonetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting financial statements, the assets and liabilities of the Bank's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising are recognized in other comprehensive income.

Financial Instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

   All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

   1) Categories

      The Bank owns financial assets which are classified into the following specified categories: Financial assets at fair value through profit or loss (FVTPL), held-to-maturity financial assets, available-for-sale (AFS) financial assets and loans and receivables.

      a) Financial assets at FVTPL

         Financial assets at FVTPL are either classified as held for trading or designated as at FVTPL.

         A financial asset is designated as at FVTPL on initial recognition when:

         - Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

         - The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

         - If a contract contains one or more embedded derivatives, the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

           Refer to Note 35 for related disclosure.

         Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

b) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, or designates as available for sale, or meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method less any impairment.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Bank's right to receive the dividends is established.

d) Loans and receivables

Loans and receivables (including due from the Central Bank and call loan to banks, securities purchased under resell agreements, receivables, discounts and loans, debt investments with no active market and other financial assets) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

For the consolidated statements of cash flows, cash and cash equivalents include cash and cash equivalent in the consolidated balance sheet, due from the central bank and call loans to banks and securities purchased under resell agreements which fall within the definition of cash and cash equivalents under IFRS No. 7 approved by FSC. Cash on hand and due from other banks are included in cash and cash equivalents on consolidated balance sheets.

2) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets carried at amortized cost, such as loans and receivables, are assessed for impairment on a collective basis even if they are assessed not to be impaired individually. Objective evidence of impairment for a portfolio of loans and receivables could include the Bank's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on loans and receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

The objective evidence of impairment of other financial assets includes significant financial difficulties or defaults of the issuer or debtor, increasing possibilities of debtors' bankruptcy or debt restructuring, and inactive market due to the issuer's financial difficulties.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of financial assets that are carried at cost, where the carrying amount is reduced through the use of an allowance account. When financial assets are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Under the guidelines of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the Banking Bureau of the Financial Supervisory Commission, the credit accounts are categorized into five groups: Normal credit assets, require special mention assets, substandard assets, doubtful assets and full-amount loss based on the clients' financial conditions. After assessing the value of the collaterals, the Bank will assess the possibilities of recovery.

Under the above guidelines, in addition to the minimum standard allowance for all accounts, allowance is provided for accounts classified as normal (except government), notice, warning, difficult and uncollectible at 1%, 2%, 10%, 50%, and 100%, respectively.

Rule No. 10300329440 issued by the FSC on December 4, 2014 stipulated that banks may maintain bad debt provision ratio at a minimum 1.5% for housing mortgage in order to improve banks' risk cushion. The rule requires the 1.5% rate to be reached no later than the end of 2014; the Bank has met the provision ratio at the end of 2014.

Rule No. 10410001840 issued by the FSC on April 23, 2015 stipulated that banks may maintain minimum 1.5% bad debt provision ratio for category one credit assets (including short-term trade financing) due from PRC businesses. This is again to improve banks' risk cushion. The Bank has met the provision ratio at the end of 2015.

Uncollectible assets could be written off after the board of directors' approval.

3) Derecognition of financial assets

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

b. Financial liabilities

1) Subsequent measurement of financial liabilities

All financial liabilities are measured at amortized cost using effective interest rate, except for the following situations:

a) Financial liabilities at FVTPL

Financial liabilities at FVTPL are all held for trading, and stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The method to determine fair value is stated in Note 35.

b) Financial guarantee contracts

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of the best estimate of the obligation under the contract or the amount initially recognized less cumulative amortization recognized.

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

c. Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

Investment in Subsidiaries

Investments in subsidiaries are accounted for by the equity method.

Subsidiaries are the entities over which the Bank has control.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Bank's share of the profit or loss and other comprehensive income of the subsidiary. The changes in subsidiaries' other equity are recognized by the Bank based on its share proportion.

If the change in subsidiaries' equity does not make the Bank lose control on subsidiaries, the change is treated as equity transactions. The difference between the carrying amount of the investment and the fair value received or paid is recognized in equity.

When the investment loss equals or exceeds the Bank's interest in that subsidiary (including carrying amount of the investment accounted for by the equity method and other long-term investment), the Bank continues recognizing losses in proportion to its current ownership in the investee.

Any excess of the cost of acquisition over the Bank's share of the net fair value of the identifiable assets and liabilities of an associate and jointly controlled entity recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Bank's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When testing for impairment, the cash-generating unit is determined based on the scope of financial statements as a whole by comparing its recoverable amount with its carrying amount. If the recoverable amount of the asset subsequently increases, the reversal of the impairment loss is recognized as a gain, but the increased carrying amount of an asset after a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized on the asset in prior years. An impairment loss recognized on goodwill shall not be reversed in a subsequent period.

When the Bank ceases to have control over the subsidiary, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the subsidiaries attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the subsidiaries. The Bank accounts for all amounts previously recognized in other comprehensive income in relation to the subsidiaries on the same basis as would be required if the subsidiaries had directly disposed of the related assets or liabilities.

When the bank transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Bank's financial statements only to the extent of interests in the subsidiaries that are not related to the Bank.

Hedge Accounting

The Bank designates certain hedging instruments, which include derivatives, as either fair value hedges or cash flow hedges.

a. Fair value hedges

   Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

   Hedge accounting is discontinued prospectively when the Bank revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting.

b. Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the other gains and losses line item.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed and are included in the initial cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the Bank revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Nonperforming Loans

Under guidelines issued by the Banking Bureau of the Financial Supervisory Commission the balance of loans and other credits extended by the Bank and the related accrued interest thereon are classified as nonperforming.

Nonperforming loans in the lending business are classified as discounts and loans; otherwise, are classified as other financial assets.

Securities Purchased/Sold Under Resell/Repurchase Agreements

Securities purchased under resell agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on resell agreements or interest incurred on repurchase agreements is recognized as interest income or interest expense over the life of each agreement.

Properties

Properties are stated at cost, less recognized accumulated depreciation and accumulated impairment loss.

Depreciation is provided on a straight-line basis over estimated useful lives; critical components are identified and depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period. Change in accounting estimate takes effect prospectively.

Any gain or loss on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Assets

Intangible assets that have finite useful lives and are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life residual value, and amortization method are reviewed at the end of each reporting period. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Bank expects to dispose of the intangible asset before the end of its economic life. Change in accounting estimate takes effect prospectively. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

Any gain or loss on the disposal or retirement of an item of intangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Collaterals Assumed

Collaterals assumed are recorded at their appraised values. At balance sheet date, these collaterals are individually revalued at the lower of cost or net realizable value.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Revenue Recognition

Interest revenues from loans are estimated on accrual basis. Interest revenue from nonperforming Bank-extended loans and other credits are recognized only when collection is made. In accordance with the Ministry of Finance regulations, the interest from the relief and extension of specific loans is recorded as deferred income and recognized as income upon collection. Service fees are recorded as income upon receipt or when the related services are substantially completed.

The costs of acquisition of loans and accounts receivable and extra fees received are accounted as adjustments to the book values and the effective interests of loans and accounts receivable.

Dividend revenue is recognized when the right of shareholder to receive dividend is established.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. The Bank as lessor

   Amounts due from lessees under finance leases are recognized as receivables at the amount of the Bank's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

   Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Contingent rents arising under operating leases are recognized as income in the period in which they are incurred

b. The Bank as lessee

   Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

   Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

Employee benefits

a. Short-term employee benefit

   Periodic payment to employees for their regular work in the current period is recognized as current expense.

   Liabilities related to short-term employee benefits are measured and recognized at the undiscounted amount expected to be paid to employees for their services.

b. Retirement benefit costs

   The Bank currently provides both defined contribution and defined benefit retirement plans to its employees. Pursuant to local rules, employees working overseas are enrolled in defined contribution retirement benefit plan.

   Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Bank's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

c. Employee preferential deposits

The Bank provides current and retired employees preferential interest rates for deposits under certain balances. Differences between interests at preferential rate and interest at market rate are recognized as employee benefit.

Under the Regulations Governing the Preparation of Financial Reports by Public Banks, post-retirement preferential interests provided to retired employees should be measured and recognized using actuarial calculation pursuant to IAS No. 19. If variables for use in the actuarial assumptions are stipulated in official governing rules, then the rules should be applied first.

d. Other long-term employee benefit

The Bank provides death benefit to employees who die during employment inside or outside company premises for any reason or cause. For employees with retirement eligibility, death benefits are considered as part of their pension benefits. For those without retirement eligibility, death benefits are determined based on the length of employment: If employment is less than 1 year, death benefit is equivalent to one month salary; if employment is about 1 year to 5 years, death benefit is equivalent to one month salary for each year of employment; if employment is more than 5 years, death benefit is determined in line with the employee's pension benefit based on years of service before the Labor Pension Act was enacted.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current period's income tax expenses.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized on all taxable temporary differences.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all [deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures] to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized on taxable temporary differences associated with investments in subsidiaries and associates, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to use the benefits of the temporary differences and are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax of this period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank's accounting policies, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Impairment of loans and receivables

The Bank periodically reviews its loan portfolio for impairment. Recognition of impairment depends on whether any observable objective evidence of impairment exists. The evidence should contain observable data indicating the unfavorable changes in payment condition or the economic condition in related countries or territories. When analyzing the expected cash flow, the management’s estimates are based on past experiences of loss. The Bank reviews regularly the method and assumptions in estimating expected cash flows in order to reduce the difference between the expected and actual losses.

b. Fair value measurements and valuation process

Where the market information is not available, the Bank or engaged valuers would determine fair value by appropriate assumptions. When applying valuation modeling to determine fair value, all the information must be adjusted to reflect current market value. Only observable data are recommended to be used for the model; however, management should implement estimation of fluctuation and relevance of credit risks (risks of the Bank and its counterparties).

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in note 35.

c. Useful lives of property

As described in Note 4, the Bank reviews the estimated useful lives of property, plant and equipment at each balance sheet date.

d. Assessing impairment of available-for-sale equity investment

The objective evidence of impairment of available-for-sale equity investment is the substantial decrease in fair value that brings it even lower than the cost. Judgment is applied when determining whether the fair value decreases substantially or continually. When applying judgment, the Bank’s management should take into consideration the historical market record, historical price of the equity investment and the industry of the investees.

e. Assessing impairment of properties and intangible assets

If there is objective evidence that impairment on properties and intangibles exists, the Bank estimates the recoverable amount of the asset. The evidence includes (1) the market price falls down in current period more than expected; (2) the market interest rate or other index goes up in current period, and it could affect the discount rate and furthermore reduce the recoverable amount; (3) the assets are obsolete or destroyed; (4) the performance of the asset is not as good as expected.

f. Held-to-maturity financial assets

Management has reviewed the Bank's held-to-maturity financial assets in light of its capital maintenance and liquidity requirements and has confirmed the Bank's positive intention and ability to hold those assets to maturity.

g. Income tax

The Bank’s income tax calculation relies heavily on estimates. The Bank determined the final amount of tax through many transactions and calculations. If the actual amount differs from the original estimation, the difference will be adjusted in the recognition of current tax and deferred tax in the current period.

The reliability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences are available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such reversal takes place.

h. Post-employment benefit

The present value of post-employment benefit obligation is calculated based on actuarial valuations. Any changes in these assumptions will affect the carrying amount of post-employment benefit obligation.

One of the assumptions is discount rate. The actuary determines the appropriate discount rate according to actual conditions every year and estimates the future cash outflow for payment of post-employment benefit obligation. To determine appropriate discount rate, the interest rates of high quality corporate bonds and government bonds are taken into consideration. The currency and maturity of these bonds should be the same as the payment of post-employment benefit obligation.

Other assumptions of post-employment benefit are based upon the market condition.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	**2014**
Cash on hand and working fund	$ 6,078,806	$ 6,199,218
Notes and checks in clearing	1,226,221	1,971,079
Due from other banks - domestic	4,810,593	4,108,310
Due from other banks - foreign	10,736,529	12,572,713
	$ 22,852,149	$ 24,851,320

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS

	December 31	
	2015	**2014**
Call loans to banks (after deduction of allowance for doubtful debt $2,138 thousand in 2015 and $1,900 thousand in 2014)	$ 38,645,987	$ 27,578,332
Deposit reserves - I	4,889,805	9,417,680
Deposit reserves - II	15,769,718	15,692,084
Deposit reserves - foreign	118,508	105,019
	$ 59,424,018	$ 52,793,115

Deposit reserves are statutory reserves and determined monthly at prescribed rates based on average balances of customers' deposits. The entire balance of deposit reserve - II is subject to withdrawal restrictions while no restrictions are placed to other deposit reserves.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2015	**2014**
Held-for-trading financial assets		
Commercial papers	$ 23,421,182	$ 30,095,516
Forward contracts	233,828	771,386
Option contracts	219,799	526,038
Currency swap contracts	144,668	239,261

(Continued)

	December 31	
	2015	2014
Negotiable certificate of deposit	$ 79,681	$ 8,693
Others	56,637	136,254
	24,155,795	31,777,148
Financial assets designated at fair value through profit or loss		
Structured corporate bonds contracts	1,048,847	1,343,900
	$ 25,204,642	$ 33,121,048
Held-for-trading financial liabilities		
Option contracts	$ 217,089	$ 529,496
Forward contracts	151,919	387,355
Currency swap contracts	86,407	77,152
Interest rate swap contracts	19,929	30,104
	$ 475,344	$ 1,024,107

(Concluded)

The Bank engages in derivative transactions mainly to accommodate customers' needs and manage its exposure positions.

The financial assets and liabilities at FVTPL contract (nominal) amounts of derivative transactions as of December 31, 2015 and 2014 were as follows:

	December 31	
	2015	2014
Currency swap contracts	$ 44,199,717	$ 43,820,461
Option contracts	30,833,603	37,395,169
Forward contracts	24,124,106	28,951,625
Interest rate swap contracts	2,539,818	3,161,742
Fixed rate commercial papers	300,000	500,000
Future contracts	-	221,846

9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING (DECEMBER 31, 2015: NIL)

	December 31, 2014
Derivative financial assets under hedge accounting	
Fair value hedges - interest rate swaps	$ 27,315

Portion of bank debentures issued by the Bank, including first issue in 2008, and the corporate bonds held by the Bank are exposed to the fair value risk due to fluctuations in interest rates. The Bank considered the significance of the exposure and entered into interest rate swap contracts to hedge such risk. The Bank assessed the effectiveness of hedges at the end of each month, and deemed the result was effective as the effectiveness of hedging instrument in offsetting the fluctuations in the fair value of the hedged items was between 80% and 125%.

The outstanding interest rate swaps of the Bank at the end of the reporting period were as follows: (December 31, 2015: Nil)

Notional Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
December 31, 2014			
$1,000,000	June 10, 2015	90 days-CP	2.9700%
500,000	June 10, 2015	90 days-CP	2.9500%
500,000	June 10, 2015	90 days-CP	3.0050%
500,000	June 10, 2015	90 days-CP	3.0400%
500,000	June 10, 2015	90 days-CP	3.0400%

Gains or losses on the hedging derivative financial instruments and on the hedged items as of the six months ended 2015 and 2014 were as follows:

	For the Year Ended December 31	
	2015	2014
Losses on the hedged items	$ (27,315)	$ (77,103)
Gains on the hedging instruments	$ 27,600	$ 76,721

10. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities purchase under resell agreements as of December 31, 2015 and 2014 were $10,245,428 thousand and $11,046,883 thousand, respectively. The aforementioned securities will be bought back one after another before February 18, 2016 and February 13, 2015 at $10,248,335 thousand and $11,052,129 thousand, respectively.

11. RECEIVABLES, NET

	December 31	
	2015	2014
Acceptances	$ 2,386,863	$ 2,780,952
Credit cards receivable	1,986,074	2,117,416
Accrued interest	2,159,307	1,952,239
Accounts receivable - factoring	965,523	1,690,896
Accounts receivable due from sales of securities	-	1,196,861
Others	436,503	406,229
	7,932,270	10,144,593
Less allowance for credit losses	(333,604)	(318,000)
	$ 7,598,666	$ 9,826,593

Allowance for accounts receivable and other financial assets are categorized and assessed by credit risk as below:

Item	December 31, 2015	
	Total	Allowance
With objective evidence of impairment		
Collectively assessed	$ 101,850	$ 72,917
With no objective evidence of impairment		
Collectively assessed	4,952,388	264,387
Grand total	$ 5,054,238	$ 337,304

Item	December 31, 2014	
	Total	Allowance
With objective evidence of impairment		
Individually assessed	$ 174	$ 90
Collectively assessed	213,358	165,243
With no objective evidence of impairment		
Collectively assessed	6,097,820	155,817
Grand total	$ 6,311,352	$ 321,150

The changes in allowance for receivables and other financial assets are listed below:

	For the Year Ended December 31	
	2015	2014
Balance at January 1	$ 321,150	$ 291,606
Provisions	2,560	6,190
Write-offs	(31,176)	(29,932)
Recoveries	44,296	52,566
Effect of exchange rate changes	474	720
Balance at December 31	$ 337,304	$ 321,150

12. DISCOUNTS AND LOANS, NET

	December 31	
	2015	2014
Loans	$ 571,441,121	$ 571,824,407
Inward/outward documentary bills	12,819,263	14,152,319
Nonperforming loans	1,297,183	920,913
	585,557,567	586,897,639
Discount and premium adjustment	693,185	566,050
Allowance for credit losses	(9,140,613)	(8,903,226)
	$ 577,110,139	$ 578,560,463

The Bank discontinues accruing interests when loans are deemed nonperforming. For the years ended December 31, 2015 and 2014, the unrecognized interest revenues on the nonperforming loans amounted to $26,304 thousand and $19,164 thousand, respectively.

For the years ended December 31, 2015 and 2014, the Bank only had written off certain credits after completing the required legal procedures.

Allowances for discounts and loans are categorized and assessed by credit risk as below:

Item	December 31, 2015	
	Total	Allowances
With objective evidence of impairment		
Individually assessed	$ 2,140,979	$ 750,878
Collectively assessed	11,009,635	2,867,035
With no objective evidence of impairment		
Collectively assessed	572,406,953	5,522,700
Grand total	$ 585,557,567	$ 9,140,613

Item	December 31, 2014	
	Total	Allowances
With objective evidence of impairment		
Individually assessed	$ 1,636,339	$ 640,466
Collectively assessed	9,225,606	3,284,889
With no objective evidence of impairment		
Collectively assessed	576,035,694	4,977,871
Grand total	$ 586,897,639	$ 8,903,226

The changes in allowance for discount and loans are summarized below:

	For the Year Ended December 31	
	2015	2014
Balance at January 1	$ 8,903,226	$ 7,812,178
Provisions	556,269	792,905
Write-offs	(588,299)	(318,431)
Recoveries	172,172	514,576
Effect of exchange rate changes	97,245	101,998
Balance at December 31	$ 9,140,613	$ 8,903,226

The details of bad debts expenses for the years ended December 31, 2015 and 2014 are listed as below:

	For the Year Ended December 31	
	2015	2014
Provisions of loans and discounts	$ 556,269	$ 792,905
Provisions of guarantee liability	41,000	-
Provisions of receivables	2,560	6,190
Provisions of interbank lending	155	1,900
Provisions of others	-	(3,495)
	$ 599,984	$ 797,500

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	December 31	
	2015	2014
Government bonds	$ 50,867,076	$ 34,225,675
Corporate bonds	32,004,498	25,628,782
Bank debentures	32,277,087	26,143,610
Business paper	13,765,838	-
Beneficiary certificates	8,189,300	9,323,742
Stocks	3,650,384	4,060,072
Negotiable certificate of deposit	1,000,340	1,389,717
Assets backed securities	587,300	689,966
	$ 142,341,823	$ 101,461,564

Part of par-value of abovementioned available-for-sale financial assets sold under repurchase agreements as of December 31, 2015 and 2014 were $6,104,100 thousand and $6,261,945 thousand.

Part of abovementioned assets backed securities were invested in Structured Investment Vehicles (SIV). The Bank had recognized impairment losses in prior years which were partially realized due to the liquidation and disposal of SIV. As of December 31, 2015, the unrealized accumulated impairment losses related to its SIV investments were $98,700 thousand.

About the pledged assets, please see Note 33.

14. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2015	2014
Negotiable certificate of deposit	$ 81,600,000	$ 89,200,000
Corporate bonds	447,578	313,514
Government bonds	93,613	252,160
	$ 82,141,191	$ 89,765,674

About the pledged assets, please see Note 33.

15. EQUITY INVESTMENTS UNDER THE EQUITY METHOD

	December 31			
	2015		2014	
Equity Method	**Carrying Value**	**% of Ownership**	**Carrying Value**	**% of Ownership**
<u>Investment in subsidiaries</u>				
Domestic investments				
SCSB Asset Management Ltd.	$ 1,617,716	100.00	$ 1,217,599	100.00
China Travel Service (Taiwan)	284,193	99.99	222,069	99.99
SCSB Life Insurance Agency	230,063	100.00	219,731	100.00

(Continued)

Equity Method	December 31 2015 Carrying Value	2015 % of Owner-ship	2014 Carrying Value	2014 % of Owner-ship
SCSB Property Insurance Agency	$ 60,990	100.00	$ 97,700	100.00
SCSB Marketing Ltd.	7,059	100.00	10,554	100.00
	2,200,021		1,765,653	
Foreign investments				
Shancom Reconstruction Inc.	57,371,201	100.00	53,136,384	100.00
Wresqueue Limitada	328,425	100.00	309,520	100.00
Paofoong Insurance Company Ltd.	263,784	40.00	239,315	40.00
	57,963,410		53,685,219	
	60,163,431		55,450,872	
Associates				
Kuo Hai Real Estate Management	-	34.69	-	34.69
Grand total	$ 60,163,431		$ 55,450,872	

(Concluded)

The Bank increased its investment in SCSB Assets Management Ltd. in an amount of $400,000 and $100,000 thousand in 2015 and 2014 respectively. SCSB Assets Management Ltd. then invested $8,053 thousand U.S. dollar and $1,947 thousand U.S. dollar to SCSB Leasing (China) Co., Ltd. which had been approved by the Financial Supervisory Commission in January 2015 and March 2014 respectively.

The Bank invested in Paofoong Insurance Company (Hong Kong) Ltd. by holding 40% shares directly and 60% indirectly by Shancom Reconstruction Inc. Therefore Paofoong Insurance Company (Hong Kong) Ltd. was recorded as a subsidiary.

The Bank decreased the carrying value of Kuo Hai to zero and recognized losses on this investment because of the investee’s continuing operating losses over the years.

As of the years ended 2015 and 2014, profit or loss of the Bank and the amount of other comprehensive income under equity method were based on the associates’ financial statements audited by the auditors.

16. OTHER FINANCIAL ASSETS, NET

	December 31 2015	2014
Bills purchased, net	$ 32,269	$ 14,056
Nonperforming credit card receivables	2,700	2,150
Non-active market debt instruments	-	200,000
	34,969	216,206
Allowance for nonperforming credit card receivables	(3,700)	(3,150)
	$ 31,269	$ 213,056

The balances of credit cards receivable reported as nonperforming were $2,700 thousand and $2,150 thousand as of December 31, 2015 and 2014, respectively. The unrecognized interest revenues on the receivable amounted to $28 thousand and $31 thousand for the years ended December 31, 2015 and 2014.

The Bank collected the principal of its investment in preferred stock of Taiwan High Speed Rail Corporation's ("THSRC"), amounting to $200,000 thousand, recorded under debt investment with no active market in 2015. The Bank further signed a settlement agreement with THSRC pursuant to THSRC's financial plan and THSRC will pay compensation to the Bank.

17. PROPERTIES, NET

	December 31	
	2015	2014
Land	$ 9,664,925	$ 9,309,190
Building and improvement	2,463,872	2,459,706
Office equipment	235,127	287,767
Transportation equipment	13,759	17,200
Miscellaneous equipment	180,333	188,673
Construction-in-progress and prepayment	7,260	990
	$ 12,565,276	$ 12,263,526

	For the Year Ended December 31, 2015					
Item	Balance at January 1, 2015	Additions	Disposals	Internal Transfer	Effect of Exchange Rate Changes, Net	Balance at December 31, 2015
Cost						
Land	$ 9,309,190	$ 376,773	$ (21,038)	$ -	$ -	$ 9,664,925
Building and improvement	4,226,890	122,961	(19,573)	-	-	4,330,278
Office equipment	1,199,876	48,585	(114,819)	-	853	1,134,495
Transportation equipment	58,876	849	(3,538)	-	-	56,187
Miscellaneous equipment	528,367	34,141	(26,086)	(26)	265	536,661
	15,323,199	$ 583,309	$ (185,054)	$ (26)	$ 1,118	15,722,546
Accumulated depreciation						
Building and improvement	1,767,184	$ 103,174	$ (4,748)	$ -	$ 796	1,866,406
Office equipment	912,109	94,258	(107,636)	-	637	899,368
Transportation equipment	41,676	4,086	(3,334)	-	-	42,428
Miscellaneous equipment	339,694	40,886	(24,470)	(2)	220	356,328
	3,060,663	$ 242,404	$ (140,188)	$ (2)	$ 1,653	3,164,530
Construction-in-progress and prepayment	990	$ 6,270	$ -	$ -	$ -	7,260
Net amount	$ 12,263,526					$ 12,565,276

	For the Year Ended December 31, 2014					
Item	Balance at January 1, 2014	Additions	Disposals	Internal Transfer	Effect of Exchange Rate Changes, Net	Balance at December 31, 2014
Cost						
Land	$ 9,225,296	$ 83,894	$ -	$ -	$ -	$ 9,309,190
Building and improvement	4,211,956	14,934	-	-	-	4,226,890
Office equipment	1,210,261	69,048	(80,645)	-	1,212	1,199,876
Transportation equipment	60,392	9,109	(10,625)	-	-	58,876
Miscellaneous equipment	490,204	70,406	(32,638)	-	395	528,367
	15,198,109	$ 247,391	$ (123,908)	$ -	$ 1,607	15,323,199
Accumulated depreciation						
Building and improvement	1,664,790	$ 102,394	$ -	$ -	$ -	1,767,184
Office equipment	882,210	100,960	(71,927)	-	866	912,109
Transportation equipment	47,286	4,478	(10,088)	-	-	41,676
Miscellaneous equipment	335,290	32,977	(28,893)	-	320	339,694
	2,929,576	$ 240,809	$ (110,908)	$ -	$ 1,186	3,060,663
Construction-in-progress and prepayment	-	$ 990	$ -	$ -	$ -	990
Net amount	$ 12,268,533					$ 12,263,526

The Bank did not recognize any impairment losses on the properties for the years ended December 31, 2015 and 2014.

Depreciation expense of properties is computed using the straight-line method over below useful lives:

Building and improvement	
Branch	43-55 years
Air conditioning and machine room	9 years
Office equipment	3-8 years
Transportation equipment	5-10 years
Miscellaneous equipment	5-20 years

The Bank's land, building, and improvement insured are amounted to $7,058,534 thousand.

18. OTHER ASSETS, NET

	December 31	
	2015	2014
Prepaid expenses	$ 1,249,032	$ 1,293,907
Deferred charges	511,772	575,118
Refundable deposits - net of $17,360 thousand impairment loss	469,057	443,538
Prepaid pension cost (Note 27)	-	41,589
Temporary payments and suspense	97,010	285,652
Computer software	97,691	77,310
Others	27,469	27,126
	$ 2,452,031	$ 2,744,240

19. DUE TO THE CENTRAL BANK AND BANKS

	December 31	
	2015	2014
Due to banks	$ 448,550	$ 519,730
Call loans from banks	6,360,588	5,132,242
Deposit transfer from Chunghwa Post Co., Ltd.	4,333,479	3,688,078
Overdraft on banks	1,416,839	373,550
	$ 12,559,456	$ 9,713,600

20. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements as of December 31, 2015 and 2014 were $6,320,676 thousand and $6,475,072 thousand, respectively. The aforementioned securities will be sold back by September 23, 2016 and were sold back by December 24, 2015 at $6,327,321 thousand and $6,483,572 thousand, respectively.

21. PAYABLES

	December 31 2015	December 31 2014
Dividends payable	$ 10,188,708	$ 9,476,871
Liabilities on bank acceptances	2,474,022	2,973,972
Accounts payable	1,792,995	3,229,009
Accrued interests	1,220,097	1,337,276
Accrued expenses	988,106	998,109
Other accounts payable	132,386	150,431
Others	302,430	123,594
	$ 17,098,744	$ 18,289,262

22. DEPOSITS AND REMITTANCES

	December 31 2015	December 31 2014
Time deposits	$ 314,254,278	$ 336,761,716
Savings deposits	252,923,321	234,157,500
Demand deposits	218,026,668	178,586,454
Checking deposits	9,207,650	8,770,688
Negotiable certificates of deposits	3,463,000	16,978,300
Remittances	274,334	340,247
	$ 798,149,251	$ 775,594,905

23. BANK DEBENTURES

	December 31 2015	December 31 2014
The subordinate bank debenture - 7 year maturity; first issued in 2008; maturity date is on June 2015	$ -	$ 3,000,000
The subordinate bank debenture - 7 year maturity; second issued in 2008; maturity date is on December 2015	-	2,000,000
The subordinate bank debenture - 7 year maturity; first issued in 2010; maturity date is on December 2017	3,000,000	3,000,000
The subordinate bank debenture - 7 year maturity, first issued in 2012; maturity date is on April 2019	4,000,000	4,000,000
The subordinate bank debenture - 7 year maturity, second issued in 2012; maturity date is on May 2019	1,000,000	1,000,000
The subordinate bank debenture - 7 to 10 year maturity, third issued in 2012; maturity date is on November 2019 to 2022	5,000,000	5,000,000
The subordinate bank debenture - 7 to 10 year maturity, fourth issued in 2012; maturity date is on December 2019 to 2022	10,000,000	10,000,000
The subordinate bank debenture - 7 to 10 year maturity; first issued in 2014; maturity date is on March 2021 to 2024	6,700,000	6,700,000
The subordinate bank debenture - 7 year maturity; second issued in 2014; maturity date is on November 2021	3,300,000	3,300,000

(Continued)

	December 31	
	2015	2014
The subordinate bank debenture - 7 year maturity; first issued in 2015; maturity date is on June 2022	$ 2,150,000	$ -
The subordinate bank debenture - 8.5 year maturity; first issued in 2015; maturity date is on June 2024	3,000,000	-
Par value total	38,150,000	38,000,000
Unrealized loss	-	27,600
	$ 38,150,000	$ 38,027,600

(Concluded)

About the hedge transactions, please see Note 9.

The first issuance of the 2008 subordinated bank debenture bears a fixed interest rate of 3.15% with interest paid annually and repayment of principal at maturity.

The second issuance of the 2008 subordinated bank debenture bears a fixed interest rate of 3.05% with interest paid annually and repayment of principal at maturity.

The first issuance of the 2010 subordinated bank debenture bears a fixed interest rate of 1.5% with interest paid annually and repayment of principal at maturity.

The first issuance of the 2012 subordinated bank debenture bears a fixed interest rate of 1.48% with interest paid annually and repayment of principal at maturity.

The second issuance of the 2012 subordinated bank debenture bears a fixed interest rate of 1.54% with interest paid annually and repayment of principal at maturity.

The third issuance of the 2012 bank debenture can be classified into two types in accordance with the issued term and the methods of interest accrual: Type A and B. Their terms and methods of interest accrual are as follows: Type A, seven years of subordinate bank debenture at a fixed annual interest rate of 1.43%; Type B, ten years of subordinate bank debenture at a fixed annual interest rate of 1.55%. Their interests are paid annually with repayment of principals at maturity.

The fourth issuance of the 2012 bank debenture can be classified into two types in accordance with the issued term and the methods of interest accrual: Type A and B. Their terms and methods of interest accrual are as follows: Type A, seven years of subordinate bank debenture at a fixed annual interest rate of 1.43%; Type B, ten years of subordinate bank debenture at a fixed annual interest rate of 1.55%. Their interests are paid annually with repayment of principals at maturity.

The first issuance of the 2014 bank debenture can be classified into two types in accordance with the issued term and the methods of interest accrual: Type A and B. Their terms and methods of interest accrual are as follows: Type A, seven years of subordinate bank debenture at a fixed annual interest rate of 1.70%; Type B, ten years of subordinate bank debenture at a fixed annual interest rate of 1.85%. Their interests are paid annually with repayment of principals at maturity.

The second issuance of the 2014 subordinated bank debenture bears a fixed interest rate of 1.83% with interest paid annually and repayment of principal at maturity.

The first issuance of the 2015 subordinated bank debenture bears a fixed interest rate of 1.83% with interest paid annually and repayment of principal at maturity.

The second issuance of the 2015 subordinated bank debenture bears a fixed interest rate of 1.83% with interest paid annually and repayment of principal at maturity.

24. OTHER FINANCIAL LIABILITIES

	December 31	
	2015	2014
Appropriated loan funds	$ 3,574,873	$ 4,945,637
Principals of structured instruments	405,100	684,879
	$ 3,979,973	$ 5,630,516

25. PROVISIONS

	December 31	
	2015	2014
Reserve for possible losses on guarantees	$ 479,670	$ 438,436
Reserve for employee benefits (note 27)	271,664	200,474
Others	3,564	3,564
	$ 754,898	$ 642,474

The changes in provisions of guarantee liability are summarized below:

	December 31	
	2015	2014
Balance at January 1	$ 438,436	$ 438,079
Provisions	41,000	-
Exchange differences	234	357
Balance at December 31	$ 479,670	$ 438,436

26. OTHER LIABILITIES

	December 31	
	2015	2014
Guarantee deposit received	$ 378,545	$ 340,110
Deferred revenues	133,704	132,375
Received in advance	77,887	94,638
Temporary credit	28,283	74,316
Others	174,537	201,441
	$ 792,956	$ 842,880

27. PENSION PLAN

a. Defined contribution plan

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Under the LPA, the Bank makes monthly contributions of amounts equal to 6% of salaries and wages to a pension fund.

The Bank makes contributions to its pension fund at the predetermined rate specified in the defined contribution plan and immediately recognizes as pension expense. Contributions made to the defined contribution plan for the year ended December 31, 2015 and 2014 were $53,050 thousand and $48,463 thousand, respectively.

b. Defined benefit plan

The Bank adopted a defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the last six months before retirement. The Bank contributes amounts equal to 8% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Bank has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Bank's defined benefit plans were as follows:

	December 31	
	2015	2014
Present value of defined benefit obligation	$ 2,419,046	$ 2,348,805
Fair value of plan assets	(2,390,026)	(2,390,394)
Net defined benefit liability (asset)	$ 29,020	$ (41,589)

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2014	$ 2,181,061	$ (2,304,226)	$ (123,165)
Service cost			
Current service cost	186,301	-	186,301
Net interest expense (income)	40,582	(44,619)	(4,037)
Recognized in profit or loss	226,883	(44,619)	182,264

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ (254)	$ (254)
Actuarial loss - changes in demographic assumptions	13,554	-	13,554
Actuarial loss - experience adjustments	62,728	-	62,728
Recognized in other comprehensive income	76,282	(254)	76,028
Contributions from the employer	-	(176,716)	(176,716)
Benefits paid	(135,421)	135,421	-
Balance at December 31, 2014	$ 2,348,805	$ (2,390,394)	$ (41,589)

(Concluded)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2015	$ 2,348,805	$ (2,390,394)	$ (41,589)
Service cost			
Current service cost	195,318	-	195,318
Net interest expense (income)	43,306	(45,821)	(2,515)
Recognized in profit or loss	238,624	(45,821)	192,803
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	571	571
Actuarial loss - changes in demographic assumptions	16,599	-	16,599
Actuarial loss - experience adjustments	33,882	-	33,882
Recognized in other comprehensive income	50,481	571	51,052
Contributions from the employer	-	(173,246)	(173,246)
Benefits paid	(218,864)	218,864	-
Balance at December 31, 2015	$ 2,419,046	$ (2,390,026)	$ 29,020

Through the defined benefit plans under the Labor Standards Law, the Bank is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's other debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2015	**2014**
Discount rate(s)	1.90%	1.90%
Expected rate(s) of salary increase	2.75%	2.75%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31, 2015
Discount rate(s)	
0.25% increase	$ (71,445)
0.25% decrease	$ 74,446
Expected rate(s) of salary increase	
0.25% increase	$ 72,457
0.25% decrease	$ (69,897)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2015	**2014**
The average duration of the defined benefit obligation	12.4 years	12.7 years
The expected contributions to the plan for the next year	$ 178,010	$ 181,576

c. Employee preferential deposits

According to the Bank's employee preferential interest policy, the Bank pays preferential interests on certain deposits of presently active and retired employees. Under the Regulations Governing the Preparation of Financial Reports by Public Banks, only benefits representing the markups from market interest rate paid to retired employees should be actuarially determined and recognized.

The Bank performed actuarial valuation of preferential interest expenses for retired employees according to related actuarial assumptions under Rule No. 10110000850 issued by the FSC on March 15, 2012. The principal assumptions of the actuarial valuations were as follows:

	December 31	
	2015	**2014**
Discount rate	4.00%	4.00%
Expected return of deposit fund	2.00%	2.00%
Expected rates of account balance decrease	2.00%	1.00%
Expected probabilities of preferential interest deposits system change	50.00%	50.00%

The amounts included in the balance sheets in respect of the Bank's obligation under the preferential interest deposit plan for retired employees were as follows:

	December 31	
	2015	2014
Present value of preferential interest deposit for retired employees	$ 236,129	$ 191,870

The Bank recognized $73,173 thousand and $37,861 thousand in defined benefit plans, profit of $4,629 and loss of $10,172 in defined other comprehensive income for the years ended December 31, 2015 and 2014.

d. Other long-term employee benefit liability

The Bank provides death benefit to employees who die during employment inside or outside company premises for any reason or cause. For employees with retirement eligibility, death benefits are considered as part of their pension benefits. For those without retirement eligibility, death benefits are determined based on the length of employment: If employment is less than 1 year, death benefit is equivalent to one month salary; if employment is about 1 year to 5 years, death benefit is equivalent to one month salary for each year of employment; if employment is more than 5 years, death benefit is determined in line with the employee's pension benefit based on years of service before the LPA was enacted.

The obligations for employee death benefit on the balance sheets were as follows:

	December 31	
	2015	2014
Other long-term employee benefit obligations	$ 6,515	$ 8,604

For the years ended December 31, 2015 and 2014, the Bank recognized the gains of $2,089 thousand and $2,671 thousand in the statements of comprehensive income in respect of the employee death benefit.

28. EQUITY

a. Share capital

	December 31	
	2015	2014
Common shares		
Authorized shares (in thousand)	6,000,000	6,000,000
Authorized capital	$ 60,000,000	$ 60,000,000
Issued and paid shares (in thousand)	3,999,121	3,808,686
Issued capital	$ 39,991,207	$ 38,086,864

Issued common shares with par value of $10 per share entitled the right to vote and to receive dividends.

In the shareholders' meeting dated on June 5, 2015, it was resolved to increase the Bank's authorized shares and authorized capital to 190,435 thousand shares and $1,904,343 thousand. The meeting also determined the dividend ratio at $0.5 per share. The registration of the new shares has been completed by August 2015.

b. Capital surplus

	December 31	
	2015	2014
Share premium	$ 2,647,583	$ 2,647,583
Treasury stock transaction	1,991,109	1,983,732
Proportionate share in equity-method investee's surplus from donated assets	1,218	1,218
	$ 4,639,910	$ 4,632,533

Under the Company Law, capital surplus can only be used to offset a deficit. However, the capital surplus from share issued in excess of par (including additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and donations may be capitalized, which however is limited to a certain percentage of the Bank's paid-in capital.

The capital surplus from investments using equity method may not be used for any purpose.

Since the shares held by subsidiaries were reclassified as treasury stocks, cash dividend distributed to subsidiaries was then recorded as "capital surplus - treasury stock". Cash dividend distributed to subsidiaries amounted to $7,377 thousand and $7,197 thousand for the years ended December 31, 2015 and 2014.

c. Retained of earnings and dividend policy

Under the Bank's Articles amended on June 6, 2014, its annual earnings after tax shall be used first to offset any deficit from prior years, and then set aside legal reserve required by laws or regulations until the balance of legal reserve has reached the Bank's paid-in capital. Special reserve shall then be appropriated as necessary. The remainder together with the accumulated earnings in prior years can be distributed at the Board of Directors' discretion as follows:

1) Bonus to shareholders;

2) Remuneration to directors and supervisors; and

3) Bonus to employees of at least 0.1% of net income less the appropriations for legal reserve and dividends; and

4) The remaining amount shall be accumulated to the next year.

In accordance with the amendments to the Company Act in May 2015, the recipients of earning distribution are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed in the directors' meeting held on March 12, 2016 and are subject to the resolution of the shareholders in their meeting to be held on June 14, 2016. For information about the employees' compensation and remuneration and the actual appropriations, please refer to Note 29 (d).

The Bank has made special reserves for the adoption of IFRS in accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs."

Legal reserve shall be appropriated unless it reaches the Bank's paid-in capital. This reserve may be used to offset a deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash. However, under the Banking Law, if the Bank's legal reserve is still less than its paid-in capital, the Bank may distribute cash earnings only up to 15% of the paid-in capital.

Except for non-ROC resident shareholders, all shareholders receiving the undistributed earnings generated after 1998 are allowed a tax credit equal to their proportionate share of the income tax paid by the Bank. However, earnings generated in 1997 and prior years, when distributed, are not entitled to imputation tax credit.

The appropriations of earnings for 2014 and 2013 had been approved in the shareholders' meetings on June 5, 2015 and June 6, 2014, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (Dollars)**	
	2014	**2013**	**2014**	**2013**
Legal reserve	$ 3,272,195	$ 3,043,063	$ -	$ -
Cash dividends - common stock	5,713,030	5,573,687	1.50	1.50
Stock dividends - common stock	1,904,343	928,948	0.50	0.25
	$ 10,889,568	$ 9,545,698	$ 2.00	$ 1.75

The appropriations of earnings for 2015 had been proposed by the Bank's board of directors on March 12, 2016. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 3,569,398	$ -
Cash dividends - common stock	5,998,681	1.50
Stock dividends - common stock	799,824	0.20
	$ 10,367,903	$ 1.70

d. Special reserve

The Bank has made a special reserve $1,256,859 thousand due to transferring its cumulative translation adjustment reported in equity to retained earnings while first-time adopting. There was no change in the balance of special reserve for the period ended on December 31, 2015.

e. Treasury stock

Purpose	**Beginning Balance**	**Increase**	**Decrease**	**Ending Balance**
For the year ended December 31, 2015				
Shares held by subsidiaries	10,642	532	-	11,174
For the year ended December 31, 2014				
Shares held by subsidiaries	10,382	260	-	10,642

The Bank reclassified its shares held by the subsidiaries as treasury stock with a carrying amount of $83,144 thousand (representing 7,698 thousand shares). The shares increased by 3,476 thousand shares over the years.

Under the Company Law, the Bank is not allowed to buy more than 5% of its issued stock. In addition, the total cost of treasury stocks may not exceed the sum of the retained earnings and realized capital surplus. The Bank may not exercise shareholders' rights on these stocks before they are resold. The Bank's stocks held by its subsidiaries are treated as treasury stocks. However, the subsidiaries may still exercise shareholders' rights on these stocks, except for voting rights and subscription right on capital increase by cash. Under the Securities and Exchange Act, the Bank shall neither pledge treasury stocks nor exercise shareholders' rights on these shares, such as rights to dividends, to vote and to subscribe for shares on capital increase by cash.

29. DETAILS OF COMPREHENSIVE INCOME STATEMENT ITEMS

a. Interest revenues, net

	For the Year Ended December 31	
	2015	**2014**
Interest revenue		
Discounts and loans	$ 14,094,322	$ 13,804,130
Securities investments	2,483,067	2,331,027
Due from banks	643,730	807,359
Credit and revolving	105,448	129,992
Others	120,801	160,277
	17,447,368	17,232,785
Interest expense		
Deposits	5,651,660	5,902,290
Bank debentures	623,679	627,354
Due to banks	230,158	161,294
Securities sold under repurchase agreements	37,488	44,517
Structured bond instruments	15,093	16,204
Others	28,260	15,994
	6,586,338	6,767,653
	$ 10,861,030	$ 10,465,132

b. Service fee revenue, net

	For the Year Ended December 31	
	2015	**2014**
Service fee revenues		
Trusts	$ 774,597	$ 839,351
Loans	273,587	326,330
Guarantees	258,427	260,903
Commissions	323,839	239,451
Credit cards	252,866	256,818
Exchange	213,879	239,986
Remittances	181,493	178,074
Others	660,485	605,182
	2,939,173	2,946,095

(Continued)

	For the Year Ended December 31	
	2015	2014
Service fee expenses		
Credit cards	$ 98,960	$ 100,588
Nominee	70,327	65,736
Foreign finance	52,995	46,550
Custody	28,661	24,695
Others	89,189	86,864
	340,132	324,433
	$ 2,599,041	$ 2,621,662

(Concluded)

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

	For the Year Ended December 31, 2015		
	Realized (Loss) Gain	Unrealized (Loss) Gain	Total
Financial asset through profit or loss	$ 13,299,155	$ (766,841)	$ 12,532,314
Financial liabilities through profit or loss	(12,443,680)	617,327	(11,826,353)
	$ 855,475	$ (149,514)	$ 705,961

	For the Year Ended December 31, 2014		
	Realized (Loss) Gain	Unrealized (Loss) Gain	Total
Financial asset through profit or loss	$ 4,517,957	$ 853,133	$ 5,371,090
Financial liabilities through profit or loss	(3,487,292)	(526,272)	(4,013,564)
	$ 1,030,665	$ 326,861	$ 1,357,526

d. Employee benefit expenses

	For the Year Ended December 31	
	2015	2014
Short-term employee benefits	$ 1,941,830	$ 1,878,709
Retirement benefits		
Defined contribution plan	53,050	48,463
Defined benefit plan	192,803	182,264
	245,853	230,727
Other employee benefits	1,447,093	1,283,298
	$ 3,634,776	$ 3,392,734

For the years ended December 31, 2015 and 2014, the numbers of employees of the Bank were 2,476 and 2,408 respectively.

For the year ended December 31, 2014, the estimated amounts of bonus to employees were $32,000 thousand, while the estimated amounts of remuneration to directors were $58,800 thousand. The Bank based its estimation of bonus and remuneration on its past experiences.

To be in compliance with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Bank stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 1‰ and no higher than 6‰, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the year ended December 31, 2015, the employees' compensation and the remuneration to directors and supervisors were estimated as $34,000 thousand and $55,000 thousand, respectively. The 2015 employees' compensation and remuneration to directors and supervisors was approved by the Bank's board of directors in its meeting on March 12, 2016 and will be reported to shareholders after the resolution of the amendments to the Bank's Articles of Incorporation for adoption by the shareholders in their meeting to be held on June 14, 2016.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate

The bonus to employees and the remuneration to directors and supervisors for 2014 and 2013 approved in the shareholders' meeting on June 5, 2015 and June 6, 2014, respectively, were as follows:

	For the Year Ended December 31			
	2014		2013	
	Cash Dividends	**Share Dividends**	**Cash Dividends**	**Share Dividends**
Bonus to employees	$ 32,000	$ -	$ 30,000	$ -
Remuneration of directors and supervisors	58,800	-	56,600	-

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Company's board of directors in 2016 and bonus to employees, directors and supervisors resolved by the shareholders' meeting in 2015 and 2014 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

e. Depreciation and amortization

	For the Year Ended December 31	
	2015	**2014**
Depreciation expenses	$ 242,404	$ 240,809
Amortization expenses	257,805	279,584
	$ 500,209	$ 520,393

30. INCOME TAX

a. Income tax expense recognized in profit or loss

The major components of tax expenses were as follows:

	For the Year Ended December 31	
	2015	2014
Current tax		
In respect of the current year	$ 1,365,917	$ 1,152,911
In respect of prior periods	8,681	170,044
	1,374,598	1,322,955
Deferred tax		
In respect of the current year	314,731	517,534
In respect of prior periods	163	1,851
	314,894	519,385
Income tax expense recognized in profit or loss	$ 1,689,492	$ 1,842,340

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2015	2014
Profit before tax from continuing operations	$ 13,587,484	$ 12,747,708
Income tax expense calculated at the statutory rate	$ 2,309,872	$ 2,167,111
Add (deduct) tax effect of:		
Tax-exempt gain on sale of land	(11,231)	-
Tax-exempt cash divided	(31,147)	(26,626)
Permanente difference - investment income	(18,627)	(17,925)
Tax-exempt gains on securities transactions	(78,243)	(24,876)
Tax-exempt income from offshore banking unit (OBU)	(563,906)	(508,180)
Others	997	(55,328)
	1,607,715	1,534,176
Additional income tax on unappropriated earnings	-	58,465
Additional income tax under the Alternative Minimum Tax Act	72,933	77,804
Adjustments for prior years' tax	8,844	171,895
Income tax expense recognized in profit or loss	$ 1,689,492	$ 1,842,340

The Bank applies to the tax rate of 17%.

b. Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2015	2014
Deferred income tax expense		
Arising on income and expenses recognized in other comprehensive income		
Exchange differences on translating foreign operations	$ (321,317)	$ (508,895)
Unrealized gain or loss on available-for-sale financial assets	98,769	(46,910)
Income from defined benefit plan	7,892	14,653
Income tax expense recognized in other comprehensive income	$ (214,656)	$ (541,152)

c. Current tax assets and liabilities

	December 31 2015	December 31 2014
Current tax assets		
Tax refund receivable	$ 98,643	$ 62,895
Current tax liabilities		
Income tax payable	$ 742,989	$ 688,316

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2015

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Doubtful debts	$ 472,476	$ (24,113)	$ -	$ 448,363
Impairment loss on available-for-sale financial assets	18,737	-	-	18,737
Unrealized foreign exchange loss	-	5,616	(2,633)	2,983
Investment loss of domestic subsidiaries recognized under equity method	47,872	(10,894)	-	36,978
Recognized deferred benefit contribution	1,289	3,432	-	4,721
Defined employee benefit plan	55,945	11,325	7,892	75,162
Others	1,056	149	-	1,205
	$ 597,375	$ (14,485)	$ 5,259	$ 588,149

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Unrealized valuation gain on available-for-sale financial assets	$ (195,845)	$ 94,443	$ 101,402	$ -
Investment gain of foreign subsidiaries recognized under equity method and exchange difference on translating foreign operations	(7,836,994)	(394,852)	(321,317)	(8,553,163)
Others	(409)	-	-	(409)
	$ (8,033,248)	$ (305,649)	$ (219,915)	$ (8,553,573)

For the year ended December 31, 2014

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Doubtful debts	$ 457,860	$ 14,616	$ -	$ 472,476
Impairment loss on available-for-sale financial assets	46,431	(27,694)	-	18,737
Investment loss of domestic subsidiaries recognized under equity method	53,209	(5,337)	-	47,872
Unrealized foreign exchange loss	7,425	(6,136)	-	1,289
Recognized deferred benefit contribution	1,071	(1,071)	-	-
Defined employee benefit plan	37,577	3,715	14,653	55,945
Others	831	225	-	1,056
	$ 604,404	$ (21,682)	$ 14,653	$ 597,375

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Unrealized valuation gain on available-for-sale financial assets	$ (48,902)	$ (100,033)	$ (46,910)	$ (195,845)
Investment gain of foreign subsidiaries recognized under equity method and exchange difference on translating foreign operations	(6,930,429)	(397,670)	(508,895)	(7,836,994)
Others	(409)	-	-	(409)
	$ (6,979,740)	$ (497,703)	$ (555,805)	$ (8,033,248)

e. Integrated income tax

	December 31 2015	December 31 2014
Unappropriated earnings		
Unappropriated earnings generated before January 1, 1998	$ 27,065	$ 27,065
Unappropriated earnings generated on and after January 1, 1998	17,144,760	16,174,867
	$ 17,171,825	$ 16,201,932
Imputation credits accounts	$ 1,342,024	$ 1,555,032

The creditable ratio for distribution of earnings of 2015 and 2014 was 12.16% (expected) and 13.16% (actual), respectively.

Under the Income Tax Law, imputation tax credits distributed to each shareholder are based on the ICA balance as of the date of dividend distribution. When the Bank pays dividend to its foreign shareholders, it should withhold income tax in accordance with related tax law, and therefore foreign shareholders are not entitled to the imputation tax credit. Only if earnings distributed included those which have been subjected to the 10% unappropriated earnings tax, then the foreign shareholders will be allowed a tax credit equal to their proportionate share of such additional 10% tax. The actual imputation credits allocated to the shareholders of the Bank are based on the balance of the Imputation Credits Accounts (ICA) as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2015 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

f. The Bank's income tax returns through 2011 had been assessed by the tax authorities.

31. EARNINGS PER SHARE

The numerators and denominators used in calculating earnings per share were as follows:

	Amount (Numerator)		Shares	Earnings Per Share (Dollars)	
	Before Income Tax	After Income Tax	(Denominator in Thousands)	Before Income Tax	After Income Tax
For the year ended December 31, 2015					
Basic earnings per share	$ 13,587,484	$ 11,897,992	3,987,947	$ 3.41	$ 2.98
Effect of diluted potential common stock					
Bonus to employees	-	-	1,586		
Diluted earnings per share					
Income for the year attributable to common shareholders plus effect of potential diluted common shares	$ 13,587,484	$ 11,897,992	3,989,533	$ 3.41	$ 2.98
For the year ended December 31, 2014					
Basic earnings per share	$ 12,747,708	$ 10,905,368	3,987,947	$ 3.20	$ 2.73
Effect of diluted potential common stock					
Bonus to employees	-	-	1,700		
Diluted earnings per share					
Income for the year attributable to common shareholders plus effect of potential diluted common shares	$ 12,747,708	$ 10,905,368	3,989,647	$ 3.20	$ 2.73

The weight average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares. This adjustment caused the basic and diluted after-tax earnings per share for the year ended December 31, 2014 were as follows:

Unit: NT$ Per Share

	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	$ 2.87	$ 2.73
Diluted earnings per share	$ 2.87	$ 2.73

Since the Bank can offer to settle bonus to employees in cash or shares, the Bank assumes the entire amount of the bonus would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

32. RELATED-PARTY TRANSACTIONS

a. The Bank's related parties were as follows:

Related Party	Relationship with the Bank
China Travel Service (Taiwan)	Subsidiary
SCSB Life Insurance Agency	Subsidiary
SCSB Property Insurance Agency	Subsidiary
SCSB Asset Management Ltd.	Subsidiary
SCSB Marketing Ltd.	Subsidiary
Shancom Reconstruction Inc.	Subsidiary
Wresqueue Limitada	Subsidiary
CTS Travel International Ltd.	Indirect subsidiary
SCSB Leasing (China) Co., Ltd.	Indirect subsidiary
Krinein Company (Krinein)	Indirect subsidiary
Empresa Inversiones Generales, S.A. (Empresa)	Indirect subsidiary
Safehaven Investment Corporation	Indirect subsidiary
Prosperity Realty Inc.	Indirect subsidiary
Shanghai Commercial Bank (HK)	Indirect subsidiary
Paofoong Insurance Company Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Shanghai Commercial Bank (Nominees) Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Shacom Futures Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Shanghai Commercial Bank Trustee Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Shacom Investment Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Shacom Property Holdings (BVI) Limited	Subsidiary of Shanghai Commercial Bank (HK)
Shacom Property (NY) Inc.	Subsidiary of Shanghai Commercial Bank (HK)
Shacom Property (CA) Inc.	Subsidiary of Shanghai Commercial Bank (HK)
Shacom Assets Investment Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Infinite Financial Solutions Limited	Subsidiary of Shanghai Commercial Bank (HK)
Shacom Insurance Brokers Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Shacom Securities Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Hai Kwang Property Management Co., Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Right Honour Investments Limited	Subsidiary of Shanghai Commercial Bank (HK)
KCC 23F Limited	Subsidiary of Shanghai Commercial Bank (HK) (from March 2015)
KCC 25F Limited	Subsidiary of Shanghai Commercial Bank (HK) (from March 2015)
KCC 26F Limited	Subsidiary of Shanghai Commercial Bank (HK) (from March 2015)
Glory Step Investments Limited	Indirect subsidiary of Shanghai Commercial Bank (HK)
Silver Wisdom Investments Limited	Indirect subsidiary of Shanghai Commercial Bank (HK)
The SCSB Cultural & Educational Foundation	Donated by the Bank which exceed 1/3 total fund
The SCSB Charity Foundation	Donated by the Bank which exceed 1/3 total fund
Silks Place Taroko	Investment under equity method held by subsidiary
BC Reinsurance Limited	Investment under equity method held by subsidiary
Joint Electronic Teller Services Limited (JETCO)	Investment under equity method held by subsidiary
Bank Consortium Holding Limited	Investment under equity method held by subsidiary
Hong Kong Life Insurance Limited	Investment under equity method held by subsidiary
i-Tech Solutions Limited	Investment under equity method held by subsidiary
Hung Ta Investment Corporation	The Chairman and the Bank's chairman are related by marriage

(Continued)

Related Party	Relationship with the Bank
Hung Shen Investment Corporation	The Chairman and the Bank's chairman are related by marriage
Taipei Foreign Exchange Market Development Foundation	The director of the Bank is the supervisor of the Company
Financial Information Service Co., Ltd.	The director of the Bank is the supervisor of the Company
Gengroup Merchandise Corp.	The director of the Bank is the chairman of the Company
GTM Development Co., Ltd.	The director of the Bank is the chairman of the Company
GTM Electronics Co., Ltd.	The director of the Bank is the chairman of the Company
GTM Textile Co., Ltd.	The director of the Bank is the chairman of the Company
GTM Holdings Corporation	The director of the Bank is the chairman of the Company
GTM Corporation	The director of the Bank is the chairman of the Company
Chung Kee Investment Co., Ltd.	The director of the Bank is the chairman of the Company
Chi-Li Investment Co., Ltd.	The director of the Bank is the director of the Company
Chang Ho Hsing Co., Ltd.	The director of the Bank is the director of the Company
Goldsun Co., Ltd.	The director of the Bank is the director of the Company (from June 5, 2015)
CX Technology Corporation	The director of the Bank is the director of the Company (from June 5, 2015)
Nan Ya Plastics Corporation	The director of the Bank is the director of the Company (from June 5, 2015)
Beacon Extender Limited	The director of the Bank is the director of the Company
Nanyang Holdings Limited	The director of the Bank is the director of the Company
Tai Ping Carpets International Limited	The director of the Bank is the director of the Company
Yong An Enterprise Ltd.	The director of the Bank is the director of the Company
Great Malaysia Textile Investments Pte Ltd.	The director of the Bank is the director of the foreign company
Singapore Labour Foundation	The director of the Bank is the director of the foreign company
China National Petroleum Corporation	The director of the Bank is the director of the foreign company
SIA Engineering	The director of the Bank is the director of the foreign company
NTUC INCOME	The director of the Bank is the chairman of the foreign company

(Continued)

Related Party	Relationship with the Bank
Singapore Airlines	The director of the Bank is the chairman of the foreign company
Others	The Bank's directors, supervisors, managers, and the relatives of the Bank's directors, supervisors and managers (supervisors have resigned on June 5, 2015)

(Concluded)

b. The significant transactions and account balances with the above parties (except those disclosed in other notes) are summarized as follows:

1) Due from foreign banks

	December 31	
	2015	2014
Shanghai Commercial Bank (HK)	$ 326,985	$ 686,339

The interest income arising from the above transactions were $311 thousand and $306 thousand for the years ended December 31, 2015 and 2014.

2) Due to banks

	December 31	
	2015	2014
Shanghai Commercial Bank (HK)	$ 348	$ 28

3) Guarantees

	Maximum Balance	Ending Balance	Reserve for Possible Losses on Guarantees	Interest Rate (%)	Collateral
December 31, 2015					
China Travel Service (Taiwan)	$ 7,000	$ 5,000	$ -	0.50-1.00	Real estate
CX Technology Corporation	$ 7,491	$ -	$ -	0.00	-
December 31, 2014					
China Travel Service (Taiwan)	$ 4,000	$ 4,000	$ -	0.50	Real estate

4) Deposits

	December 31, 2015			For the Year Ended December 31, 2015
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Empresa	$ 2,740,381	$ 830,941	0.25-0.75	$ 4,968
Krinein	858,937	477,903	0.25-0.75	2,823
SCSB Asset Management Ltd.	778,118	523,622	0.02-4.00	10,557
The SCSB Cultural & Educational Foundation	336,753	317,127	0.08-1.38	2,376
Employees	273,138	111,445	0.24-10.19	2,544
Supervisors and management related	272,396	184,503	0.00-4.00	1,332
SCSB Life Insurance Agency	271,836	268,872	0.00-1.31	2,602
Shancom Reconstruction Inc.	189,088	181,965	0.02-0.75	1,072
SCSB Property Insurance Agency	98,026	59,199	0.00-1.31	945
China Travel Service (Taiwan)	74,961	69,826	0.00-3.25	235
The SCSB Charity Foundation	57,753	57,240	0.08-1.31	534
Hung Ta Investment Corporation	50,698	3,618	0.00-0.17	8
CX Technology Corporation	39,972	7,463	0.00-0.08	1
Goldsun Co., Ltd.	37,173	52	0.02-0.17	2
Chi-Li Investment Co., Ltd.	34,161	18	0.13-0.17	7
SCSB Marketing	17,225	9,869	0.00-1.33	99
Hung Shen Investment Corporation	14,751	4,288	0.13-0.17	8
Silks Place Taroko	10,333	114	0.00-1.31	3
Gengroup Merchandise Corp.	7,933	2	0.13-0.17	2
CTS Travel International Ltd.	7,514	7,514	0.00-1.31	36
Chang Ho Hsing Co., Ltd.	5,499	5,499	0.13-0.17	4
	$ 6,176,646	$ 3,121,080		$ 30,158

	December 31, 2014			Year Ended December 31, 2014
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Empresa	$ 2,514,503	$ 794,866	0.50-0.85	$ 4,411
Krinein	799,986	457,155	0.50-0.85	2,477
SCSB Asset Management Ltd.	438,211	380,646	0.02-3.00	6,201
The SCSB Cultural & Educational Foundation	348,336	333,353	0.11-1.38	2,151
Employees	268,426	119,020	0.28-10.18	2,622
SCSB Life Insurance Agency	241,940	233,010	0.00-1.31	2,343
Supervisors and management related	216,477	145,112	0.00-3.20	1,190
Shancom Reconstruction Inc.	197,984	174,065	0.02-0.85	952
SCSB Property Insurance Agency	93,117	93,112	0.00-1.31	1,128
The SCSB Charity Foundation	90,248	56,490	0.11-1.31	619
China Travel Service (Taiwan)	88,313	59,132	0.00-2.88	388
Hung Ta Investment Corporation	48,626	4,579	0.00-0.17	4
Chi-Li Investment Co., Ltd.	19,088	89	0.17	-
Silks Place Taroko	17,344	1,764	0.17	4
SCSB Marketing	16,912	13,457	0.00-1.33	106
Hung Shen Investment Corporation	15,131	336	0.00-1.31	4
Gengroup Merchandise Corp.	7,744	-	0.17	2
CTS Travel International Ltd.	7,172	5,516	0.00-1.31	30
Chang Ho Hsing Co., Ltd.	5,375	376	0.17	2
	$ 5,434,933	$ 2,872,078		$ 24,634

5) Accrued receivables (accounted for receivables)

	December 31	
	2015	2014
SCSB Life Insurance Agency	$ 33,358	$ 7,314
SCSB Property Insurance Agency	245	241
	$ 33,603	$ 7,555

6) Interest receivable (accounted for receivables)

	December 31	
	2015	2014
Nan Ya Plastics Corporation	$ 216	$ -
Supervisors and management related	129	139
Goldsun Co., Ltd.	33	-
Silks Place Taroko	12	22
China Travel Service (Taiwan)	-	5
	$ 390	$ 166

7) Interest payable (accounted for payables)

	December 31	
	2015	2014
Empresa	$ 1,151	$ 1,424
SCSB Asset Management Ltd.	678	104
Krinein	662	819
Supervisors and management related	259	142
Shancom Reconstruction Inc.	252	312
SCSB Life Insurance Agency	138	142
The SCSB Cultural & Educational Foundation	67	71
China Travel Service (Taiwan)	32	39
SCSB Property Insurance Agency	31	68
The SCSB Charity Foundation	23	24
CTS Travel International Ltd.	26	20
SCSB Marketing	4	5
	$ 3,323	$ 3,170

8) Guarantee deposits received (accounted for other liabilities)

	December 31	
	2015	2014
The SCSB Cultural & Educational Foundation	$ 211	$ 211
SCSB Life Insurance Agency	197	197
SCSB Property Insurance Agency	197	197
China Travel Service (Taiwan)	180	180
SCSB Asset Management Ltd.	47	47
SCSB Marketing	20	20
	$ 852	$ 852

9) Call loans to banks interest revenue (December 31, 2015: Nil)

The interest income arising from the Shanghai Commercial Bank were $5,467 thousand for the years ended December 31, 2014.

10) Call loans from banks interest expense (December 31, 2015: Nil)

The interest income arising from the Shanghai Commercial Bank were $690 thousand and $2,114 thousand for the years ended December 31, 2015 and 2014.

11) Service fees (accounted for service fee incomes, net)

	For the Year Ended December 31	
	2015	2014
SCSB Life Insurance Agency	$ 322,459	$ 238,770
SCSB Property Insurance Agency	11,891	12,388
	$ 334,350	$ 251,158

12) Rental income (accounted for other net revenues)

	For the Year Ended December 31	
	2015	2014
The SCSB Cultural & Educational Foundation	$ 842	$ 802
SCSB Life Insurance Agency	790	752
SCSB Property Insurance Agency	790	752
China Travel Service (Taiwan)	720	686
SCSB Asset Management Ltd.	170	162
SCSB Marketing	79	74
	$ 3,391	$ 3,228

For the rental contracts with related parties, the rent is determined in proportion to the area rented by reference to the rent in neighborhood and received on a monthly basis.

13) Administrative expense (accounted for other general administrative expense)

	For the Year Ended December 31	
	2015	2014
SCSB Marketing	$ 63,465	$ 63,268
China Travel Service (Taiwan)	1,510	1,488
	$ 64,975	$ 64,756

14) Operating Expense (accounted for other general administrative expense)

	For the Year Ended December 31	
	2015	2014
SCSB Asset Management Ltd.	$ 110	$ 100

15) Loans

December 31, 2015									Year Ended December 31, 2015
				Performance				Difference of Terms of the Transactions	
Category	Name	Maximum Balance	Ending Balance	Normal Loans	Nonperforming Loans	Collateral	Interest Rate (%)	with Unrelated Parties	Interest Income
Loans for personal house mortgage	Supervisors and management related (12)	$ 122,345	$ 107,482	$ 107,482	-	Real estate	1.44-2.87	None	$ 2,462
Others	Supervisors and management related (3)	32,024	5,089	5,089	-	Real estate	2.20-2.97	None	364
	China Travel Service (Taiwan)	10,000	-	-	-	Real estate	1.60-1.60	None	36

(Continued)

Category	Name	Maximum Balance	Ending Balance	Performance: Normal Loans	Performance: Nonperforming Loans	Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties	Year Ended December 31, 2015 Interest Income
	December 31, 2015								
	SCSB Property Insurance Agency	25,712	-	-	-	Real estate	2.81-2.81	None	-
	Nan Ya Plastics Corporation	1,135,688	607,844	607,844	-	Real estate	1.45-1.65	None	3,453
	Goldsun Co., Ltd.	100,000	100,000	100,000	-	Credit	1.10-1.10	None	115
	CX Technology Corporation	75,759	32,938	32,938	-	Syndicated loan	1.85-2.04	None	335
	Silks Place Taroko	50,500	22,500	22,500	-	Real estate	1.70-1.84	None	504
		$ 1,552,028	$ 875,853	$ 875,853					$ 7,269

(Concluded)

Category	Name	Maximum Balance	Ending Balance	Performance: Normal Loans	Performance: Nonperforming Loans	Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties	Year Ended December 31, 2014 Interest Income
	December 31, 2014								
Loans for personal house mortgage	Supervisors and management related (17)	$ 130,789	$ 115,288	$ 115,288	-	Real estate	1.58-2.87	None	$ 2,614
Others	Supervisors and management related (1)	26,926	1,843	1,843	-	Real estate	2.17-2.97	None	365
	China Travel Service (Taiwan)	10,000	10,000	10,000	-	Real estate	1.60	None	9
	Silks Place Taroko	66,000	39,000	39,000	-	Real estate	1.84	None	973
		$ 233,715	$ 166,131	$ 166,131					$ 3,961

Employee deposits and loans have interest rates that are better than ordinary rates but within regulated limits, while other related party transactions have similar terms as non-related party transactions.

Under the provisions of Articles 32 and 33 of the Banking Act, the Bank shall not make unsecured loans to related party, except for consumer loans under certain limit, and government loans. Secured loan to a related party should be fully guaranteed and its terms not superior to other similar credit client.

c. Compensation of directors, supervisors and management personnel:

	For the Year Ended December 31 2015	For the Year Ended December 31 2014
Salaries and other short-term employee benefits	$ 111,379	$ 108,262
Bonus to employees	74,022	65,131
Remuneration to directors and supervisors	55,000	58,800
Retirement benefit	10,773	11,329
	$ 251,174	$ 243,522

The remuneration of directors and key executives was determined having regard to the performance of individuals and market trends.

33. PLEDGED ASSETS

Under the Central Bank's clearing system of Real-Time Gross Settlement (RTGS), on December 31, 2015 and 2014, the assets listed below had been provided as collateral for day-term overdraft with the pledged amount adjustable anytime.

	December 31 2015	December 31 2014	Guaranty Purpose
Held-to-maturity financial assets	$ 15,000,000	$ 22,800,000	Day-term overdraft with the pledge

On December 31, 2015 and 2014, the assets listed below have been provided as refundable deposits for operating guarantee and for executing legal proceedings against defaulting borrowers as required by the court.

	December 31		
	2015	**2014**	**Guaranty Purpose**
Held-to-maturity financial assets	$ 41,528	$ 204,118	Operating guarantee and executing legal proceedings against defaulted borrowers as required by the court
Available-for-sale financial assets	269,984	107,013	Operating guarantee and executing legal proceedings against defaulted borrowers as required by the court

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. In addition to those disclosed in other notes, significant commitments and contingencies of the Bank as of December 31, 2015 and 2014 were as follows:

	December 31	
	2015	**2014**
Receivables under custody	$ 28,378,837	$ 29,140,876
Consigned travelers' checks	260,864	272,813
Guarantee notes payable	120,546,679	95,560,649
Assets under trust	123,780,417	133,839,758
Securities in custody	5,999,733	2,260,272
Government bonds in brokerage accounts	50,149,000	38,215,000
Short-term bills in brokerage accounts	830,700	960,055

b. Operational risk and legal risk

Item	Reason and Amount For the Year Ended December 31	
	2015	**2014**
Chief director and staff indicted by prosecutor for breaking law in the conduct of operational activities in recent year	None	None
Violating the law and being punished by authorities in the recent year	None	None
Deficiency corrected by authorities in the recent year	None	None
Punished by authorities according to Bank law No. 61-1 in the recent year	None	None
A single or whole security events due to fraudulence, accident or against "Outlines Governing the Security Maintenance and Administration of Financial Institutions" which caused losses amount to $50 million in the recent year	None	None
Other	None	None

35. FINANCIAL INSTRUMENTS

a. Fair value information - financial instruments not measured at fair value

1) Fair value of financial instruments that are not measured at fair value

Except as detailed in the following table, the Bank's management considers the carrying amounts of financial instruments not measured at fair values are approximate of their fair values or the fair values could not be reliably measured:

	December 31			
	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Held-to-maturity financial assets	$ 82,141,191	$ 82,192,337	$ 89,765,674	$ 89,819,356
Financial liabilities				
Bank debentures	38,150,000	38,104,437	38,027,600	37,831,808

2) Fair value measurements recognized in the balance sheets

	December 31, 2015			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 82,192,337	$ 448,610	$ 81,743,727	$ -
Financial liabilities				
Bank debentures	38,104,437	-	38,104,437	-

3) The evaluation method and assumptions used in measuring fair value

The fair value of financial assets and liabilities are determined as follows:

a) The fair value of financial assets with standard clauses and terms is quoted market price.

b) The fair value of financial instruments other than the above is determined by the discounted cash flow analysis or other generally accepted pricing models.

b. Fair value information - financial instruments measured at fair value

1) Fair value level

Information of the financial instruments measured at fair value categorized by level is as follows:

Financial Instruments Measured at Fair Value	December 31, 2015 Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	$ 39,698	$ 39,698	$ -	$ -
Other	23,500,863	-	23,500,863	-
Financial assets be designated as at FVTPL on initial recognition	1,048,847	-	-	1,048,847
Available-for-sale financial assets				
Stocks	3,650,384	1,882,917	-	1,767,467
Bonds	115,735,961	36,642,342	77,942,234	1,151,385
Other	22,955,478	8,860,969	13,765,838	328,671
	$ 166,931,231	$ 47,425,926	$ 115,208,935	$ 4,296,370
Derivative instruments				
Assets				
Financial assets at fair value through profit or loss	$ 615,234	$ 14,509	$ 596,392	$ 4,333
Liabilities				
Financial liability at fair value through profit or loss	$ 475,344	$ -	$ 473,441	$ 1,903

Financial Instruments Measured at Fair Value	December 31, 2014 Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	$ 89,723	$ 89,723	$ -	$ -
Other	30,123,814	-	30,123,814	-
Financial assets be designated as at FVTPL on initial recognition	1,343,900	-	-	1,343,900
Available-for-sale financial assets				
Stocks	4,060,072	2,298,721	-	1,761,351
Bonds	86,688,033	27,910,680	58,439,776	337,577
Other	10,713,459	10,112,207	-	601,252
Other financial assets				
Non-active market debt instruments	200,000	-	-	200,000
	$ 133,219,001	$ 40,411,331	$ 88,563,590	$ 4,244,080

(Continued)

Financial Instruments Measured at Fair Value	December 31, 2014 Total	Level 1	Level 2	Level 3
Derivative instruments				
Assets				
Financial assets at fair value through profit or loss	$ 1,563,611	$ 22,526	$ 1,533,036	$ 8,049
Derivative instruments held for hedging	27,315	-	27,315	-
	$ 1,590,926	$ 22,526	$ 1,560,351	$ 8,049
Liabilities				
Financial liability at fair value through profit or loss	$ 1,024,107	$ -	$ 1,020,404	$ 3,703

(Concluded)

There are no transfers of financial instruments between Level 1 and Level 2 fair value measurement for the years ended December 31, 2015 and 2014.

2) Reconciliation of Level 3 fair value measurements of financial assets and liabilities for the years ended December 31, 2015 and 2014 is as follows:

For the year ended December 31, 2015

Item	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Buy or Issue	Transferred In	Sell Out, Disposal or Settlement	Transferred Out from Third Level	
Assets								
Financial assets at FVTPL								
Held-for-trading financial assets	$ 8,049	$ (3,716)	$ -	$ -	$ -	$ -	$ -	$ 4,333
Financial assets designated as at fair value	1,343,900	50,397	-	625,100	-	(970,550)	-	1,048,847
Available-for-sale financial assets	2,700,180	-	58,091	1,317,898	-	(828,646)	-	3,247,523
Other financial assets								
Debt investments with no active markets	200,000	-	-	-	-	(200,000)	-	-
Liabilities								
Financial liabilities at FVTPL								
Held-for-trading financial liabilities	3,703	(1,800)	-	-	-	-	-	1,903

For the year ended December 31, 2014

Item	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Buy or Issue	Transferred In	Sell Out, Disposal or Settlement	Transferred Out from Third Level	
Assets								
Financial assets at FVTPL								
Held-for-trading financial assets	$ 95,971	$ (79,599)	$ -	$ 11,402	$ -	$ (19,725)	$ -	$ 8,049
Financial assets designated as at fair value	1,545,803	113,067	-	1,092,615	-	(1,407,585)	-	1,343,900
Available-for-sale financial assets	3,119,655	-	82,592	637,156	-	(1,139,223)	-	2,700,180
Other financial assets								
Debt investments with no active markets	200,000	-	-	-	-	-	-	200,000
Liabilities								
Financial liabilities at FVTPL								
Held-for-trading financial liabilities	90,071	(82,206)	-	5,701	-	(9,863)	-	3,703

3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Bonds	Valuation was based on observable market prices or assessed by cash-flow method through observable elements.
Others	Valuation was based on observable market prices or assessed by cash-flow method through observable elements.
Derivatives	Valuation was based on widely-adapted pricing techniques. The inputs were assessed by observable elements in the market.

4) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

Fair value evaluation categorized as level 3 included but not limited to FVTPL, equity securities investment, derivatives, and held to maturity financial assets.

Most fair value categorized as level 3 only possess single unobservable inputs. Non-active market debt instruments possess unobservable inputs. The non-active market equity instruments are independent and thus are irrelevant to each other. The table of quantified information of significant unobservable inputs is as follows.

	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Notes
Non-derivative financial assets					
Financial assets at FVTPL					
Corporate bonds	$ 1,048,847	Bids from counterparties	Lack of market liquidity discount	0%-10%	The increase in discount from lack of market liquidity decreases fair value.
Available-for-sale financial assets					
Stocks	1,767,467	Net assets method	Lack of market liquidity discount	0%-10%	The increase in discount from lack of market liquidity decreases fair value.
Bonds	1,151,385	Bids from counterparties	Lack of market liquidity discount	0%-10%	The increase in discount from lack of market liquidity decreases fair value.
Time deposit	328,671	Discounted cash flow	Lack of market liquidity discount	0%-10%	The increase in discount from lack of market liquidity decreases fair value.
Derivative financial assets					
Financial assets at FVTPL					
Interest rate swap	2,430	Discounted cash flow	Fluctuating	0%-10%	The increase in volatility decreases fair value.
Option	1,903	Discounted cash flow	Fluctuating	0%-10%	The increase in volatility decreases fair value.
Derivative financial liabilities					
Financial liability at FVTPL					
Option	1,903	Discounted cash flow	Fluctuating	0%-10%	The increase in volatility decreases fair value.

5) Sensitivity analysis of alternative assumptions of Level 3 fair value measurements of financial instruments.

The Bank reasonably measured the fair values of its financial instruments; however, using different valuation models, evaluation method and underlying assumptions may lead to different results. For financial instruments classified as level 3 fair value measurement, if the parameters went up 1%, the influence on net income or other comprehensive income would be as follows:

December 31, 2015

	Changes in Fair Value Reflected in Profit or Loss		**Changes in Fair Value Reflect in Other Comprehensive Income**	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets	$ -	$ (5,556)	$ -	$ -
Financial assets designated as at fair value	-	(1,565)	-	-
Available-for-sale financial assets	-	-	17,675	(4,635)
Liabilities				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	2,292	-	-	-

December 31, 2014

	Changes in Fair Value Reflected in Profit or Loss		**Changes in Fair Value Reflect in Other Comprehensive Income**	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets	$ 910	$ (1,357)	$ -	$ -
Financial assets designated as at fair value	-	(1,846)	-	-
Available-for-sale financial assets	-	-	17,613	(5,282)
Liabilities				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	-	(910)	-	-

For financial instruments those were classified as the Level 3 if the parameters went down 1%, the influence of net income or other comprehensive income is as follows:

December 31, 2015

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets	$ -	$ (8,592)	$ -	$ -
Financial assets designated as at fair value	1,565	-	-	-
Available-for-sale financial assets	-	-	4,801	(17,675)
Liabilities				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	5,325	-	-	-

December 31, 2014

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets	$ -	$ (6,305)	$ -	$ -
Financial assets designated as at fair value	1,846	-	-	-
Available-for-sale financial assets	-	-	4,340	(17,613)
Liabilities				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	4,973	-	-	-

c. Financial risk management

1) Risk management

The Bank’s objective in risk management is to establish a risk control mechanism weighing the entire risk of the Bank, restrictions from laws and regulations, to diversify, transfer and avoid risk, and to pursue the maximum benefits of the Bank’s customers, shareholders, and employees. The Bank’s major risks include credit risk, market risk (interest rate, exchange rate and equity securities), operational risk, liquidity risk and so on.

The Bank established written risk management policies and procedures that are considered and approved by the Board to identify, measure, monitor, and control the credit risk, market risk, and liquidity risk.

The Bank's risk management department performs the Bank's risk management activities pursuant to the policies approve by the Board. Risk management department works with other business departments in order to identify, evaluate, and avoid any financial risks. The Board formulates the written policies for risk management; the policy included specific exposures such as currency risk, interest rate risk, credit risk, derivative and non-derivative financial instruments. In addition, the department of internal audit is responsible for independent review of risk management and control environment.

2) Credit risk

Credit risk is the risk of counterparties' failure to fulfill their contractual obligations causing the Bank's financial losses. Both in-balance-sheet and off-balance-sheet items are exposed to credit risks. For the Bank's credit exposures, in-balance-sheet items mainly consisted of discounts and loans, credit card business, due from and call loans to banks, debt investments, and derivative instruments. Off-balance sheet items mainly consisted of financial guarantee, acceptances, letters of credit, loan commitments, and other services which also generate credit exposure.

To ensure that the credit risk is controlled within a tolerable range, the Bank established an internal standard for credit risk. In that standard, all transactions are analyzed whether in the banking book or in the trading book, and either in-balance-sheet or off-balance-sheet, to identify the inherent and potential risks. The Bank examines and confirms credit risk in accordance with the rules before launching new products and business. Furthermore, the Bank also establishes a risk management system for complicated credit business such as factoring, credit derivative financial instruments and so on.

The Bank's foreign operation units adopt policies and standards same with above to assess their asset quality and provision for contingent loss, and also include policies that comply with the regulations of the local financial supervisory commission.

a) Procedures of credit risk management

Each major business applies procedures and methods for credit risk management as follows:

i. Credit business (including loan commitments and guarantees)

The classification of credit assets and credit quality levels are as follows:

i) Classification of credit assets

Credit assets are divided into normal, notice, warning, difficult and uncollectible according to the conditions of the credit assets and the length of time the accounts were overdue. The Bank complies with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans'' and "Credit Asset Valuation Guidelines" to manage credit issues related to nonperforming loans.

ii) Credit quality rating

The Bank establishes a credit quality rating guide (either using internal rating models or credit rating table) based on the business characteristics, scale and other factors and uses it in its risk management.

In order to assess the corporate clients' credit risk, the Bank develops a credit rating model by using statistical methods or professional judgments and by considering clients' information. The model is reviewed regularly to determine whether the computation agrees to the actual situation, and makes adjustments to each parameter to optimize the calculation results.

For individual personal clients' credit loans and partial mortgage loans, internal credit rating model is used in the credit evaluation; other credits are assessed on a case by case basis.

The clients are assessed and ranked annually. In addition, to ensure the rationality of the credit rating system, the design, process and associated risk factors are reviewed and the models are evaluated based on the actual defaults on an annual basis.

ii. Due from and call loans to bank

The Bank assesses the credit position of counterparties and consults a credit rating agency for credit rating information and sets limits to the credit facilities.

iii. Debt investment and derivative financial instruments

For the credit risk management of debt investments, the Bank identifies credit risk by using information from external institutions about credit ratings, quality of debts, region, and the risk of counterparties.

Most of the Bank's counterparties in derivative transactions are assessed at higher than investment grade and the Bank controls the investment according to counterparties' facilities (including call loans); counterparties that do not have credit ratings or are not assessed at investment grade are reviewed case by case. Counterparties which are non-financial or non-banking clients are assessed according to the general procedures for the approval of credit facilities and control of credit exposure situations of the counterparty.

b) Policies of credit risk hedging or mitigation

i. Collaterals

The Bank applies series of policies to decrease credit risks in its lending business. Among those policies is to request collaterals from creditors. To secure the creditor's rights, the Bank has established procedures for pledge, valuation, management, and disposal of collaterals. The contracts between the Bank and the borrowers clearly state the protocols, including but not limited to the security of credit, procedures for collateral and for setoff. Collaterals for business other than loan borrowings vary by the natures of related financial instruments. Only asset-backed securities and other similar financial instruments are secured by a pool of financial assets.

ii. Limitation of credit risk and credit concentration management

The credit policies of the Bank regulate the credit limitations, as applied to single counterparty or group, to avoid excessive credit concentration. The Bank further implements concentration policies, which monitor and manage the credit limitation and concentration in one single counterparty, different enterprises, related parties, industries, and countries. The policies are based on individual criteria in different categories including but not limited to industries, enterprises, and stock-pledge related loans.

iii. Other mechanism for credit risk management

To further decrease credit risks, the contracts also proclaim that the Bank may decrease the balances, shorten the maturity period, demand immediate payback, or use borrowers' assets in the Bank to offset their liabilities.

In most circumstances, the Bank applies gross settlement with counterparties. However, to further decrease credit risks, the Bank applies net settlement or even terminates transactions with certain counterparties when default may occur.

The table below analyzes the collaterals held as security and other credit enhancements, and their financial effect in respect of the financial assets recognized in the Bank's consolidated balance sheet:

December 31, 2015

	Maximum Exposure to Credit Risk Mitigated by			
	Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Receivables	$ 969,324	$ -	$ 594,256	$ 1,563,580
Discount and Loans Abstract	399,261,486	-	64,935,817	464,197,303
Available-for-sale financial assets				
Debt investments	-	-	1,888,663	1,888,663
Short-term securities	-	-	20,127,374	20,127,374
Held-to-maturity financial assets				
Debt investments	-	-	4,163,543	4,163,543

December 31, 2014

	Maximum Exposure to Credit Risk Mitigated by			
	Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Receivables	$ 1,235,278	$ -	$ 1,208,048	$ 2,443,326
Discount and loans	378,289,875	-	84,536,431	462,826,306
Held-for-trading financial assets - short-term bills	-	-	11,981,394	11,981,394
Financial assets designated as at fair value	-	-	157,052	157,052
Available-for-sale financial assets - bonds	-	-	4,176,918	4,176,918
Held-to-maturity - bonds	-	-	157,906	157,906

c) Credit risk exposures

The maximum exposure of the Bank's assets in the balance sheet is equivalent to the book value, while the pledged assets and other credit instruments are not considered. The off-balance sheet items related to the maximum credit exposure (without considering collateral or other credit enhancements and irrevocable maximum exposure) are as follows:

	December 31	
	2015	2014
Developed and noncancelable loan commitments	$ 333,729,546	$ 345,650,077
Noncancelable credit card commitments	1,140,656	1,029,402
Issued but unused letters of credit	7,664,308	9,151,033
Other guarantees	42,416,804	43,261,818

The Bank assessed that it could continually control and minimize credit risk exposure of off-balance-sheet items because it adopts stricter procedures and regularly audits credit accounts.

d) Information on concentration of credit risk

Concentration of credit risk exists if transaction counterparties are significantly concentrated on same individuals or groups engaged in activities with similar economic characteristics, which may lead their ability to fulfill contractual obligations being affected by similar changes in economic or other conditions.

Concentration of credit risk can be on assets, liabilities or off-balance sheet items and can arise in the course of the enforcement and implementation of transactions (regardless of products or service) or in the combination of exposures across categories, including credit, due from and call loans to banks, marketable securities, receivables and derivatives, etc. The Bank maintains a diversified loan portfolio to mitigate the credit risk concentration to same customers; total transaction of same customers in discounts and loans and the balance of non-accrual loans are not material. The Bank's most significant concentrations of credit risk of discounts and loans and non-accrual loans by business, region, and collateral were summarized as follows:

i. Counterparty

	December 31			
	2015		2014	
Counterparty	**Amount**	**% to Total**	**Amount**	**% to Total**
Private sector	$ 342,458,611	58	$ 347,889,534	59
Consumer	232,044,484	40	231,120,425	39
Financial institution	6,346,368	1	3,837,758	1
Others	4,708,104	1	4,049,922	1
	$ 585,557,567	100	$ 586,897,639	100

ii. Region

	December 31			
	2015		2014	
Region	**Amount**	**% to Total**	**Amount**	**% to Total**
ROC.	$ 501,920,266	86	$ 481,190,338	82
Asia Pacific except ROC	77,970,721	13	96,912,252	17
Europe	2,568,051	1	2,755,621	-
Americas	2,298,103	-	5,854,948	1
Africa	701,726	-	184,480	-
Others	98,700	-	-	-
	$ 585,557,567	100	$ 586,897,639	100

iii. Collaterals assumed

Collaterals Assumed	December 31 2015 Amount	2015 % to Total	2014 Amount	2014 % to Total
Unsecured	$ 115,954,058	20	$ 112,038,641	19
Secured				
Properties	351,591,872	60	335,590,577	57
Guarantee	60,465,950	10	84,968,761	14
Financial collateral	25,750,604	5	22,836,977	4
Movable properties	7,621,532	1	10,027,039	2
Other collaterals	24,173,551	4	21,435,644	4
	$ 585,557,567	100	$ 586,897,639	100

e) Information on credit risk quality

Part of the financial assets held by the Bank, cash and cash equivalents, financial assets at fair value through profit or loss, investment in bills and bonds with resale agreements, guarantee deposits paid, security business, and clearing and settlement fund, etc. are assessed to have very low credit risk because the counterparties have good credit ratings.

In addition to the above, the credit analysis of the remaining financial assets is as follows:

a) Credit analysis of discounts and loans and receivables

December 31, 2015	Neither Past Due Nor Impaired				Overdue but Unimpaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Recognized Losses Amount (D)		Net Amount (A)+(B)+(C)-(D)
	Strong	Moderate	Special Mention	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables										
Credit card	$ 1,180,748	$ 620,850	$ 63,117	$ 1,864,715	$ 44,582	$ 76,777	$ 1,986,074	$ 61,152	$ 144,133	$ 1,780,789
Others	2,942,956	2,826,576	103,921	5,873,453	50,370	25,073	5,948,896	11,765	119,254	5,817,877
Discount and loans	366,370,487	158,686,404	43,116,809	568,173,700	4,233,253	13,150,614	585,557,567	3,617,913	5,522,700	576,416,954

December 31, 2014	Neither Past Due Nor Impaired				Overdue but Unimpaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Recognized Losses Amount (D)		Net Amount (A)+(B)+(C)-(D)
	Strong	Moderate	Special Mention	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables										
Credit card	$ 1,281,997	$ 629,108	$ 79,868	$ 1,990,973	$ 44,376	$ 84,216	$ 2,119,565	$ 69,110	$ 120,498	$ 1,929,957
Others	2,471,227	5,046,667	322,902	7,840,796	57,066	129,316	8,027,178	96,223	34,319	7,896,636
Discount and loans	339,035,638	191,490,030	23,310,956	553,836,624	22,199,070	10,861,945	586,897,639	3,925,355	4,977,871	577,994,413

b) Credit quality analysis of discounts and loans that are neither past due nor impaired

December 31, 2015	Neither Past Due Nor Impaired			
	Strong	Moderate	Special Mention	Total
Consumer banking				
Housing mortgage	$ 155,191,160	$ 19,452,400	$ 1,071,825	$ 175,715,385
Small scale credit loans	942,713	245,427	6,278	1,194,418
Others	16,419,302	3,788,254	230,630	20,438,186
Corporate banking				
Secured	94,216,232	87,312,102	28,680,098	210,208,432
Unsecured	99,601,080	47,888,221	13,127,978	160,617,279
Total	366,370,487	158,686,404	43,116,809	568,173,700

December 31, 2014	Neither Past Due Nor Impaired			
	Strong	Moderate	Special Mention	Total
Consumer banking				
Housing mortgage	$ 158,475,924	$ 9,489,826	$ 2,086,280	$ 170,052,030
Small scale credit loans	126,325	103,492	143,741	373,558
Others	17,288,388	1,772,615	443,941	19,504,944
Corporate banking				
Secured	91,937,339	96,781,822	11,316,869	200,036,030
Unsecured	71,207,662	83,342,275	9,320,125	163,870,062
Total	339,035,638	191,490,030	23,310,956	553,836,624

Delays caused by loan processing and other administrative issues may result in financial assets overdue but not impaired. According to the internal risk management rule of the Bank, financial assets past due within 90 days are normally not considered impaired, unless other circumstances reveal that the financial assets are impaired.

Age analysis of financial assets that were overdue but not impaired is as follows:

Items	December 31, 2015		
	Past Due Up to a Month	Past Due One to Three Months	Total
Receivables			
Credit card	$ 41,005	$ 3,577	$ 44,582
Others	44,580	5,790	50,370
Discounts and loans			
Consumer banking			
Housing mortgage	2,028,459	39,306	2,067,765
Small scale credit loans	8,707	438	9,145
Others	191,623	-	191,623
Corporate banking			
Secured	1,275,321	-	1,275,321
Unsecured	689,399	-	689,399

Items	December 31, 2014		
	Past Due Up to a Month	Past Due One to Three Months	Total
Receivables			
Credit card	$ 40,486	$ 3,890	$ 44,376
Others	53,709	3,357	57,066
Discounts and loans			
Consumer banking			
Housing mortgage	9,188,844	526,582	9,715,426
Small scale credit loans	25,200	111	25,311
Others	781,310	19,613	800,923
Corporate banking			
Secured	7,042,267	684,842	7,727,109
Unsecured	3,773,030	157,271	3,930,301

c) Credit quality analysis of security investment

(Amount in Thousands of New Taiwan Dollars)

December 31, 2015	Neither Past Due Nor Impaired						Past Due but Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Recognized Losses Amount (D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Moderate	Normal	Unrated	Subtotal (A)					
Available-for-sale financial assets											
Bonds	$ 58,296,075	$ 17,510,367	$ 26,727,806	$ 12,701,713	$ 500,000	$ 115,735,961	$ -	$ 98,700	$ 115,834,661	$ 98,700	$ 115,735,961
Stocks	-	-	-	-	11,839,684	11,839,684	-	-	11,839,684	-	11,839,684
Bills	-	-	1,000,340	-	-	1,000,340	-	-	1,000,340	-	1,000,340
Held-to-maturity financial assets											
Bonds	93,613	162,463	285,115	-	-	541,191	-	-	541,191	-	541,191
Bills	81,600,000	-	-	-	-	81,600,000	-	-	81,600,000	-	81,600,000
Financial assets at FVTPL											
Bonds	-	164,500	325,047	329,000	230,300	1,048,847	-	-	1,048,847	-	1,048,847

(Amount in Thousands of New Taiwan Dollars)

December 31, 2014	Neither Past Due Nor Impaired						Past Due but Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Recognized Losses Amount (D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Moderate	Normal	Unrated	Subtotal (A)					
Available-for-sale financial assets											
Bonds	$ 43,279,582	$ 18,052,273	$ 19,973,516	$ 4,680,870	$ 701,791	$ 86,688,032	$ -	$ 95,010	$ 86,783,042	$ 95,010	$ 86,688,032
Stocks	-	-	-	-	13,383,815	13,383,815	-	-	13,383,815	-	13,383,815
Bills	-	-	1,389,717	-	-	1,389,717	-	-	1,389,717	-	1,389,717
Held-to-maturity financial assets											
Bonds	252,160	-	313,514	-	-	565,674	-	-	565,674	-	565,674
Bills	89,200,000	-	-	-	-	89,200,000	-	-	89,200,000	-	89,200,000
Financial assets at FVTPL											
Bonds	-	-	95,010	314,625	934,265	1,343,900	-	-	1,343,900	-	1,343,900
Other financial assets											
Debt Instruments	-	-	-	-	200,000	200,000	-	-	200,000	-	200,000

3) Market risk

a) The sources and definition of market risk

Market risk is the risk resulting from changes in fair value and future cash flows of on- and off-balance-sheet financial instruments caused by changes in market prices, interest rates, foreign exchange rate, including equity securities price and commodity price. Changes in above risk elements can cause risks to shift the net profit of the Bank or its investment structures.

The Bank's financial instruments are exposed to price, interest rate and foreign exchange rate risks. Major market price risk positions of equity securities include domestic listed stocks and funds. Major interest risks include bonds and interest rate derivative instruments such as fixed and floating interest rate swap and bond options whereas the major foreign exchange risks include foreign currency positions held by the Bank.

b) Market risk management policies

The Bank monitors its market risk positions and tolerable loss according to the risk management objectives and limits approved by the Board of Directors.

The Bank also builds a market risk information system, which enables the Bank to effectively monitor the management of facilities, assessment of gains and losses, analysis of sensitivity factors of the Bank's financial instrument positions, etc. The results of the monitoring, assessment and analysis are reported in risk control meetings and serve as references for the decision making of management.

The Bank splits market risk exposure into trading and held-for-fixed-income portfolios which are controlled by both the Bank's operation and risk management sections. Routine control reports are reviewed by the Bank's Board of Directors and relevant committees.

c) Market risk management process

i. Recognition and measurement

The Bank's operation and risk management sections both identify market risk factors of exposure positions, which are used to measure market risks. Market risk factors include interest rates, foreign exchange rates and market price of equity securities, and exposures, gains and losses and sensitivity (PVO1, Delta, Beta) etc. Measurement of investment portfolio is affected by interest rate risk, foreign exchange risk and price of equity securities.

ii. Monitoring and reporting

The Bank's risk management department regularly reviews market risk management objective, positions and control of gains and losses, sensitivity analysis and pressure test and reports to the Board of Directors. Therefore, the Board of Directors could well understand market risk control. The Bank has established explicit notification process, the limit and stop-loss regulation for various transactions. Stop-loss order must be taken when the limit is reached, otherwise the trading department's reasons and plans must be approved by the management, and the department should report to relevant committee regularly.

d) Interest rate management policies

i. Definition of interest rate risk

Interest rate risk represents risks of variation of fair value of trading position and loss in earnings resulting from interest rate variation. Major relevant products include interest rate-related financial securities and derivatives instrument.

ii. Purpose of interest risk management

Interest rate risk management enhances the Bank's ability to measure, control and avoid negative influence of interest rate variation on earnings and economic values of balance sheet items. In addition, it enhances capital efficiency and strengthens operation.

iii. Procedures of interest risk management

The Bank carefully chooses investment target through conducting research about issuer's credit, financial status, country risks and interest rate trend. The Bank also establishes trading amount limit and stop-loss limit including limit for trading department, trading personnel and trading commodity, etc. according to trading book operation policies and market status which are approved by top management and the Board of Directors.

The Bank identifies re-pricing risk of interest rate and yield curve risk and measures possible effects on the Bank's earnings and economic values of changes in interest rate. On a monthly basis, the Bank reports the analysis and monitoring of limit on interest rate risk position and various interest rate management objectives to the Assets and Liabilities Management Committee and the Board of Directors.

Report to the Assets and Liabilities Management Committee is required when certain risk management objective has exceeded limit in order to resolve response action.

iv. Measurement methods

The Bank measures risks of price reset periods gap from difference in maturity date and price reset date of assets, liabilities, and off-balance sheet items. The Bank also established interest rate sensitivity monitoring index for major periods in order to maintain long-term profitability and business growth. Such interest rate indexes and results of pressure test are reviewed by management personnel periodically. In addition, the Bank regularly uses the DV01 to measure portfolio affected by interest rate.

e) Foreign exchange rate risk management

i. Definition of foreign exchange risk

Foreign exchange risk means losses resulting from transferring currencies at different times. The Bank's foreign exchange rate risk results mainly from spot and forward foreign exchange business. The Bank's foreign exchange rate risk is relatively insignificant due to the fact that customers' positions are basically settled immediately on transaction date.

ii. Policies, procedures and measurement method for foreign exchange rate risk management

In order to control foreign exchange rate risk within tolerable range, the Bank has established trading limit, stop-loss limit and maximum loss for trading department and trading personnel and the risk is controlled within the tolerable range.

The Bank undertakes pressure test on a seasonal basis and uses 3% fluctuation in major foreign exchange rate (USD) as the sensitivity threshold and reports test results to the Assets and Liabilities Management Committee.

f) Equity securities price risk management

i. Definition of equity securities price risk

The market risk of equity securities held by the Bank includes individual and general risk from price fluctuation of both individual equity security and the entire equity security market.

ii. Purpose of equity security price risk management

The main purpose of equity security price risk management is to prevent financial status from deteriorating and to avoid decrease in earnings due to violent fluctuation in equity security prices, and to enhance capital efficiency and strengthen operation.

iii. Procedures of equity security price risk management

The Bank regularly uses β value to measure the degree of influence on investment portfolio system risk. Stop-loss point is set according to the policy approved by the Assets and Liabilities Management Committee. Stop-loss action must be taken when limit is reached, otherwise the investment department must submit request to top management personnel for approval.

iv. Measurement method

The Bank's control of security price risk is based on risk values.

g) Market valuation technique

The Bank assesses its exposures to market risk and the anticipated loss under market pressures by using assumptions on several market position changes. Limits of various financial instruments are set by the Board of Directors and monitored by the Assets and Liabilities Management Committee. The Bank also performs sensitivity analysis based on major risk factors of various financial products in order to monitor the changes in various market risk factors of financial products.

i. Sensitivity analysis

i) Interest rate risk

The Bank has assessed the possible impact on income if global yield curve move between -100 to +100 base points simultaneously on December 31, 2015 and 2014.

ii) Foreign exchange rate risk

The Bank assesses the possible impact on income when exchange rates of NTD against various currencies fluctuate between -3% and +3% while other factors remain unchanged.

iii) Equity securities price risk

The Bank has assessed the possible impact on income when equity security prices on December 31, 2015 and 2014 rise or fall by 10% while other factors remain unchanged.

The analysis assumed that the trends of equity instruments are consistent with historical data.

ii. Sensitivity analysis is summarized as follows:

December 31, 2015			
Major Risk	**Variation Range**	**Amount**	
		Equity	**Profit or Loss**
Foreign exchange risk	Various currencies/NTD increased 3%	$ 1,740,240	$ 25,324
Foreign exchange risk	Various currencies/NTD decreased 3%	(1,740,240)	(25,324)
Interest rate risk	Rate curve increased 100BPS	(2,795,663)	(14,458)
Interest rate risk	Rate curve decreased 100BPS	2,795,663	14,458
Price risk of equity securities	Price of equity securities increased 10%	534,427	3,523
Price risk of equity securities	Price of equity securities decreased 10%	(534,427)	(3,523)

December 31, 2014			
Major Risk	**Variation Range**	**Amount**	
		Equity	**Profit or Loss**
Foreign exchange risk	Various currencies/NTD increased 3%	$ 1,591,500	$ (21,631)
Foreign exchange risk	Various currencies/NTD decreased 3%	(1,591,500)	21,631
Interest rate risk	Rate curve increased 100BPS	(2,196,501)	(148)
Interest rate risk	Rate curve decreased 100BPS	2,196,501	148
Price risk of equity securities	Price of equity securities increased 10%	639,936	7,397
Price risk of equity securities	Price of equity securities decreased 10%	(639,936)	(7,397)

4) Liquidity risk

a) The sources and definition of liquidity risk

Liquidity risk is the possibility that the Bank is unable to liquidate assets or obtain financing to fulfill matured financial liabilities which may result in financial loss. Liquidity risk may be present when, for example, deposits are withdrawn in advance of the original date of settlement, the market becomes worse and borrowing from other banks becomes difficult, the clients' credit deteriorates leading to the occurrence of defaults, liquidation of financial instruments becomes difficult, early redemption of interest-sensitive instruments happens, etc. The aforementioned factors may reduce cash balance to be used in the areas of loans, trading, and investment. In some extreme circumstances, the lack of liquidity may lead to the decrease in the overall assets and liabilities, and the need to liquidate the Bank's assets and the possibility of being unable to fulfill loan commitments. Liquidity risks include inherent risks that may be affected by some specific industry events or overall market condition. These events include but are not limited to credit, merger and acquisitions, systemic breakdown and natural disasters.

b) The management policies are as follows:

The Bank's management procedures are monitored by the independent department of risk management and the procedures are as follows:

i. Regular financing and monitoring of cash flows to ensure the fulfillment of the requirements in the future.

ii. Maintaining appropriate position of high liquidity assets which are easily realizable.

iii. Monitoring of liquidity ratios of the balance sheet accounts according to the internal management purposes and external monitoring rules.

iv. Managing the maturity date of debt instruments.

The procedures for monitoring and reporting liquidity risk are applied and measured based on the estimated cash flows (the time gap is based on how the Bank manages the liquidity risk) of 1 day, 10 days, and 1 month. Estimates of future cash flows are based on the maturity analysis of financial assets and liabilities. The risk management department also monitors the use of loan commitment, discount facilities, guarantee letters, and other types of contingent liabilities, and furthermore reports the related information to the risk management committee and the board of directors regularly.

The Bank holds certain position of highly liquid interest bearing assets to fulfill its obligation and for future needs. To manage the liquidity risk, the Bank holds the following assets: Cash and cash equivalents, due from the Central Bank and banks, and financial assets at fair value through profit or loss, etc.

c) Maturity analysis

The Bank analyzed cash outflows of non-derivative financial liabilities according to the remaining terms from date of the balance sheet to maturity date of the contract. The disclosure of cash outflows of non-derivative financial liabilities is based on the cash flows of contracts so that the items could not correspond with all items in the balance sheet.

December 31, 2015	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Due to the Central Bank and banks	$ 12,559,456	$ -	$ -	$ -	$ -	$ 12,559,456
Securities sold under repurchase agreements	2,879,887	188,518	167,936	3,084,335	-	6,320,676
Payables	16,391,692	256,211	250,908	175,857	24,076	17,098,744
Deposits and remittances	473,505,656	115,810,011	90,945,644	110,139,687	7,748,253	798,149,251
Bank debentures	-	-	-	-	38,150,000	38,150,000
Other financial liabilities	3,979,973	-	-	-	-	3,979,973

December 31, 2014	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Due to the Central Bank and banks	$ 9,713,600	$ -	$ -	$ -	$ -	$ 9,713,600
Securities sold under repurchase agreements	3,158,917	437,743	140,341	2,738,071	-	6,475,072
Payables	17,790,002	200,507	214,406	83,365	982	18,289,262
Deposits and remittances	445,879,574	131,213,337	85,099,206	106,958,864	6,443,924	775,594,905
Bank debentures	27,600	-	3,000,000	2,000,000	33,000,000	38,027,600
Other financial liabilities	5,630,516	-	-	-	-	5,630,516

The Bank evaluated the contractual maturity date to comprehend all derivative financial instruments on the balance sheet. Because the maturity analysis of derivative financial liabilities is based on the contractual cash flows, the amounts would not correspond with related items on the balance sheet. Maturity analysis of derivative financial liabilities is as follows:

i. Derivative financial liabilities in net settlement

December 31, 2015	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives	$ 54,878	$ 37,544	$ 52,485	$ 72,051	$ -	$ 216,958
Rate derivatives	-	143	290	-	21,397	21,830

December 31, 2014	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives	$ 106,791	$ 114,070	$ 120,398	$ 185,406	$ 1,860	$ 528,525
Rate derivatives	-	9	81	-	33,716	33,806

ii. Derivative financial liabilities in total settlement

December 31, 2015	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	$ 7,509,778	$ 4,325,595	$ 3,223,178	$ 3,361,808	$ -	$ 18,420,359
Cash outflow	7,587,632	4,305,835	3,249,183	3,357,482	-	18,500,132

December 31, 2014	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	$ 12,224,930	$ 3,659,676	$ 4,764,444	$ 7,241,365	$ 13,583	$ 27,903,798
Cash outflow	12,406,657	3,957,957	5,199,616	7,507,669	13,365	29,085,264

The analysis of cash outflows of off-balance-sheet items is illustrated according to the remaining terms from date of the balance sheet to maturity date of the contract. For financial guarantee contracts, the largest amount is categorized under the nearest time-zone of being asked to fulfill the guarantees. The disclosure of cash outflows of off-balance-sheet items is based on the cash flows of contracts so that part items could not correspond with all items in the balance sheet.

December 31, 2015	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Developed and noncancelable loan commitments	$ 28,834,233	$ 57,668,466	$ 86,502,698	$ 160,724,150	$ -	$ 333,729,547
Noncancelable credit card commitments	98,553	197,105	295,658	549,340	-	1,140,656
Issued but unused letters of credit	2,157,555	3,920,171	1,025,115	337,671	223,796	7,664,308
Other guarantees	3,931,755	6,426,425	8,488,709	8,366,474	15,203,441	42,416,804

December 31, 2014	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Developed and noncancelable loan commitments	$ 29,864,167	$ 59,728,333	$ 89,592,500	$ 166,465,077	$ -	$ 345,650,077
Noncancelable credit card commitments	88,940	177,881	266,821	495,760	-	1,029,402
Issued but unused letters of credit	2,704,438	5,290,530	752,649	379,675	23,741	9,151,033
Other guarantees	4,591,822	6,209,252	6,532,015	9,015,455	16,913,274	43,261,818

d. Transfer of financial assets

In the daily transactions of the Bank, most of the transferred financial assets not eligible for full derecognition are repurchase notes and bonds. The cash flows of the transactions have been transferred to outsiders and the liabilities for repurchasing the transferred financial assets in a fixed amount have been recognized; the Bank may repurchase the transferred financial assets in the future. The Bank is not eligible to conduct, sell, or pledge the transferred financial assets during the effective period prior to derecognition. However, the Bank is still exposed to the interest risks and credit risks. As a result, the transferred financial assets are not derecognized. The following tables show the transferred financial assets not qualified for derecognition and related financial liabilities.

December 31, 2015

Type of Financial Assets	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Net Amount
Available-for-sale financial assets - purchased call options	$ 6,453,944	$ 6,320,676	$ 6,453,944	$ 6,320,676	$ 133,268

December 31, 2014

Type of Financial Assets	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Net Amount
Available-for-sale financial assets - purchased call options	$ 6,416,216	$ 6,475,072	$ 6,416,216	$ 6,475,072	$ (58,856)

e. Offsetting financial assets and financial liabilities

The Bank is eligible to present certain derivative assets and derivative liabilities on a net basis on the balance sheet since the offsetting criteria are met. Cash collateral has also been received for the net amount of the derivative assets and derivative liabilities. The cash collateral does not meet the offsetting criteria, but it can be offset against the net amount of the derivative assets and derivative liabilities in the case of default and insolvency or bankruptcy, in accordance with an associated collateral arrangement.

The tables below present the quantitative information on financial assets and financial liabilities that have been offset in the balance sheet or that are covered by enforceable master netting arrangements or similar agreements.

December 31, 2015

				Related Amounts Not Set Off in the Balance Sheet		
Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Financial Instruments	Cash Collateral Received	Net Amount
Reverse repurchase, securities borrowing and similar agreements	$ 10,245,428	$ -	$ 10,245,428	$ (10,245,428)	$ -	$ -

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet: Financial Instruments	Related Amounts Not Set Off in the Balance Sheet: Cash Collateral Pledged	Net Amount
Repurchase, securities lending and similar agreements	$ 6,320,676	$ -	$ 6,320,676	$ (6,320,676)	$ -	$ -

December 31, 2014

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet: Financial Instruments	Related Amounts Not Set Off in the Balance Sheet: Cash Collateral Received	Net Amount
Reverse repurchase, securities borrowing and similar agreements	$ 11,046,883	$ -	$ 11,046,883	$ (11,046,883)	$ -	$ -

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet: Financial Instruments	Related Amounts Not Set Off in the Balance Sheet: Cash Collateral Pledged	Net Amount
Repurchase, securities lending and similar agreements	$ 6,475,072	$ -	$ 6,475,072	$ (6,475,072)	$ -	$ -

36. AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

Average amount and average interest rate of interest-earning assets and interest-bearing liabilities that are affected by interest rate fluctuations were as follows:

Average balances were calculated by the daily average balances of interest-earning assets and interest-bearing liabilities.

	For the Year Ended December 31, 2015	
	Average Balance	Average Rate (%)
Interest-earning assets		
Cash and cash equivalents - due from other banks	$ 17,729,547	0.92
Due from the Central Bank and call loans to banks	59,818,570	0.80
Financial assets at fair value through profit or loss	31,453,911	0.72
Securities purchased under agreement to resell	9,173,748	0.51
Credit card revolving balances	753,087	14.00
Discounts and loans (excluding nonperforming loans)	576,409,485	2.41
Available-for-sale financial assets	107,731,084	1.73
Held-to-maturity financial assets	86,567,107	0.86
Bills purchased	20,034	1.10

(Continued)

	For the Year Ended December 31, 2015	
	Average Balance	**Average Rate (%)**
Interest-bearing liabilities		
Due to the Central Bank and banks	$ 17,899,145	1.29
Securities sold under agreement to repurchase	7,331,879	0.51
Borrowings from the Central Bank and banks	16,904	0.30
Negotiable certificates of deposits	12,013,682	0.68
Demand deposits	201,744,028	0.08
Savings deposits	119,145,282	0.38
Time deposits	327,278,332	1.07
Time-savings	120,529,106	1.33
Bank debentures	37,543,360	1.66
Appropriated loan funds	4,294,639	0.00
Structured deposit instruments principal	2,283,450	0.66

(Concluded)

	For the Year Ended December 31, 2014	
	Average Balance	**Average Rate (%)**
Interest-earning assets		
Cash and cash equivalents - due from other banks	$ 16,019,608	2.53
Due from the Central Bank and call loans to banks	44,252,008	0.91
Financial assets at fair value through profit or loss	31,036,145	0.86
Securities purchased under agreement to resell	6,017,633	0.56
Credit card revolving balances	801,548	16.22
Discounts and loans (excluding nonperforming loans)	564,078,490	2.39
Available-for-sale financial assets	86,052,505	1.74
Held-to-maturity financial assets	103,539,431	0.88
Bills purchased	11,284	1.56
Interest-bearing liabilities		
Due to the Central Bank and banks	19,230,276	0.81
Securities sold under agreement to repurchase	8,186,857	0.54
Borrowings from the Central Bank and banks	993,745	0.54
Negotiable certificates of deposits	5,431,735	0.70
Demand deposits	173,800,581	0.08
Savings deposits	115,108,080	0.38
Time deposits	332,354,080	1.13
Time-savings	117,460,851	1.32
Bank debentures	37,537,204	1.67
Appropriated loan funds	5,176,632	0.01
Structured deposit instruments principal	1,926,554	0.84

37. CAPITAL MANAGEMENT

All the Bank's risks were included in the scope of assessment of capital adequacy according to "Regulations Governing the Capital Adequacy". The business objectives and project budget are approved by the board of directors, and furthermore the Bank considered the development strategy, capital adequacy, debt ratio, and dividend policy in its assessments. The contents are included in stress test, estimate of capital adequacy ratio to ensure achieving the objective of capital adequacy and strengthening of the capital structure.

According to the Banking Law and related regulations, the Bank should maintain a capital adequacy ratio of at least 8% for a stable financial position. If the capital adequacy ratio falls below 8%, the Central Regulator would restrict the distribution of earnings.

The following table which lists the equity capital, risk-weighted assets, and risk exposure is prepared according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks" that was modified by the Financial Supervisory Commission of the ROC. (Ref. No. 10200362920) on January 9, 2014.

The Bank conformed to the regulation on capital management as of December 31, 2015 and 2014.

	December 31	
	2015	2014
Analysis items		
Eligible capital		
Common equity	$ 87,522,286	$ 81,710,805
Other Tier I capital	-	-
Tier II capital	8,587,590	7,642,746
Eligible capital	$ 96,109,876	$ 89,353,551
Risk-weighted assets		
Credit risk		
Standardized approach	$ 621,384,694	$ 610,596,844
Credit valuation adjustment	94,990	193,213
Internal rating based approach	N/A	N/A
Synthetic securitization	568,101	547,245
Operational risk		
Basic indicator approach	35,102,345	32,782,452
Standardized approach/alternative standardized approach	N/A	N/A
Advanced measurement approach	N/A	N/A
Market risk		
Standardized approach	34,878,351	38,188,687
Internal models approach	N/A	N/A
Total risk-weighted assets	$ 692,028,481	$ 682,308,441
Capital adequacy ratio	13.89%	13.10%
Ratio of common equity to risk-weighted assets	12.65%	11.98%
Ratio of Tier I capital to risk-weighted assets	12.65%	11.98%
Leverage ratio	8.33%	6.31%

Note 1: Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Banks" and "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks".

Note 2: Formulas used were as follows:

1) Eligible capital = Common equity + Other Tier I capital + Tier II capital.

2) Total risk-weighted assets = Risk-weighted assets for credit risk + Capital requirements for operational risk and market risk × 12.5.

3) Capital adequacy ratio = Eligible capital ÷ Total risk-weighted assets.

4) Ratio of common equity to risk-weighted assets = Common equity ÷ Total risk-weighted assets.

5) Ratio of Tier I capital to risk-weighted assets = (Common equity + Other Tier I capital) ÷ Total risk-weighted assets.

6) Leverage ratio = net value of tier I capital ÷net value of exposure measurement

38. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

a. Assets quality: As stated in Table 1

b. Concentration of credit risks

Top 10 credit extensions of the Bank were as follows:

Ranking (Note 1)	December 31, 2015		
	Group Enterprise (Note 2)	**Total Balances of Credit Extensions (Note 3)**	**Ratio of Credit Extensions to Net Worth (%)**
1	A Group (plastic leather, plates, pipe manufacturing)	$ 5,404,621	4.69
2	B Group (real estate rental)	4,236,880	3.68
3	C Group (liquid crystal panel and components manufacturing)	3,876,574	3.36
4	D Group (real estate development)	3,718,069	3.23
5	E Inc. (head offices)	3,554,222	3.08
6	F Group (semi-conductor manufacturing)	3,331,632	2.89
7	G Group (head offices)	3,290,000	2.85
8	H Group (glass fiber manufacturing)	3,202,983	2.78
9	I Group (civil aviation)	2,912,020	2.53
10	J Group (head offices)	2,870,145	2.49

Ranking (Note 1)	December 31, 2014		
	Group Enterprise (Note 2)	Total Balances of Credit Extensions (Note 3)	Ratio of Credit Extensions to Net Worth (%)
1	A Group (plastic leather, plates, pipe manufacturing)	$ 5,426,608	5.03
2	B Group (real estate rental)	4,721,742	4.38
3	C Group (liquid crystal panel and components manufacturing)	4,631,781	4.30
4	D Group (real estate development)	3,665,584	3.40
5	E Inc. (head offices)	3,167,000	2.94
6	F Group (semi-conductor manufacturing)	2,876,361	2.67
7	G Group (head offices)	2,833,946	2.63
8	H Group (glass fiber manufacturing)	2,824,036	2.62
9	I Group (civil aviation)	2,811,059	2.61
10	J Group (head offices)	2,790,134	2.59

Note 1: The ranking is made by total credit balance, which excluded government-owned or state-run enterprises. If the borrower is an affiliate of a group enterprise, the credit balance of the borrower is then aggregated to the Bank enterprise's credit balance. The borrower is marked by specific codes as well as its major industry. The major industry of a borrower is determined by its maximum exposures by industries. The classification of industry should be in line with the Standard Industrial Classification System of the Republic of China published by the Directorate-general of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: "Group Enterprise" conforms to the definition of Article 6 in "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note 3: Credit balance includes each item of loan (included import bill negotiated, export bill negotiated, discounts, overdrafts, short-term loans, short-term secured loans, marginal receivables, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans and nonperforming loans), exchange bills negotiated, accounts receivable - without recourse factoring, acceptances receivable and grantees issued.

c. Interest rate sensitivity information

Interest Rate Sensitivity Analysis
December 31, 2015

(In NT$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	$ 590,556,707	$ 9,090,970	$ 4,649,326	$ 45,380,833	$ 649,677,836
Interest-sensitive liabilities	207,103,677	254,975,644	70,256,181	43,245,314	575,580,816
Interest sensitivity gap	383,453,030	(245,884,674)	(65,606,855)	2,135,519	74,097,020
Net equity					115,238,996
Ratio of interest-sensitive assets to liabilities					112.87%
Ratio of interest sensitivity gap to net equity					64.30%

Interest Rate Sensitivity Analysis
December 31, 2014

(In NT$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	$ 572,640,244	$ 300,603	$ 1,086,882	$ 46,065,968	$ 620,093,697
Interest-sensitive liabilities	243,242,320	231,355,851	56,902,220	35,910,307	567,410,698
Interest sensitivity gap	329,397,924	(231,055,248)	(55,815,338)	10,155,661	52,682,999
Net equity					107,823,959
Ratio of interest-sensitive assets to liabilities					109.28%
Ratio of interest sensitivity gap to net equity					48.86%

Note 1: The tables above refer only to the financial assets/liabilities denominated in N.T. dollars held by the whole bank, contingent assets and liabilities excluded.

Note 2: Interest rate-sensitive assets/liabilities refer to financial assets/liabilities which returns are driven by interest rate fluctuations.

Note 3: Interest rate sensitivity 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. (The interest rate-sensitive assets and liabilities are in New Taiwan dollars).

Interest Rate Sensitivity Analysis
December 31, 2015

(In US$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	$ 4,748,609	$ 82,325	$ 60,514	$ 638,251	$ 5,529,699
Interest-sensitive liabilities	1,748,278	4,157,011	453,858	2,601	6,361,748
Interest sensitivity gap	3,000,331	(4,074,686)	(393,344)	635,650	(832,049)
Net equity					3,502,705
Ratio of Interest-sensitive assets to liabilities					86.92%
Ratio of interest sensitivity gap to net equity					(23.75%)

Interest Rate Sensitivity Analysis
December 31, 2014

(In US$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	$ 5,015,196	$ 88,838	$ 14,488	$ 459,383	$ 5,577,905
Interest-sensitive liabilities	1,942,201	3,667,990	544,541	71	6,154,803
Interest sensitivity gap	3,072,995	(3,579,152)	(530,053)	459,312	(576,898)
Net equity					3,404,609
Ratio of Interest-sensitive assets to liabilities					90.63%
Ratio of interest sensitivity gap to net equity					(16.94%)

Note 1: The tables above refer only to the financial assets/liabilities denominated in U.S. dollars held by the whole bank, contingent assets and liabilities excluded.

Note 2: Interest rate-sensitive assets/liabilities refer to financial assets/liabilities which returns are driven by interest rate fluctuations.

Note 3: Interest rate sensitivity 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. (The interest rate-sensitive assets and liabilities are in U.S. dollars).

d. Profitability

Items		December 31	
		2015	2014
Return on total assets	Before income tax	1.38	1.34
	After income tax	1.20	1.14
Return on equity	Before income tax	12.18	12.33
	After income tax	10.67	10.55
Profit margin		57.63	56.01

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

Note 2: Return on equity = Income before (after) income tax ÷ Average equity.

Note 3: Profit margin = Income after income tax ÷ Total net revenues.

Note 4: Income before (after) income tax represents income for the year ended December 31, 2014.

e. Maturity analysis of assets and liabilities

1) New Taiwan dollars (thousands)

	Total	December 31, 2015					
		By Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 696,079,974	$ 111,597,869	$ 87,194,564	$ 56,790,476	$ 61,760,480	$ 90,475,695	$ 288,260,890
Main capital outflow on maturity	884,658,006	50,928,529	81,299,425	124,664,998	123,707,854	200,621,120	303,436,080
Gap	(188,578,032)	60,669,340	5,895,139	(67,874,522)	(61,947,374)	(110,145,425)	(15,175,190)

	Total	December 31, 2014					
		By Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 674,851,856	$ 118,459,745	$ 96,558,368	$ 40,223,363	$ 44,726,618	$ 84,211,343	$ 290,672,419
Main capital outflow on maturity	858,473,732	42,243,280	98,654,832	133,807,202	115,275,453	190,419,163	278,073,802
Gap	(183,621,876)	76,216,465	(2,096,464)	(93,583,839)	(70,548,835)	(106,207,820)	12,598,617

Note: This table includes only financial assets/liabilities denominated in New Taiwan dollars held by the head office and domestic branches.

2) U.S. dollars (thousands)

	Total	December 31, 2015				
		By Remaining Period to Maturity				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 6,947,224	$ 1,352,677	$ 665,343	$ 709,148	$ 799,172	$ 3,420,884
Main capital outflow on maturity	11,748,381	2,022,802	1,519,884	1,807,451	3,059,179	3,339,065
Gap	(4,801,157)	(670,125)	(854,541)	(1,098,303)	(2,260,007)	81,819

	Total	December 31, 2014				
		By Remaining Period to Maturity				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 7,105,016	$ 1,008,120	$ 857,511	$ 1,076,660	$ 726,628	$ 3,436,097
Main capital outflow on maturity	11,817,596	1,642,342	1,717,128	2,013,789	3,036,575	3,407,762
Gap	(4,712,580)	(634,222)	(859,617)	(937,129)	(2,309,947)	28,335

Note: This table includes only financial assets/liabilities denominated in U.S. dollars held by the head office, domestic branches and OBU.

39. THE CONTENTS AND AMOUNTS OF TRUST ACTIVITIES BY PROCESSING TRUST ENTERPRISE ACT

The trust account balance sheets, income statements and the details of trust assets are as follows:

Balance Sheet of Trust Account
December 31, 2015 and 2014

Trust Assets	2015	2014	Trust Liabilities	2015	2014
Bank deposit	$ 1,683,612	$ 2,952,877	Depository of security payable	$ 40,167,441	$ 41,270,953
Short-term investments	70,188,618	71,492,962	Trust capital	84,163,301	92,703,094
Net asset value of collective investment trust fund	4,457,498	3,723,569	Accumulated (loss) gain and equity	(559,008)	(220,468)
Account receivable	3,695	107,048			
Land	6,761,236	14,020,068			
Buildings and improvement, net	65,375	116,588			
Construction in progress	372,243	-			
Depository of security	40,167,441	41,270,953			
Other assets	72,016	69,514			
Total trust assets	$ 123,771,734	$ 133,753,579	Total trust liabilities	$ 123,771,734	$ 133,753,579

Trust Asset Lists

Item	December 31 2015	December 31 2014
Cash in banks	$ 1,683,612	$ 2,952,877
Short-term investment		
Fund	59,678,843	63,009,799
Bond	8,197,302	6,117,209
Common Stock	2,312,473	2,365,954
Net asset value of collective trust accounts	4,457,498	3,723,569
Receivable	3,695	107,048
Land	6,761,236	14,020,068
Buildings and improvement, net	65,375	116,588
Construction in process	372,243	-
Depository of securities	40,167,441	41,270,953
Other assets	72,016	69,514
Total	$ 123,771,734	$ 133,753,579

Income Statements of Trust Account

	For the Year Ended December 31	
	2015	2014
Trust income		
Cash dividends income	$ 86,325	$ 111,291
Interest revenue	9,590	8,994
Donation revenue	5,026	25
Realized investment gain	155	35
Realized capital gain	1,226	7,386
Unrealized capital gain	47,626	140,162
Other revenue	331	64
	150,279	267,957
Trust expenses		
Tax expenditures	3,067	7,735
Management fee	3,343	2,355
Service fee	22,107	19,944
Realized capital losses	1,182	281
Unrealized capital losses	159,896	6,657
Other expenses	387	19
	189,982	36,991
Income before income tax	(39,703)	230,966
Income tax expense	-	-
Net income	$ (39,703)	$ 230,966

40. EXCHANGE RATE INFORMATION FOR FOREIGN FINANCIAL ASSETS AND LIABILITIES

	December 31					
	2015			2014		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
Cash and cash equivalents						
CNH	$ 1,036,194	4.9967	$ 5,177,551	$ 1,688,540	5.1123	$ 8,632,323
USD	217,533	32.9000	7,156,836	185,884	31.6700	5,886,946
JPY	8,266,915	0.2732	2,258,521	3,409,959	0.2655	905,344
Due from the Central Bank and call loans to banks						
USD	845,249	32.9000	27,808,692	324,604	31.6700	10,280,209
CNH	583,560	4.9967	2,915,874	1,035,775	5.1123	5,295,193
GBP	23,000	48.7611	1,121,505	2,000	49.3229	98,646
Receivables						
USD	92,386	32.9000	3,039,499	120,190	31.6700	3,806,417
JPY	927,768	0.2732	253,466	2,343,016	0.2655	622,071
EUR	3,687	35.9383	132,505	4,970	38.5376	191,532
Discounts and loans						
USD	3,617,225	32.9000	119,006,703	4,450,279	31.6700	140,940,336
CNH	4,271,107	4.9967	21,341,440	3,013,225	5.1123	15,404,510
EUR	210,508	35.9383	7,565,300	113,244	38.5376	4,364,191
Forward exchange contract						
USD	7,237	32.9000	238,097	-	-	-
HKD	2,011	4.2448	8,536	-	-	-
Option contract						
USD	6,572	32.9000	216,219	15,990	31.6700	506,403
AUD	42	23.9923	1,008	402	26.0137	10,458
EUR	12	35.9383	431	68	38.5376	2,621

(Continued)

	December 31					
	2015			2014		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**	**Foreign Currencies**	**Exchange Rate**	**New Taiwan Dollars**
Nonmonetary items						
Structured corporate bonds contracts						
USD	$ 31,880	32.9000	$ 1,048,847	$ 42,434	31.6700	$ 1,343,900
Equity investments under the equity method						
USD	1,753,788	32.9000	57,699,626	1,687,587	31.6700	53,445,904
HKD	62,143	4.2448	263,784	58,619	4.0825	239,315
Financial liabilities						
Monetary items						
Payables						
USD	81,431	32.9000	2,679,080	103,595	31.6700	3,280,854
JPY	1,087,047	0.2732	296,981	1,949,411	0.2655	517,569
EUR	3,516	35.9383	126,359	4,669	38.5376	179,932
Due to the Central Bank and banks						
USD	95,972	32.9000	3,157,479	165,864	31.6700	5,252,913
CNH	1,029,221	4.9967	5,142,709	21,629	5.1123	110,574
HKD	200,000	4.2448	848,960	-	-	-
Deposits and remittances						
USD	6,344,403	32.9000	208,730,859	6,012,248	31.6700	190,407,894
CNH	5,775,637	4.9967	28,859,125	6,445,902	5.1123	32,953,385
JPY	23,352,750	0.2732	6,379,971	20,280,725	0.2655	5,384,532

(Concluded)

41. ADDITIONAL DISCLOSURES

a. and b. Additional disclosures for the Bank and investees are the following:

1) Financing provided: The Bank - not applicable; investees - not applicable or none.

2) Endorsement/guarantee provided: The Bank - not applicable; investees - not applicable or none.

3) Marketable securities held: The Bank - not applicable; investees - Table 2.

4) Marketable securities (for investees) or investee investment (for the Bank) acquired and disposed of, at costs or prices of at least NT$300 million or 10% of the issued capital: Table 3

5) Acquisition of individual real estate at costs of at least $300 million or 10% of the issued capital: None

6) Disposal of individual real estate at prices of at least $300 million or 10% of the issued capital: None.

7) Allowance for service fees to related-parties amounting to more than $5 million: None.

8) Receivables from related parties amounting to at least $300 million or 10% of the issued capital: None.

9) Sale of non-performing loans: None.

10) Applying for approval the securitization product types and information according to Financial Asset Securitization or Clause of the Real State Securitization Act: None.

11) Other significant transactions which may have effects on decision making of financial statement users: None.

12) Names, locations, and other information of investees on which the Bank exercises significant influence: Table 4

13) Derivative financial transactions: Note 8 investees on which the Bank exercises significant influence have no such transactions.

b. Investment in Mainland China:

1) Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China: Table 5.

2) Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss: Table 5.

42. SEGMENT INFORMATION

According to the Article 23 of "Regulations Governing the Preparation of Financial Reports by Public Banks", the Bank does not prepare the segment information of IFRS 8.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

OVERDUE LOANS AND RECEIVABLE
DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, %)

Period			December 31, 2015					December 31, 2014				
Items			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 399,177	$ 190,172,978	0.21	$ 3,043,790	762.52	$ 407,092	$ 185,088,687	0.22	$ 3,216,869	790.21
	Unsecured		361,217	162,006,389	0.22	3,368,258	932.47	262,131	170,389,440	0.15	3,443,540	1,313.67
Consumer banking	Housing mortgage (Note 4)		511,648	119,748,569	0.43	1,552,863	303.50	207,818	124,978,338	0.17	1,343,287	646.38
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small scale credit loans (Note 5)		8,914	442,820	2.01	16,959	190.25	12,742	492,540	2.59	36,469	286.21
	Other (Note 6)	Secured	260,178	106,398,932	0.24	1,091,542	419.54	57,169	100,252,521	0.06	799,327	1,398.18
		Unsecured	6,609	6,787,879	0.10	67,201	1,016.81	6,397	5,696,113	0.11	63,734	996.31
Total			1,547,743	585,557,567	0.26	9,140,613	590.58	953,349	586,897,639	0.16	8,903,226	933.89
			Nonperforming Receivables (Note 1)	Accounts Receivable	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Accounts Receivable	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Credit card			11,699	2,064,558	0.57	203,451	1,739.05	12,059	2,118,357	0.57	188,013	1,559.11
Accounts receivable factored without recourse (Note 7)			-	965,523	-	9,907	-	-	1,690,896	-	16,909	-
Excluded NPL as a result of debt consultation and loan agreements (Note 8)			-					-				
Excluded overdue receivables as a result of debt consultation and loan agreements (Note 8)			-					-				
Excluded NPL as a result of consumer debt clearance (Note 9)			-					-				
Excluded overdue receivables as a result of consumer debt clearance (Note 9)			45,112					50,615				

Note 1: Nonperforming loans represent the amounts of nonperforming loans reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans."
Nonperforming credit card receivables represent the amounts of nonperforming receivables reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.
Ratio of nonperforming credit cards receivables: Nonperforming credit cards receivables ÷ Outstanding credit cards receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses on loans ÷ Nonperforming loans.
Coverage ratio of credit cards receivable: Allowance for possible losses on credit cards receivable ÷ Nonperforming credit cards receivable.

Note 4: Housing mortgage is fully secured by house, which is purchased (owned) by the borrower, the spouse or the minor children of the borrower and the rights on mortgage are pledged to the financial institution, for the purpose of purchasing or decorating house.

Note 5: Small scale credit loans, as categorized in accordance with the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), are unsecured loans with small amounts exclusive of credit cards and cash cards.

Note 6: Other loans of consumer banking refer to secured or unsecured loans exclusive of housing mortgage, cash card, small scale credit loans and credit card.

Note 7: As required by the Banking Bureau's letter dated July 19, 2005 (Ref. No. 0945000494), factoring without recourse is disclosed as nonperforming receivables in three months after the factors or insurance companies reject indemnification.

Note 8: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt consultation and loan agreements is based on the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 9: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940).

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

Holding Company Name	Name	Security Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Shancom Reconstruction Inc.	Empresa Inversiones Generales, S.A.	Indirect subsidiary	Investment in subsidiaries	1	$ 1,811,230	100.00	$ 1,811,230	
	Krinein Company	Indirect subsidiary	Investment in subsidiaries	2	521,310	100.00	521,310	
	Safehaven Investment Corporation	Indirect subsidiary	Investment in subsidiaries	1	51,515	100.00	51,515	
Wresqueue Limitada	Prosperity Realty Inc.	Indirect subsidiary	Investment in subsidiaries	4	75,670	100.00	(14,694)	
China Travel Service (Taiwan)	Silks Place Taroko	-	Equity investments under the equity method	20,372	147,273	45.00	147,273	
	CTS Travel International Ltd.	Indirect subsidiary	Investment in subsidiaries	600	6,862	100.00	6,862	
	Joy Tour Service Co., Ltd.	-	Financial assets carried at cost	100	1,000	10.00	-	
	Shanghai Commercial & Savings Bank, Ltd.	The Bank	Financial assets carried at cost	26	859	-	-	
SCSB Life Insurance Agency	Geniron.Com.	-	Financial assets carried at cost	950	2,089	4.13	-	
	Prism Communication International Limited	-	Financial assets carried at cost	1,250	-	-	-	
SCSB Property Insurance Agency	Geniron.Com.	-	Financial assets carried at cost	950	2,089	4.13	-	
	Prism Communication International Limited	-	Financial assets carried at cost	1,250	-	-	-	
SCSB Asset Management Ltd.	SCSB Leasing (China) Co., Ltd.	Indirect subsidiary	Investment in subsidiaries	NA	932,228	100.00	932,228	
Krinein Company	Shanghai Commercial Bank (HK)	Indirect subsidiary	Investment in subsidiaries	1,920	9,226,030	9.60	9,226,030	
Empresa Inversiones Generales, S.A.	Shanghai Commercial Bank (HK)	Indirect subsidiary	Investment in subsidiaries	9,600	46,130,152	48.00	46,130,152	

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Share in Thousands)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount (Notes 2 and 3)	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Note 1)
Shanghai Commercial and Saving Bank	SCSB Asset Management Ltd.	Equity method	-	-	120,000	$ 1,217,599	40,000	$ 400,117	-	$ -	$ -	$ -	160,000	$ 1,617,716
Shanghai Commercial Bank (HK)	Bank of Shanghai	Available-for-sale financial assets	-	-	152,320	10,303,459 (HK$ 2,523,811)	NA	2,025,914 (HK$ 380,787)	-	-	-	-	NA	$ 12,329,373 (HK$ 2,904,598)

Note 1: Calculated using the exchange rate on December 31, 2015.

Note 2: The amount of acquisition of SCSB Asset Management Ltd contains $400,000 thousand for cost and $117 thousand for current net income and valuation adjustments.

Note 3: The amount of acquisition of Bank of Shanghai contains $808,562 thousand for cost and $1,217,352 thousand for current valuation adjustment.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

RELATED INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars) (Share in Thousands)

Investee Company	Location	Main Businesses and Products	Percentage of Ownership (%)	Carrying Amount	Investment Income (Loss) Recognized	Consolidated Investment (Note 2)				Note
						Shares (In Thousands)	Shares (Pro forma)	Shares (In Thousands)	Percentage of Ownership (%)	
Equity investments under the equity method										
Financial business										
SCSB Asset Management Ltd.	Taipei City	Purchase and management of creditor's rights of financial institutions	100.00	$ 1,617,716	$ 12,219	160,000	-	160,000	100.00	
SCSB Life Insurance Agency	Taipei City	Insurance	100.00	230,063	80,332	5,000	-	5,000	100.00	
SCSB Property Insurance Agency	Taipei City	Insurance	100.00	60,990	3,290	5,000	-	5,000	100.00	
SCSB Marketing Ltd.	Taipei City	Marketing	100.00	7,059	1,005	500	-	500	100.00	
Paofoong Insurance Company Ltd.	Hong Kong	Insurance	40.00	263,784	12,722	500	-	500	100.00	
Shanghai Commercial Bank (HK)	Hong Kong	Banking and financial	57.60	55,357,065	4,485,343	11,520	-	11,520	57.60	
Non-financial business										
China Travel Service (Taiwan)	Taipei City	Travel services	99.99	284,193	64,085	38,943	-	38,943	99.99	
Kuo Hai Real Estate Management	Taipei City	Building material distribution	34.69	-	-	3,000	-	3,000	34.69	
Shancom Reconstruction Inc.	Liberia	Securities investment	100.00	57,371,201	4,474,400	5	-	5	100.00	
Wresqueue Limitada	Liberia	Securities investment	100.00	328,425	6,641	176	-	176	100.00	
Empresa Inversiones Generales, S.A.	Panama	Securities investment	100.00	1,811,230	1,855,665	1	-	1	100.00	
Krinein Company	Cayman Islands	Securities investment	100.00	521,310	371,994	2	-	2	100.00	
Safehaven Investment Corporation	Liberia	Securities investment	100.00	51,515	311	1	-	1	100.00	
Prosperity Realty Inc.	America	Real estate services	100.00	75,670	5,344	4	-	4	100.00	
Silks Place Taroko	Hualien	Travel services	45.00	147,273	51,065	20,372	-	20,372	45.00	
CTS Travel International Ltd.	Taipei City	Travel services	100.00	6,862	108	600	-	600	100.00	
SCSB Leasing (China) Co., Ltd.	China	Leasing operation	100.00	932,228	16,653	NA	NA	NA	100.00	

Note 1: Investees are categorized into financial business and non-financial business.

Note 2: The Bank, board chairman, supervisors, managing directors, and the stock of investee companies invested by related parties which comply with corporation law are considered.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

INVESTMENT IN MAINLAND CHINA
DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars and Foreign Currency)

1. Investee company name, main business and products, total amount of paid-in capital, investment type, investment outflows and inflows, % ownership, investment gain (loss), carrying value as of December 31, 2015 and inward remittance of earnings:

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment as of December 31, 2014	Investment Flows		Accumulated Outflow of Investment as of December 31, 2015	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2015 (Note 3)	Accumulated Inward Remittance of Earnings as of December 31, 2015
					Outflow	Inflow					
SCSB Leasing (China) Co., Ltd.	Leasing operation	US$ 30,000	(c)	US$ 21,947	US$ 8,053	US$ -	US$ 30,000	100.00	$ 16,653 (US$ 525)	$ 932,228 (US$ 28,335)	$ -
Bank of Shanghai	Approved by local government	US$ 774,408	(Note 4)	US$ 58,783	US$ 15,065	US$ -	US$ 73,848	3.00	-	7,101,728 (US$ 215,858)	-
Shanghai Commercial Bank Ltd. - Shenzhen Branch	Approved by local government	US$ 64,468	(Note 4)	US$ 36,339	US$ -	US$ -	US$ 36,339	57.60	130,828 (US$ 4,122)	983,381 (US$ 29,890)	-
Shanghai Commercial Bank Ltd. - Shanghai Branch	Approved by local government	US$ 78,538	(Note 4)	US$ 18,348	US$ 46,369	US$ -	US$ 64,717	57.60	53,068 (US$ 1,672)	2,129,485 (US$ 64,726)	-

2. Upper limit on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2015 (Note 4)	Investment Amounts Authorized by Investment Commission, MOEA (Notes 3)	Upper Limit on Investment Authorized by Investment Commission MOEA
$6,741,342 (US$204,904)	$6,775,755 (US$205,950)	$93,537,827

Note 1: Routes of investment in Mainland China are listed below:

a. To directly invest.

b. To invest via third place company.

c. Others.

Note 2: In the column of "Investment Gain (Loss)"

a. It should be specified if it is preparing for establishment and no investment gain (loss).

b. It should be specified if the investment gain (loss) is divided into the following three categories:

1) Financial report audited by international accounting firm associated with accounting firm in R.O.C.
2) Financial report audited by the accounting firm associated with the parent company in R.O.C.
3) Others.

Note 3: Calculated using the exchange rate on December 31, 2015.

Note 4: To invest via sub-subsidiary of the Bank, "Shanghai Commercial Bank (HK)".