(English Translation of Financial Report Originally Issued In Chinese)

JIH SUN INTERNATIONAL Bank, Ltd.

FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013
AND
INDEPENDENT AUDITORS' REPORT

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version of difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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(English Translation)

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(English Translation)
Independent Auditors' Report

The Board of Directors
JIH SUN INTERNATIONAL Bank, Ltd.

We have audited the accompanying balance sheets of JIH SUN INTERNATIONAL Bank, Ltd. as of December 31, 2014 and 2013, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These financial statements are the responsibility of JIH SUN INTERNATIONAL Bank, Ltd. management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants and generally accepted auditing standards 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 management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JIH SUN INTERNATIONAL Bank, Ltd. as of December 31, 2014 and 2013, and the results of its operations and cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Statements by Publicly Held Banks.

KPMG
Taipei, Taiwan, R.O.C.
March 12, 2015

Notice to Readers

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

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language accountants' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Report Originally Issued In Chinese)
JIH SUN INTERNATIONAL Bank, Ltd.
BALANCE SHEETS
AS OF DECEMBER 31, 2014 AND 2013
(Expressed In Thousands of New Taiwan Dollars)

	2014.12.31		2013.12.31	
ASSETS	**Amount**	**%**	**Amount**	**%**
Cash and cash equivalents(Notes 4(D) and 6(A))	$ 3,646,461	2	3,761,789	2
Due from the central bank and call loans to banks(Note 6(B))	14,866,012	7	24,308,997	12
Financial assets measured at fair value through profit or loss(Notes 4(F) and 6(C))	34,673,527	16	15,404,110	8
Receivables—net(Notes 4(F) and 6(D) and 7(B))	3,162,872	1	3,683,357	2
Current tax assets(Note 4(O))	9,773	-	51,815	-
Discounts and loans—net(Notes 4(F) and 6(E) and 7(B))	143,960,130	67	140,893,714	69
Available-for-sale financial assets(Notes 4(F) and 6(F))	8,479,415	4	11,281,874	5
Held-to-maturity financial assets(Notes 4(F) and 6(G))	300,000	-	300,000	-
Stock investments measured by equity method－net(Notes 4(G) and 6(H))	63,146	-	89,059	-
Other financial assets—net(Notes 4(F) and 6(I))	775,957	-	789,101	-
Property and equipment—net(Notes 4(M) and 6(J))	3,578,948	2	3,681,797	2
Investment property—net(Notes 4(L) and 6(K))	427,264	-	378,126	-
Intangible assets－net(Notes 4(N) and 6(L))	129,305	-	109,219	-
Deferred tax assets(Notes 4(O) and 6(X))	32,453	-	33,927	-
Other assets－net(Notes 4(P) and 6(M))	1,432,095	1	267,287	-
TOTAL ASSETS	**$ 215,537,358**	**100**	**205,034,172**	**100**

	2014.12.31		2013.12.31	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
LIABILITIES:				
Deposits from the central bank and other banks(Note 6(N))	$ 6,645,253	3	11,056,736	5
Financial liabilities measured at fair value through profit or loss(Notes 4(F) and 6(O))	2,324,748	1	70,161	-
Securities sold under repurchase agreements(Notes 4(E) and 6(P))	500,000	-	964,845	1
Payables(Notes 6(Q) and 7(B))	2,043,592	1	1,516,997	1
Deposits and remittances(Notes 6(R))	180,272,401	84	170,223,332	83
Financial debentures(Note 6(S))	2,500,000	1	3,000,000	1
Other financial liabilities(Note 6(T))	2,363,502	1	120,985	-
Provisions(Notes 4(Q) and 6(U))	134,847	-	129,917	-
Deferred tax liabilities(Notes 4(O) and 6(X))	42,087	-	44,321	-
Other liabilities(Note 6(V))	222,020	-	225,661	-
Total Liabilities	197,048,450	91	187,352,955	91
EQUITY:				
Capital (Notes 4(S) and 6(Z))	15,798,890	7	15,369,980	7
Retained earnings:				
Legal reserve(Note 6(AA))	1,388,096	1	1,020,459	1
Undistributed earnings	1,253,442	1	1,225,458	1
Other equity	48,480	-	65,320	-
Total Equity	18,488,908	9	17,681,217	9
Significant commitments and contingencies (Note 9)				
Significant subsequent events (Note 11)				
TOTAL LIABILITIES AND EQUITY	**$ 215,537,358**	**100**	**205,034,172**	**100**

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

(English Translation of Financial Report Originally Issued In Chinese)

JIH SUN INTERNATIONAL Bank, Ltd.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(Expressed In Thousands of New Taiwan Dollars)

	For the years ended December 31				
	2014		2013		Change in
	Amount	%	Amount	%	%
Interest income(Notes 6(AC) and 7(B))	$ 3,825,883	98	3,492,223	89	10
Less：Interest expenses(Notes 6(AC) and 7(B))	1,489,548	38	1,398,055	36	7
Net interest income(Note 6(AC))	2,336,335	60	2,094,168	53	12
Non-interest income					
Service fee and commissions income(Note 6(AD))	835,580	22	985,099	25	(15)
Gains (losses) on financial assets or liabilities measured at fair value through profit or loss(Note 6(AE))	338,837	9	209,771	5	62
Realized gains (losses) on available-for-sale financial assets(Note 6(AF))	19,413	-	289,558	8	(93)
Foreign exchange gains (losses)	239,647	6	125,773	3	91
Reversal of impairment loss (impairment loss) on assets	1,947	-	21,934	1	(91)
Gains (losses) on disposal of foreclosed collaterals	-	-	85,132	2	100
Other net non-interest income(Note 6(AG))	91,347	2	50,845	1	80
Proportionate share of gains (losses) from subsidiaries, associates or joint ventures under equity method(Note 6(H))	49,425	1	75,338	2	(34)
Net Revenue	3,912,531	100	3,937,618	100	(1)
Reversal of provisions for bad debt expenses and guarantee reserve(Notes 4(I)(R) and 6(D)(E)(I)(U))	(190,982)	(5)	(168,908)	(4)	13
Operating expenses:					
Employee benefits expenses(Notes 4(P) and 6(AH))	1,553,912	40	1,545,828	39	1
Depreciation and amortization expenses(Note 6(AI))	147,408	4	160,868	4	(8)
Other general and administrative expenses(Note 6(AJ))	1,136,171	29	1,098,893	28	3
Total operating expenses	2,837,491	73	2,805,589	71	1
Net Income Before Tax from Continuing Operations	1,266,022	32	1,300,937	33	(3)
Income Tax (expenses) Benefit(Notes 4(O) and 6(X))	(2,585)	-	62,801	2	(104)
Net Income	1,263,437	32	1,363,738	35	(7)
Other comprehensive income:					
Exchange differences of overseas subsidiaries' financial reports translation	1,822	-	61	-	2,887
Unrealized valuation (losses) gains on available-for-sale financial assets	(20,200)	(1)	(231,215)	(6)	(91)
Actuarial gains (losses) of defined benefit plan	(12,042)	-	(9,254)	-	30
Income tax related to components of other comprehensive income	3,585	-	36	-	9,858
Other comprehensive income (net amount after tax)	(26,835)	(1)	(240,372)	(6)	(89)
Total Comprehensive Income	$ 1,236,602	31	1,123,366	29	10
Earnings per share (EPS)(Dollar)(Note 4(T) and 6(AB))	$ 0.80		0.86		

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

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JIH SUN INTERNATIONAL Bank, Ltd.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(Expressed In Thousands of New Taiwan Dollars)

	Capital stock	Retained earnings			Other equity			
	Common stock	Legal reserve	Undistributed earnings	Subtotal	Exchange differences of overseas subsidiaries' financial reports translation	Unrealized (losses) gains on available-for-sale financial assets	Subtotal	Total
Balance—January 1, 2013	$ 14,869,980	595,919	1,284,533	1,880,452	(406)	298,417	298,011	17,048,443
Net income	-	-	1,363,738	1,363,738	-	-	-	1,363,738
Other comprehensive income	-	-	(7,681)	(7,681)	61	(232,752)	(232,691)	(240,372)
Total comprehensive income	-	-	1,356,057	1,356,057	61	(232,752)	(232,691)	1,123,366
Earnings appropriation and distribution:								
Legal reserve	-	424,540	(424,540)	-	-	-	-	-
Cash dividends—common stock	-	-	(490,592)	(490,592)	-	-	-	(490,592)
Stock dividends—common stock	500,000	-	(500,000)	(500,000)	-	-	-	-
Balance—December 31, 2013	15,369,980	1,020,459	1,225,458	2,245,917	(345)	65,665	65,320	17,681,217
Net income	-	-	1,263,437	1,263,437	-	-	-	1,263,437
Other comprehensive income	-	-	(9,995)	(9,995)	1,822	(18,662)	(16,840)	(26,835)
Total comprehensive income	-	-	1,253,442	1,253,442	1,822	(18,662)	(16,840)	1,236,602
Earnings appropriation and distribution:								
Legal reserve	-	367,637	(367,637)	-	-	-	-	-
Cash dividends—common stock	-	-	(428,911)	(428,911)	-	-	-	(428,911)
Stock dividends—common stock	428,910	-	(428,910)	(428,910)	-	-	-	-
Balance—December 31, 2014	**$ 15,798,890**	**1,388,096**	**1,253,442**	**2,641,538**	**1,477**	**47,003**	**48,480**	**18,488,908**

Note: For the years ended December 31, 2014 and 2013, directors' remuneration and employee bonuses were deducted from the statements of comprehensive income, please refer to Note 6(AA).

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

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JIH SUN INTERNATIONAL Bank, Ltd.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(Expressed In Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2014	2013
Cash Flows from Operating Activities:		
Net Income Before Tax	$ 1,266,022	1,300,937
Adjustments:		
Income and expense items with no effect on cash flows		
Depreciation expenses	102,843	113,823
Amortization expenses	44,565	47,045
Reversal of provisions for bad debt expenses and guarantee reserve	132,820	347,049
Net (gains) losses on financial assets or liabilities measured at fair value through profit or loss	(93,789)	17,051
Interest expenses	1,489,548	1,398,055
Interest income	(3,825,883)	(3,492,223)
Dividends earned	(35,491)	(31,853)
Proportionate share of gains from subsidiaries, associates or joint ventures under equity method	(49,425)	(75,338)
Losses (gains) on disposal and retirement of property and equipment	503	330
Losses (gains) on disposal of investment	3,103	-
(Reversal of impairment loss) impairment loss on financial assets	(1,947)	(6,805)
(Reversal of impairment loss) impairment loss on non-financial assets	-	(15,129)
(Gains) losses on disposal of foreclosed collaterals	-	(85,132)
Subtotal of income and expense items with no effect on cash flows	(2,233,153)	(1,783,127)
Changes in Operating Assets and Liabilities:：		
Net Changes in Operating Assets：		
(Increase) decrease in due from the central bank and call loans to banks	(234,238)	94,754
(Increase) decrease in financial assets measured at fair value through profit or loss	(17,603,231)	6,912,595
(Increase) decrease in securities purchased under resell agreements	-	4,979
(Increase) decrease in receivables	(94,059)	541,391
(Increase) decrease in discounts and loans	(3,199,529)	(8,423,280)
(Increase) decrease in available-for-sale financial assets	2,782,259	2,970,592
Net Changes in Operating Assets	(18,348,798)	2,101,031
Net Changes in Operating Liabilities:		
Increase (decrease) in deposits from the central bank and other banks	(4,411,483)	2,765,535
Increase (decrease) in financial liabilities measured at fair value through profit or loss	682,190	358
(Increase) decrease in securities sold under repurchase agreements	(464,845)	(1,162,092)
(Increase) decrease in payables	515,737	(634,736)
(Increase) decrease in deposits and remittances	10,049,069	1,354,984
(Increase) decrease in provision	3,732	(4,041)
Net Changes in Operating Liabilities	6,374,400	2,320,008
Net Changes in Operating Assets and Liabilities	(11,974,398)	4,421,039
Sum of Adjustments	(14,207,551)	2,637,912
Cash (Used in) Provided by Operating Activities	(12,941,529)	3,938,849
Interest received	3,842,492	3,546,428
Dividends received	35,491	31,853
Interest paid	(1,478,690)	(1,413,670)
Income tax paid	(61,314)	(70,654)
Income tax refund	702,612	-
Net Cash (Used in) Provided by Operating Activities	(9,900,938)	6,032,806
Cash Flows from Investing Activities:		
Return of capital from financial assets carried at cost	5,311	8,644
Purchase of property and equipment	(55,255)	(43,800)
Disposal of property and equipment	144	-
Purchase of intangible assets	(60,380)	(33,240)
Disposal of foreclosed collaterals	-	509,483
(Increase) decrease in other financial assets	6,677	(48,510)
(Increase) decrease in other assets	(1,175,650)	30,246
Dividends received	75,338	56,476
Net Cash (Used in) Provided by Investing Activities	(1,203,815)	479,299
Cash Flows from Financing Activities:		
Redemption of financial debentures	(500,000)	-
Increase (decrease) in other financial liabilities	2,242,517	(29,034)
Increase (decrease) in other liabilities	(3,231)	32,314
Cash dividends paid	(428,911)	(490,592)
Net Cash (Used in) Provided by Financing Activities	1,310,375	(487,312)
Effect of exchange rate changes on cash and cash equivalents	1,827	67
Net Increase (decrease) in Cash and Cash Equivalents	(9,792,551)	6,024,860
Cash and Cash Equivalents, at the Beginning of the Period	23,775,972	17,751,112
Cash and Cash Equivalents, at the End of the Period	$ 13,983,421	23,775,972
Components of cash and cash equivalents:		
Cash and cash equivalents recognized in the balance sheet	$ 3,646,461	3,761,789
Due from the central bank and call loans to banks which meet IAS 7 definition of cash and cash equivalents	10,336,960	20,014,183
Cash and Cash Equivalents, at the End of the Period	$ 13,983,421	23,775,972

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

(English Translation of Financial Report Originally Issued In Chinese)

JIH SUN INTERNATIONAL Bank, Ltd.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 And 2013

(All amounts expressed in thousands of New Taiwan dollars, unless otherwise indicated)

1. Basis of Presentation

JIH SUN INTERNATIONAL Bank, Ltd. (the Bank) was founded and commenced its organization on June 25, 1990, originally as “Baodao Commercial Bank Ltd.” On August 10, 1991, by the Ministry of Finance Tai- Cai- Rong No. 801625754, the Company was authorized to operate as a commercial bank. As of February 1, 1992, its paid-in capital amounted to $10,000,000 and its establishment of the Bank was approved on March 26, 1992. The operation of the Bank commenced on April 9, 1992. As of December 31, 2014, its outstanding capital stock amounted to $15,798,890.

The Bank's registered address is 1st Fl, No. 10, Section 1, Chung Ching South Road, Taipei, Taiwan, R.O.C.

The main operations of the Bank include managing customers’ deposits, extending loans, acting as collection agent, and investing in government bonds, stocks, short-term bills, securities, financial debentures, and other businesses approved by the competent authority of the Central Government. The trust business includes domestic and overseas fund purchases and sales entrusted by customers, employee investments and trust, etc.

On May 16, 2001, the shareholders of the Bank resolved during their meeting and changed its name to JIH SUN INTERNATIONAL Bank, Ltd., in order to expand business and promote the Bank’s image. Furthermore, in order to fully utilize the economic scale and operating synergies, the shareholders also resolved during their special meeting on December 14, 2001, to establish JihSun Financial Holding Co., Ltd. via a stock swap plan with JihSun Securities Co., Ltd. The conversion date of record was February 5, 2002.

The Bank's parent company and ultimate parent company are JihSun Financial Holding Co., Ltd.

The Bank had 1,478 and 1,447 employees, respectively, as of 31 December, 2014 and 2013.

2. Approval Date and Procedures of the Financial Reports

The financial reports were approved by the board of directors on March 12, 2015.

3. New Standards and Interpretations

(A) The effect of non-application of 2013 International Financial Reporting Standards (“IFRSs”) as accepted by the Financial Supervisory Commission.

In accordance to Chin-Kuan-Chen-Shen-Zi No.1030010325 which was issued by the Financial Supervisory Commission (FSC) on April 3, 2014, the listed、over the counter、emerging company should adopt the 2013 version of IFRSs, which are accepted by FSC, from the year 2015 when compiling financial reports. The announcement excludes the application of IFRS 9 “Financial Instruments.” The newly issued and revised accounting standards and interpretations are as follows:

Newly Issued / Revised Accounting Standards, Amendments and Interpretations	Effective Date Issued by IASB
Amendment to IFRS 1 - Amended by "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters."	July 1, 2010
Amendment to IFRS 1 - Amended by "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters."	July 1, 2011
Amendment to IFRS 1 - Amended by "Government Loans."	January 1, 2013
Amendment to IFRS 7 - Amended by "Disclosures - Transfers of Financial Assets."	July 1, 2011
Amendment to IFRS 7 - Amended by "Disclosures – Offsetting Financial Assets and Financial Liabilities."	January 1, 2013
IFRS 10 "Consolidated Financial Statements."	January 1, 2013 (Effective for investment entities on January 1, 2014)
IFRS 11 "Joint Arrangements."	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities."	January 1, 2013
IFRS 13 "Fair Value Measurement."	January 1, 2013
Amendment to IAS 1 - Amended by "Presentation of Items of Other Comprehensive Income."	July 1, 2012
Amendment to IAS 12 - Amended by "Deferred Tax: Recovery of Underlying Assets."	January 1, 2012
Amendment to IAS 19 - Superseded by "Employee Benefits."	January 1, 2013
Amendment to IAS 27 - Reissued as "Separate Financial Statements."	January 1, 2013
Amendment to IAS 32 - Amended by "Offsetting Financial Assets and Financial Liabilities."	January 1, 2014
IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine."	January 1, 2013

Except for the following listed items, the adoption of the 2013 version of IFRSs by the Bank would have no significant impact on financial reports:

(a) IAS 1 “Presentation of Financial Statements “

The amendments to IAS 1 modified the presentation of other comprehensive income. Items of other comprehensive income are required to be classified by nature into (a) items that will not be subsequently classified into profit or loss; and (b) items that will be subsequently classified into profit or loss. The standard also regulated that items under other comprehensive income should be presented by pre-tax amount. The related tax effect should be disclosed separately based on the aforementioned categorization. The Bank will change the presentation of the statement of comprehensive income in conformity with the amendments.

(b) IFRS 12 “Disclosure of Interests in Other Entities”

The standard integrates and requires a wide range of disclosures about an entity’s interests in subsidiaries, joint arrangements, associates and unconsolidated ‘structured entities.’ The Bank will increase the disclosure of consolidated and non－consolidated entities in conformity with the standard.

(c) IFRS 13 "Fair Value Measurement"

The standard defines fair value, provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The Bank is in the process of making an assessment of the impact of this standard. So far, the Bank considers this is unlikely to have a significant impact on the Bank’s financial statements and has enhanced its disclosure about the fair value measurement accordingly.

(B) The effect on newly issued IFRSs not yet accepted by the FSC

Listed as below are the accounting standards and interpretations newly issued and revised by IASB but not yet included in the 2013 IFRSs as accepted by the FSC：

Newly Issued and Amended Accounting Standards and Interpretations	Effective Date Issued by IASB
IFRS 9 "Financial Instruments."	January 1, 2018
Amendments to IFRS 10 and IAS 28 - Amended by "Sales or Contributions of Assets Between an Investor and its Associate/Joint Venture."	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28-Amended by "Related to the application of the Investment Entities Exceptions."	January 1, 2016
Amendments to IFRS 11 - Amended by "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
Amendment to IAS 1 – Amended by "Disclose about Going Concern."	January 1, 2016
Amendment to IAS 16 and 38 - Amended by "Acceptable Methods for Accounting for Depreciation and Impairment."	January 1, 2016
Amendment to IAS 16 and 41 - Amended by "Bearer Plants"	January 1, 2016
Amendment to IAS 19 - Amended by "Defined Benefit Plans: Employee Contributions."	July 1, 2014
Amendment to IAS 27 – Amended by "Equity Method in Separate Financial Statement."	January 1, 2016
Amendment to IAS 36 - Amended by "Recoverable Amount Disclosures for Non-Financial Assets."	January 1, 2014
Amendment to IAS 39 - Amended by "Novation of Derivatives and Continuation of Hedge Accounting."	January 1, 2014
IFRIC 21 "Levies."	January 1, 2014

(a) IFRS 9 “Financial Instruments”

(1) Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the debt instruments of the Bank are to be measured at amortized cost if they are held within a business model whose objective is to collect the contractual cash flows, and the contractual cash flows are for payments of principal and interest on the principal amount outstanding only. Other financial assets not meeting aforemetioned criteria are measured at fair value. At initial recognition, the Bank may designate an equity investment, which is not held for trading, recognizing its’ subsequent changes in the fair value in other comprehensive income, and only dividend income is generally recognized in profit or loss.

(2) Recognition and measurement of financial liabilities

With regards to financial liabilities, the major difference is the subsequent measurement of financial liabilities designated at fair value through profit or loss. The changes in fair value of the financial liabilities resulting from credit risk are recognized in other comprehensive income, and are not allowed to reclassify in profit or loss in subsequent period, the remaining changes in fair value are recognized in profit or loss. If the accounting treatment of designated financial liabilities at fair value through profit or loss resulted in or enhanced accounting mismatching, then all changes in fair value of the financial liabilities are recognized in profit or loss.

(b) Amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made some consequential amendments 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 the disclosure of such recoverable amount is required during the period when an impairment loss has been recognized or reversed. Furthermore, the Bank is required to disclose the discount rate if the Bank calculates the recoverable amount by the fair value less costs of disposal using present value method.

Except for the aforementioned impact, the Bank is continuously assessing the possible impact on the financial position and financial performance as a result of the adoption of the above standards and interpretations, and the relevant impact will be disclosed when the assessment is completed.

4. Summary of Significant Accounting Policies

The significant accounting policies have been applied consistently to all periods presented in these financial statements, except when otherwise indicated.

(A)Assertion of compliance

The Bank's financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks (the "Regulation.")

(B)Basis of compilation

The financial statements were composed of the balance sheet, statements of comprehensive income, statements of changes in equity, cash flows, and other notes.

Except for the significant balance sheet items listed as below, the financial statements are prepared on the basis of historical costs.

(a)Financial instrument measured at fair value through profit or loss (including derivative instruments);

(b)Available-for-sale financial assets measured at fair value;

(c)The defined benefit asset is recognized as the net amount of fair value of pension assets, less the present value of the defined benefit obligation.

(C)Foreign currency transaction and translation of foreign currency financial statements

(a)Functional currency and presentation currency

The functional currency of the Bank is the currency of the primary economic environment in which it operates. The Bank's functional currency is New Taiwan Dollar, and the financial reports are presented in New Taiwan Dollar.

(b)Transactions and balances

A transaction that is denominated or requires settlement in a foreign currency, is recognized in the foreign currency. The income generated and expenses incurred are recognized in functional currency, which is translated using the exchange rate at the date of the transaction.

Monetary foreign currency financial assets and liabilities are translated using the exchange rate at the date of the statement of financial position, and the exchange difference is recognized in the profit or loss of the current period. Non monetary foreign currency financial assets and liabilities which are measured in fair value in a foreign currency shall be translated using the exchange rate at the date of statement of financial position. Non monetary foreign currency financial assets and liabilities which are not measured in fair value, shall be translated using the historical exchange rate at the date of transaction, and the exchange difference is recognized in profit or loss in the current period.

(c)Foreign operations

The assets and liabilities of foreign operations are translated to functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

(D)Cash and cash equivalents

Cash and cash equivalents include cash on hand, checks for clearing, petty cash and due from other banks .Time deposits with maturity within one year are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Those are readily convertible to fixed amount of cash and an insignificant risk of changes in value are classified as cash and cash equivalents. In terms of cash flow statement, cash and cash equivalents are comprised of cash and cash equivalents within balance sheet and due from central bank and call loans to bank and Securities purchased under repurchase agreements in accordance with IAS7 " Statement of Cash Flows".

(E)Securities under repurchase / resell agreements

Securities purchased under resell agreements are treated as financing transactions. When the Bank prepares the financial statements, the transactions are recognized as “securities purchased under resell agreements”. The difference between the purchase price and resell price is treated as interest income.

Securities sold under repurchase agreements are treated as financing transactions. When the Bank prepares the financial statements, the transactions are recognized as “securities sold under repurchase agreements”. The difference between the cost and the repurchase price shall be recognized as interest expenses.

(F)Financial assets and financial liabilities

(a)Financial assets

All of the Bank’s financial assets are classified as “loans and receivables”, “financial assets measured at fair value through profit or loss”, “held-to-maturity financial assets” and “available-for-sale financial assets”.

(1)Loans and receivables

Loans and receivables are including the origination and non-origination. The originated loans and receivables are considered as providing money, products or services to the debtor. The non-originated loans and receivables are considered as anything except from the originated ones.

Loans and receivables are recognized initially at fair values which consist of attributable price acquired, significant transaction costs, payment or receipt of significant service fees and all other premiums or discounts. Subsequent evaluation uses interest method. However, in conformity with the article 10-7 and article 10-10 of the Regulations Governing the Preparation of Financial Reports by Public Banks, while the influences of discount are insignificant, the loans and receivables could be measured by initial recognized amount.

Please refer to Note 4(I) for the information of the provision for impairment of financial assets.

(2)Financial assets measured at fair value through profit or loss

A financial asset is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are classified as held for trading if they have been acquired principally for the purpose of selling or repurchasing in the near term. Attributable transaction costs are recognized in profit or loss as incurred. The subsequent evaluations are measured at fair value, and changes in fair value are recognized in profit or loss. Purchases or sales of financial assets under a customary way use trade date accounting. If the financial assets are required to separate an embedded derivative financial instruments from its host contract respectively, but it is not possible to measure the embedded derivative financial instruments separately either at acquisition or at the end of a subsequent financial reporting period, or in order to eliminate or reduce the accounting inconsistencies, the financial assets will be originally designated as at fair value through profit or loss. The derivative financial instruments held by the Bank, except for those designated as hedging instruments, are classified under these accounts

(3)Held-to-maturity financial assets

Debt instruments which the Bank has a positive intention and the ability to hold to maturity are recorded under held-to-maturity financial assets and measured at amortized cost. The financial instruments are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Purchases or sales of financial assets under a customary way are using trade date accounting.

(4)Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, except for impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the unrealized valuation gain or loss on available-for-sale financial assets. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in statement of comprehensive income account as realized gain or loss on available-for-sale financial assets. Under a customary way purchases or sales of financial assets shall be recognized and derecognized, using trade date accounting.

(5)Financial assets carried at cost

Equity instruments with no quoted market price are initially recognized at whose fair value plus transaction costs. When the variances of reasonable estimation of the financial assets’ fair value are considered as significance, and the probabilities of the different estimation cannot be estimated reasonability, resulting in the assets’ fair value cannot be measured reliably, should adopt cost method to measure the financial assets.

(6)Derecognition of financial assets

The Bank shall derecognize a financial asset when the contractual rights of the cash flows from the financial asset expire or transfers substantially all the risks and rewards of ownership of the financial assets. While the financial liabilities are discharged or cancelled, or expired, the financial liability shall be derecognized.

(7)Offsetting of financial instrument

The Bank presents financial assets and liabilities on a net basis when the Bank has A) the legally enforceable right to offset and B) intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(b)Financial liabilities

Financial liabilities measured at fair value through profit or loss which held by the Bank are including held-for-trading and designated as at fair value through profit or loss financial liabilities. A financial liability is held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term; on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. A derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument, is classified as instrument held for trading as well. Financial liabilities held for trading include obligations to deliver financial assets borrowed by a short seller.

Financial liabilities are classified as held-for-trading and designated as at fair value through profit or loss, both of them are classified as “Financial liabilities measured at fair value through profit or loss”. The changes of fair value changes are recognized in profit or loss, and are included in statement of comprehensive income account as “Gain or loss on financial assets or liabilities measured at fair value through profit or loss”.

(G)Investments in subsidiaries

When preparing individual financial statement, the Bank uses equity method in evaluating the control of an investee. Under equity method, the net income or loss for the period of individual financial statement and other comprehensive income of individual financial statement are the same as net income or loss for the period attributed to owners of parents of consolidated statement and other comprehensive income attributed to owners of parents of consolidated statement, respectively. The equity of the individual financial statement is the same as the equity attributable to the owners of parents of the consolidated statements.

Any change in ownership interest of the subsidiaries, not resulting in loss of control, is treated as equity transaction between the owners.

(H)Revenue recognition

The interest income and expense of the Bank are recognized on an accrual basis.

The interest income from loans is evaluated by the amortized cost under effective interest rate method and also refers to The Materiality Principle of Banking Industry-Adjusting the Recognition of Interest Income from Agreed Interest Method to Effective Interest Rate Method ("the Materiality Principle") drafted by the Bankers Association of The Republic of China. According to the Materiality Principle, loans and receivables should be adjusted from agreed interest method to effective interest method when the credit periods are specific and over one year, and when one of the following criteria is met:

(a)The agreed interest rate of loans and receivables is zero.

(b)Loans and receivables with stepped interest are still at the step-phase.

(c)The non-service fees income of a single loan or receivable is over 1% of the loan facility.

Loans and receivables meeting aforesaid criteria should be calculated by the difference between interest under agreed interest method and interest under effective interest method by products. The difference is significant when the difference exceeds 5% of the sum of interest revenue and service fees income for the reporting period of the Bank and these loans and receivables should be adjusted into effective interest method to calculate interest income on the reporting date.

Service fees income and commission income are recognized on an accrual basis when the service is provided. Loan commitment fees received in advance of highly probable loan agreement is considered to be the returns of such financial instruments. Such loan commitment fees and related transaction costs should be deferred and the effective interest rate should be adjusted. For the syndicated loan, in which the Bank does not keep any loan proportion (or which the Bank keeps some loan proportion has the same effective interest rate as other banks participating under similar risks), the fees received will be recognized as revenue when the loan process is completed. The services fee charged by the Bank which acts as coordinator is recognized as revenue when the transaction is completed. The investment management service fees charged should be recognized as revenue when the service is provided. The same service fee recognition principle is applicable to wealth management, financial consultant services and custody services. If the service fees income is linked to the performance, revenue is recognized when the performance is achieved.

(I)Financial asset impairment

(a)Financial assets carried at amortized cost(including loans and receivables)

The Bank should identify on every reporting day if there exists any objective evidence for impairment loss. If material impairment indicator on a single financial asset is revealed, the impairment loss is evaluated individually; if there is non-material impairment indicator on single financial assets either respectively or collectively, the impairment loss is evaluated by portfolio method. If an evaluated single financial asset does not show any objective evidence for impairment loss, it should be organized into a financial asset category in which the financial assets have similar credit risk characteristics, and evaluate if there is impairment loss existing in this set of asset. Financial assets of which the individual impairment loss has been recognized or the impairment loss has been continuingly recognized do not require to reevaluate impairment loss by portfolio method.

If objective evidences for impairment loss exist, the difference between the book value of financial assets and the present value of estimated future cash flow discounted by effective interest rate should be recognized as impairment loss. When impairment loss happens, the book value of financial assets is reduced by the allowance account, and recognized under the account "Bad debt expenses and guarantee reserve". In calculating impairment amount, estimated future cash flows include the recoverable amount of collaterals and related insurances.

If the amount of impairment loss reduces in the following period, and that reduction is obviously related to the events which happen after the impairment loss is recognized, the previous recognized impairment loss on financial assets will be reversed. The reversal should not make the book value of financial assets to be higher than the amortized cost when the impairment loss is not recognized.

The aforesaid objective evidence includes:

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

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

(3)The lender considered the economic or legal reasons relating to the borrower’s financial difficulty, and granted the borrower a concession;

(4)It is probable that the borrower will enter bankruptcy or other financial reorganization;

(5)The financial assets cannot be traded in an active market because of the financial difficulties of issuers;

(6)The payment status of the borrower became worse and worse;

(7)Changes in national or local economic conditions that correlate with defaults on the assets.

Overdue loans and non accrual loans which have been actively demanded for repayment and meet one of the following situations can be written off after reducing the retrievable parts.

(1)Part of or all of the claims cannot be retrieved because the borrowers are declared dismissed, fled, reconciled, bankrupt or any other reason.

(2)The appraised value of collaterals and the properties of the main- and sub- borrowers is low; no compensation will be received after reduces the amount attributed to priority hypothec; the execution expenses is close to or over the compensation that the Bank will receive, which is no benefit in execution.

(3)Collaterals and the properties of the main- and sub- borrowers could not be sold out at auction for many times and the Bank could not have any benefit from foreclosure.

(4)Overdue loans, which is over the settlement period for two years and have been actively demanded for repayment, still cannot be retrieved.

The credit card receivables, of which the lowest monthly payments are not paid over the assigned payment duration for six months, should be written off in three months (after that six months exceeding payment duration).

The evaluation process mentioned above also refers to Financial Supervisory Commission R.O.C, Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, and the Bank’s Rules Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans. The minimum loan loss provision and guarantee reserve shall be the sum of 1% of the outstanding balance of Category One credit asset's claim (excluding assets that represent claims against the central and local government in Taiwan), 2% of the balance of Category Two credit assets, 10% of the balance of Category Three credit assets, 50% of the balance of Category Four credit assets, and the full balance of Category Five credit assets., compare with the loss provision calculated following IAS 39, the higher amount is considered as the basis of loss provision.

(b)Available-for-sale financial assets

When the reduction in fair value of available-for-sale financial assets are recognized in other comprehensive income and there is objective evidences that show the assets are impaired, even if the financial asset had not been derecognized, the accumulated revaluation losses recognized in other comprehensive income shall be reclassified to profit or loss.

The impairment losses of equity instruments classified as available for sale assets can't be reversed in profit or loss, and any subsequent increase in fair value are recognized in other comprehensive income. If, in a subsequent period, the fair value of debt instruments classified as available for sale assets increases and the increase can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognized in current period profit or loss.

(c)Financial assets carried at cost

If there is objective evidence that financial assets carried at cost are impaired, the impairment amount of the assets is recognized in account "impairment loss on assets". However, the impairment losses should not be reversed.

(J)Non-financial asset impairment

In compliance with IAS 36 "Impairment of Assets", at each balance sheet date, the recoverable amount of non-financial asset is estimated and compared with the carrying amount whenever there is an indication that the non-financial asset may be impaired. An impairment loss is recognized in account "impairment loss on assets" when the recoverable amount, higher of fair market value or value in use, is less than the carrying amount. For assets other than goodwill, reversal of impairment loss is recognized when the recoverable amount of the asset has increased from its prior-period estimation. The carrying amount after the reversal shall not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods. Goodwill shall be tested for impairment annually regardless whether there are signs of impairment or not. The impairment losses of goodwill cannot be reversed.

(K)Lease

In compliance with the International Accounting Standard 17, all of the Bank's leases contract are classified as operating leases. Lease receivables and payables are recognized by using a straight-line basis, and accounted as "Other net non-interest income" and "Other general and administrative expenses", respectively.

(L)Investment property

Properties held by the Bank are all in compliance with Article 75 of "The Banking Act of the Republic of China". Properties are classified as investment property if it is held to earn rentals or for appreciation (or both), each floor's property right is separate and the entire floor is rented or the owner occupies less than 5% of the floor. Investment properties also include buildings and land held under an operating lease and are treated in accordance with IAS 40.

Cost model is used for the subsequent measurement of the Bank's investment property. After initial recognition, the depreciated method by the Bank is in accordance with IAS 16. Depreciation is based on the cost of the asset minus its residual value and is calculated by using the straight-line method during its estimated useful lives. If the useful life of a component of the assets is different from the other components of the asset, its depreciation is recognized separately. Depreciation is recognized in profit or loss.

Land is not affected by depreciation, but buildings are depreciated to their residual values using straight-line method during their useful life.

The estimated useful lives are as follows:

Main part of the buildings: 50 years

The fair value of investment property is evaluated by the Appraisal Department of the Bank every year.

(M)Property and equipment

The Bank's property and equipment are recognized after deducting any accumulated depreciation and accumulated impairment losses from historical cost. The historical cost includes any costs directly attributable to acquiring the assets.

Subsequently expenditure of property and equipment shall be recognized as an asset or be included in the carrying amount of assets, when, and only when it is probable that the future economic benefits that are associated with property and equipment will flow to the Bank, and the cost of property and equipment can be measured reliably. The carrying amount of those parts that are replaced is derecognized. The maintenance expense shall be recognized as "Other general and administrative expenses" when incurred.

(a)Depreciation

Depreciation is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated. The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

Main part of the building: 50 years

Attachment of the building: 5 years

Computers: 3 years

Office and other equipment: 5 years

Leasehold improvement: 5 years

Decommissioning costs: in accordance with the period of lease contract.

(b)Gain or loss

The gain or loss arising from the disposition of an item of property and equipment is as the difference between the disposal proceeds and the carrying amount of the item, shall be recognized as “Other net non-interest income” in the statements of comprehensive income.

(N)Intangible assets

The Bank’s intangible assets are including computer software and goodwill.

The straight-line method can be used to amortize the computer software over its useful life, and the expected maximum useful life is five years.

The goodwill shall be recognized as the amount of the consideration transferred excess of the acquisition-date amounts of the identifiable assets acquired. The amount of goodwill which derived from the business combination does not need to be amortized. Goodwill is tested for impairment periodically each year. An impairment loss is recognized when the recoverable amount is less than the carrying amount. Impairment losses cannot be reversed once an impairment loss has been recognized.

(O)Income Taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the situations as follows:

(a)Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

(b)Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not be reversed.

(c)Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(a)The entity has the legal right to settle current tax assets and current tax liabilities on a net basis; and

(b)The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(1)Levied by the same taxing authority; or

(2)Levied by different taxing authorities, but where each such authority intends to settle current tax assets and current tax liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted to reduce the related tax benefit when the unused tax losses, unused tax credits, and deductible temporary differences are not probable to be utilized.

(P)Employee benefit

(a)Retirement Plan

The Bank has a defined benefit and contributory retirement plan for its employees. Under this plan, contribution is made annually to an independent pension fund at rates ranging from 4% to 8.5% of the employees monthly salary. In addition, the pension fund is independently managed by Pension Fund Administration Committee.

The Bank contributes monthly no less than 2% of gross salary to the employee pension fund which is deposited into a designated depository account with the Bank of Taiwan (previously known as Central Trust of China). Pension funds will be offered to employees according to the number of the years served in the company with two units per year. Those who work for longer than 15 years will be offered one unit a year. The highest they could receive would be 45 units. The units of less than 6 months will be counted as half year, and those units which are longer than six months will be counted as one year.

Effective from May 1, 1997, the Bank is covered by the Labor Standards Law and as such, its pension fund contribution conforms to the Labor Standards Law. The Labor Pension Act of R.O.C. (“the Act”), effective from July 1, 2005, adopts a defined contribution pension plan. In accordance with the Act, employees of the Bank (who were hired before July 1, 2005) may elect to be subject to either the Act and maintain their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. Employees who are hired by the Bank after July 1, 2005, are required to be covered by the pension plan as defined by the Act. For employees subject to this Act, the Bank is required to make monthly cash contributions to the employees’ individual pension accounts at the rate of not less than 6% of the employees’ monthly wages and deposit the contribution in a personal retirement benefit account.

The defined benefit asset is recognized as prepaid pension fund in the balance sheet by the bank as the net amount of fair value of pension assets, less the present value of the defined benefit obligation. The calculation of defined benefit obligation is performed annually by an actuary using the projected unit credit method. The actuarial present value of defined benefit obligation is calculated by discounting future cash flow at the yield rate on AA credit rated bonds that have maturity dates approximating the terms of the obligation and that are denominated in the same currency in which the benefits are expected to be paid.

All actuarial gains and losses which are caused by practical experience and change of actuarial assumptions are recognized in other comprehensive income and expenses in the current year. The prior period’s service costs which are due to the modification of retirement plan are currently recognized as personnel expenses in profit or loss.

(b)Short-term employee benefit

The Bank charges the short-term and non-discounted benefit expectedly paid in near future to current expenses over the periods services are rendered by employees.

(c)Preferential savings rate for employee

The Bank offers current staffs a fixed amount of preferential savings rate. The difference between the preferential savings rates and the market rates is the scope of employee benefits. According to the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks, the interest paid for preferential savings rate plan is recorded monthly under accrual basis. The difference between the preferential savings rates and the market rates is recognized under "employee benefit expenses".

(Q)Provisions

The Bank recognizes the provision under the circumstances below:

(a)An entity has a present obligation, legal or constructive, as a result of a past event;

(b)It is probable that an outflow of economic benefits resources will be required to settle the obligation; and

(c)The amount of the obligation can be estimated reliably.

The amount recognized as a provision should be the estimate of the expenditure required to settle the present obligation at the end of the reporting period. The individual provisions of the Bank are the best estimates of the individual results.

(R)Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Bank recognizes financial guarantee liabilities initially at their fair value at the date of providing guarantee. The Bank receives commission income with non-arm’s-length transaction at contract date; this is, the income could represent the fair value of financial guarantee contract. The advanced service fee is recognized as deferred item and amortized by straight-line method over the contract period of the financial guarantee.

After initial recognition, the Bank measure a financial guarantee contract at the higher of the amount determined in accordance with IAS 37” Provisions, Contingent Liabilities and Contingent Assets “, and the amount initially recognized less, when appropriate, cumulative service fee recognized in accordance with IAS 18” Revenue”.

The aforesaid estimations are based on the experiences of trading, the database of historical losses, and the management’s judgments.

The amount of increased liability from the financial guarantee contracts shall be recognized as “Provisions for bad debt expenses and guarantee reserve”

(S)Equity

The new issued capital shall be attributed as incremental cost, and the net amount of cost after deducting the related income tax expense being excluded from the equity. Stock dividends of common stock are recognized in the year which the Bank's shareholders' meeting approved.

(T) Earnings per share

The Bank discloses the basic EPS attributed to the common stock holders. EPS of the Bank is calculated as dividing profit and loss attributed to common stock stockholders by the weight- average number of common shares outstanding of the period.

(U)Operating segments

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Bank). The segment's operating results are reviewed regularly by the Bank's chief operating decision maker to make decisions pertaining to the allocation of the resources to the segment and to assess its performance. The Bank provides financial information to the board of directors each month for reviewing the operational performance and the plan on resource allocation. The resource allocation plan is executed by every operational segment after getting the approval from the board of directors, thus, the chief operating decision maker of the Bank is the board of directors.

5. Primary Sources of Significant Accounting Judgments, and Uncertainty of Estimates and Assumptions

The financial statements are influenced by accounting policies, assumptions and estimates. When preparing the financial statements, the management needs to make appropriate professional judgments, estimates and assumptions, and will affect the adoption of accounting policies, reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from these estimates.

Management continued to monitor the accounting assumptions, estimates and judgments. Management recognized the changes in the estimates during the period and the impact of the changes in the accounting estimates in the next period.

(A)Critical judgments in applying accounting policies

Other than determination of estimation (please refer to Note 5(B) as shown below), significant judgment made by the Bank's management when determining a recognized amount in the financial report under the application of the bank's accounting policies is as follows.

Financial assets classification

The Bank's management should define the classification of financial assets. Different classification of financial assets would impact the accounting methods, the Bank's financial position and financial performance.

(B)Major sources of uncertainty for assumptions and estimation

The Bank has made proper assumptions and estimations toward book value of assets and liabilities which may have significant risk due to significant adjustments in the next fiscal year. The Bank’s assumption and estimation are made by following IFRS as accepted by FSC, and are considered as the best estimation. Estimation and assumption are made based on the past experience and other factors, encompassing the expectation for the future period, and are evaluated continuously.

(a) Impairment loss on loans

Loans are reviewed quarterly by the Bank to assess impairment. When the Bank decides whether to recognize impairment loss, they mainly assess if there are any observable evidence indicating possible impairment. The evidence may include observable information indicating unfavorable changes in debtor payment status, or sovereign or local economic situation related to debt payment in arrears. When analyzing expected cash flow, the estimates by the management are based on past losses experience on assets of similar credit risk characteristics. The Bank periodically reviews methods and assumptions behind the amount and schedule of expected cash flow, to reduce the difference between expected loss and actual loss.

(b) Fair value of financial instruments

A valuation method is used for determination of financial instrument’s fair value which is without active market or without quotation in an active market. Under this situation, the valuation of fair value is based on the observation of similar financial instruments with observable information. If no quotation can be referred to, fair value of a financial instrument would be determined under proper assumptions. When valuation model is applied for the determination of fair value, all models should be aligned in order to ensure that the outcome reflects actual information and market price. Observable information is applied mostly in models; however, certain items, such as credit risk (the risk bears by the Bank itself and the counterparty) should rely on the management’s estimation toward fluctuation and correlation. Please refer to Note 6(AK) for information on financial instruments sensitivity analyses.

(c) Post-employment benefits

The present value of post-employment benefits obligation is based on actuarial results of multiple assumptions. Any assumption changes will affect the carrying amount of post-employment benefits obligation.

The assumptions that determine net pension cost (revenue) include discount rate. The Bank determines an appropriate discount rate at the end of each year, and uses the discount rate to calculate the present value of future cash outflow needed to cover the post-employment benefits obligation. To determine an appropriate discount rate, the Bank should take into account the interest rate of high-quality corporate bond or government bond, which should be issued in the same currency as that of post-employment benefits payments. The maturity of the bonds should also match the period of pension liability.

Other significant assumptions of post-employment benefits obligation are based on current market conditions.

6. Summary of Major Accounts

(A)Cash and cash equivalents

	2014.12.31	2013.12.31
Cash on hand	$ 1,032,804	1,098,995
Petty cash and revolving funds	2,728	2,640
Checks for clearing	290,319	167,685
Foreign currencies on hand	216,906	210,732
Due from other banks	2,103,704	2,281,737
Total	$ 3,646,461	3,761,789

(B)Due from the central bank and call loans to banks

	2014.12.31	2013.12.31
Due from the central bank - general account	$ 880,033	2,376,081
Due from the central bank - deposit reserve	4,529,052	4,294,814
Financial center	614,309	310,228
Central bank time deposits	-	15,700,000
Call loans to banks	8,842,618	1,627,874
Total	$ 14,866,012	24,308,997

The reserves for deposits are calculated at prescribed rates, using the average monthly balances of various deposit accounts and are appropriated and deposited in the reserve account of the Central Bank of the Republic of China (Taiwan). Deposits in “Due from the central bank - deposit reserve” are interest-bearing and cannot be withdrawn except for the monthly adjustment to the required reserve permitted by relevant regulations.

(C)Financial assets measured at fair value through profit or loss

The financial assets held for trading and financial asset designated as at fair value through profit and loss by the Bank are as follows:

	2014.12.31	2013.12.31
Commercial paper	$ 2,047,903	2,887,100
Government bonds	4,649,017	4,547,090
Corporate bonds	4,139,267	5,268,893
Financial debentures	1,132,743	102,005
Convertible corporate bonds	13,054	44,313
Listed and TPEx securities	56,611	277,117
Negotiable certificates of deposit	20,709,303	1,351,475
Beneficiary certificates	31,573	106,267
Derivatives financial instruments	1,840,668	51,596
Futures margin	53,388	19,197
Financial asset designated as at fair value through profit and loss	-	749,057
Total	$ 34,673,527	15,404,110

(a)The sum of financial assets shown above held under repurchase agreement as of December 31, 2014 and 2013, please refer to Note 6(P).

(b)Parts of the above financial assets held for trading and financial asset designated as at fair value through profit and loss are restricted, and please refer to Note 8 for further details.

(D)Receivables-net

	2014.12.31	2013.12.31
Accounts receivable for credit cards	$ 829,093	941,550
Accounts receivable	220,537	118,953
Interest receivable	385,332	402,350
Acceptance receivable	430,102	213,841
Factoring receivables - without recourse	49,101	110,148
Other receivables - financial holdings	1,188,236	1,787,253
Other receivables	121,569	186,331
Receivable from sales of marketable securities	-	3,045
Subtotal	3,223,970	3,763,471
Less: Allowance for bad debts	(61,098)	(80,114)
Total	$ 3,162,872	3,683,357

The changes in allowance for bad debts are as follows:

	2014	2013
Beginning balance	$ 80,114	141,824
Reversal of provision for bad debt	(1,491)	(42,497)
Settlement	-	(72)
Recovery of bad debt	18,414	17,537
Amount written off	(26,958)	(37,299)
Exchange rate fluctuation	1,301	621
Derecognition from NPL disposal	(10,282)	-
Ending balance	$ 61,098	80,114

Items		Receivables	Allowance for bad debts
		2014.12.31	2014.12.31
With the objective evidence of impairment	Individual assessment of impairment	31,448	29,051
	Collective assessment of impairment	10,563	5,470
Without the objective evidence of impairment	Collective assessment of impairment	3,181,959	26,577
Total		3,223,970	61,098

Items		Receivables	Allowance for bad debts
		2013.12.31	2013.12.31
With the objective evidence of impairment	Individual assessment of impairment	119,925	37,685
	Collective assessment of impairment	20,942	6,300
Without the objective evidence of impairment	Collective assessment of impairment	3,622,604	36,129
Total		3,763,471	80,114

(E)Discounts and loans- net

	2014.12.31	2013.12.31
Export bills negotiated	$ 19,497	74,467
Accounts receivable financing	67,035	68,306
Short-term loans	15,202,708	17,364,051
Short-term secured loans	18,073,595	16,355,048
Medium-term loans	25,267,902	26,900,993
Medium-term secured loans	15,171,567	12,485,289
Long-term loans	1,603,281	2,447,538
Long-term secured loans	70,093,184	66,140,027
Non-accrual loans	96,298	760,488
Subtotal	145,595,067	142,596,207
Less: Allowance for bad debts	(1,583,077)	(1,642,166)
Less: Adjustment of discount and premium	(51,860)	(60,327)
Total	$ 143,960,130	140,893,714

Please refer to Note 6(AK) for the industry information.

For the years ended December 31, 2014 and 2013, suspended accrual of interest for all of non-accrual accounts amounted to $8,280 and $14,560, respectively.

For the years ended December 31, 2014 and 2013, there were no loans written off without prior recourse.

The changes in allowance for bad debts are as follows:

	2014	2013
Beginning balance	$ 1,642,166	1,583,868
Provision	133,113	390,941
Recovery of bad debts	(3,807)	(14,727)
Recovery of bad debts-Debt negotiation	41,251	37,607
Transfer to counterfeit account	764	437
Current write-off	(149,670)	(359,854)
Exchange rate effect	9,487	3,894
Derecognition from NPL disposal	(90,227)	-
Ending balance	$ 1,583,077	1,642,166

Discounts and loans should be included in the total amounts of assessment of impairment to be determined its allowance for bad debts, which are as follows:

Items		**Loans**	**Allowance for credit losses**
		2014.12.31	**2014.12.31**
With the objective evidence of impairment	Individual assessment of impairment	2,036,040	102,839
	Collective assessment of impairment	1,143,542	149,082
Without the objective evidence of impairment	Collective assessment of impairment	142,415,485	1,331,156
Total		145,595,067	1,583,077

Items		**Loans**	**Allowance for credit losses**
		2013.12.31	**2013.12.31**
With the objective evidence of impairment	Individual assessment of impairment	5,156,935	458,726
	Collective assessment of impairment	1,485,427	219,431
Without the objective evidence of impairment	Collective assessment of impairment	135,953,845	964,009
Total		142,596,207	1,642,166

Bad debts expenses and reserve for guarantee liabilities provision- Receivables are as follows:

		2014	**2013**
Provision for bad debts expenses-Discount and loans	$	133,113	390,941
Reversal of bad debts expenses-Receivables		(1,491)	(42,497)
Provision for (reversal of) bad debts expenses-Guarantee reserve		1,198	(43,431)
Provision for bad debts expenses-Non-accrual loans transferred from overdue		-	42,036
Recovery of bad debts		(323,802)	(515,957)
Total	**$**	**(190,982)**	**(168,908)**

(F)Available-for-sale financial assets

	2014.12.31	2013.12.31
Government bonds	$ 3,644,273	7,366,416
Corporate bonds	4,831,814	3,751,517
Listed and TPEx securities	3,328	11,748
Financial debentures	-	152,193
Total	$ 8,479,415	11,281,874

As of December 31, 2014 and 2013, the Bank holds the available-for-sale financial assets sold under repurchase agreement, please refer to Note 6(P).

(G)Held-to-maturity financial assets – net

	2014.12.31	2013.12.31
Private placement of corporate bonds	$ 300,000	300,000

The annual rate of return of private corporate bonds is 2.0880%.The interests of private corporate bonds are paid annually and will mature in November, 2015. There is no misgiving of overdue or impairment loss on reporting date.

(H)Stock investments measured by equity method

	2014.12.31		2013.12.31	
	Percentage of Ownership (%)	Book value	Percentage of Ownership (%)	Book value
Subsidiary—JihSun Life Insurance Agency Co., Ltd.	99	$ 63,146	99	$ 89,059

Proportionate share of gains from associates or joint ventures under equity method for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
JihSun Life Insurance Agency Co., Ltd.	$ 49,425	75,338

Please refer to Note 13(B) for Related information on investee companies.

(I) Other financial assets－net

	2014.12.31	2013.12.31
Short term advances	$ 369,410	376,087
Financial assets carried at cost—net	406,547	413,014
Non-accrual loans transferred from non-loan financial assets	-	32,036
Less: Allowance for credit losses—non-accrual loans transferred from non-loan financial assets	-	(32,036)
Total	$ 775,957	789,101

Details of financial assets carried at cost are as follows:

	2014.12.31	2013.12.31
Taipei Forex Inc.	$ 800	800
Dah Chung Bills Finance Co., Ltd.	268,644	268,644
D.C. International Co., Ltd.	48,276	48,276
Hanrung Venture Capital Co., Ltd.	2,830	2,830
Financial Informational Co., Ltd.	46,890	46,890
Super Tech Venture Capital Co., Ltd.	-	17,082
Sunny Asset Management Corp.	985	985
First Bio Venture Capital Corporation	-	4,234
Financial Assets Service Co., Ltd.	50,000	50,000
Victor Taichung Machinery Works Co., LTD.	1,060	1,060
Less: Accumulated impairment	(12,938)	(27,787)
Total	$ 406,547	413,014

Note 1: Concord IV Venture Capital Co., Ltd. has finished liquidating on December 18, 2013, refunded the capital $8,644, reversed-impairment loss $6,805 and recognized loss on disposal $6,790.

Note 2: First Bio Venture Capital Co., Ltd. had finished liquidating on January 16, 2014, refuned the capital $1,675. The Bank reversed impairment loss $2,578 and recognized disposal loss $2,559.

Note 3: Super Tech Venture Capital Co., Ltd. has been liquidating in 2014, and refunded the capital $3,636 on April 25, 2014. The Bank recognized impairment loss $631 and disposal loss $544.

(J)Property and equipment－net

2014.12.31	Cost	Accumulated depreciation	Net
Land	$ 2,380,968	-	2,380,968
Buildings	1,840,542	773,697	1,066,845
Transportation equipment	1,909	1,887	22
Other equipment	825,393	749,444	75,949
Leasehold improvements	264,886	216,284	48,602
Prepayment for equipment	370	-	370
Construction in progress	6,192	-	6,192
Total	$ 5,320,260	1,741,312	3,578,948

2013.12.31	Cost	Accumulated depreciation	Net
Land	$ 2,412,582	-	2,412,582
Buildings	1,875,450	763,831	1,111,619
Transportation equipment	1,953	1,912	41
Other equipment	862,296	774,589	87,707
Leasehold improvements	297,768	231,821	65,947
Prepayment for equipment	3,901	-	3,901
Total	$ 5,453,950	1,772,153	3,681,797

Changes in the cost are as below:

	2014.1.1	Current increase	Current decrease (Note 1)	Reclassification	Others (Note2)	2014.12.31
Land	$ 2,412,582	-	-	-	(31,614)	2,380,968
Buildings	1,875,450	5,184	(24,555)	14,955	(30,492)	1,840,542
Transportation equipment	1,953	-	(44)	-	-	1,909
Other equipment	862,296	19,258	(58,383)	2,222	-	825,393
Leasehold improvements	297,768	3,585	(38,382)	1,915	-	264,886
Prepayment for equipment	3,901	4,166	-	(2,222)	(5,475)	370
Construction in progress	-	23,062	-	(16,870)	-	6,192
Total	$ 5,453,950	55,255	(121,364)	-	(67,581)	5,320,260

Note 1: For the year ended December 31, 2014, the decrease in costs includes $320 from the sale of assets and $121,044 from the abandonment of property and equipment.

Note2 : For the year ended December 31, 2014, the decrease in costs includes $31,614 of lands and $30,492 of buildings transferred out to investment property, respectively, and prepayment for equipments transferred out to intangible assets-computer software $4,275 and prepayments $1,200, respectively

	2013.1.1	Current increase	Current decrease (Note 1)	Reclassification	Others (Note2)	2013.12.31
Land	$ 2,013,594	-	-	-	398,988	2,412,582
Buildings	1,865,778	5,676	(3,420)	5,640	1,776	1,875,450
Transportation equipment	2,678	-	(725)	-	-	1,953
Other equipment	875,918	19,021	(36,385)	3,742	-	862,296
Leasehold improvements	324,184	1,429	(34,182)	6,337	-	297,768
Prepayment for equipment	6,596	5,697	-	(3,742)	(4,650)	3,901
Construction in progress	-	11,977	-	(11,977)	-	-
Total	$ 5,088,748	43,800	(74,712)	-	396,114	5,453,950

Note 1:For the year ended December 31, 2013, the decrease in costs for $74,712 is the abandonment of property and equipment.

Note 2:For the year ended December 31, 2013, the changes in costs include the three factors mentioned as follow. The decrease of prepayment of equipment includes $4,650 transferred out to intangible assets-computer software. The increase in land includes $396,662 transferred from the collateral reversed for private use and $2,326 from invested property reversed for private use respectively. The increase in buildings includes $11,678 transferred from the collateral reversed for private use and $9,902 transferred out to investment property because of lease.

Changes in accumulated depreciation are as below:

	2014.1.1	Depreciation	Current decrease (Note 1)	Reclassification	Exchange difference	Others (Note2)	2014.12.31
Buildings	$ 763,831	41,972	(24,402)	-	-	(7,704)	773,697
Transportation equipment	1,912	18	(44)	-	1	-	1,887
Other equipment	774,589	32,831	(57,976)	-	-	-	749,444
Leasehold improvements	231,821	22,758	(38,295)	-	-	-	216,284
Total	$ 1,772,153	97,579	(120,717)	-	1	(7,704)	1,741,312

Note1: For the year ended December 31, 2014, the decrease in accumulated depreciation includes $151 from the sale of assets and $120,566 from the abandonment of property and equipment.

Note 2: For the year ended December 31, 2014, the decrease in buildings includes $7,704 transferred out to investment property.

	2013.1.1	Depreciation	Current decrease (Note 1)	Reclassification	Others (Note2)	2013.12.31
Buildings	$ 726,772	42,093	(3,392)	(2)	(1,640)	763,831
Transportation equipment	2,613	24	(725)	-	-	1,912
Other equipment	776,189	34,483	(36,083)	-	-	774,589
Leasehold improvements	233,975	32,026	(34,182)	2	-	231,821
Total	$ 1,739,549	108,626	(74,382)	-	(1,640)	1,772,153

Note1: For the year ended December 31, 2013, the decrease in accumulated depreciation includes $74,382 from the abandonment of property and equipment.

Note2: For the year ended December 31, 2013, the decrease in buildings includes $1,640 transferred out to investment property.

(K)Investment property—net

2014.12.31	Cost	Accumulated depreciation	Net
Land	$ 218,296	-	218,296
Buildings	306,335	97,367	208,968
Total	$ 524,631	97,367	427,264

2013.12.31	Cost	Accumulated depreciation	Net
Land	$ 186,682	-	186,682
Buildings	275,843	84,399	191,444
Total	$ 462,525	84,399	378,126

Changes in the cost are as below:

	2014.1.1	Current increase	Current decrease	Others (Note)	2014.12.31
Land	$ 186,682	-	-	31,614	218,296
Buildings	275,843	-	-	30,492	306,335
Total	$ 462,525	-	-	62,106	524,631

Note: For the year ended December 31, 2014, the increase in costs of investment property includes $62,106 transferred from property and equipment.

	2013.1.1	Current increase	Current decrease	Others (Note)	2013.12.31
Land	$ 189,008	-	-	(2,326)	186,682
Buildings	265,941	-	-	9,902	275,843
Total	$ 454,949	-	-	7,576	462,525

Note: For the year ended December 31, 2013, the decrease in costs of investment property-land includes $2,326 transferred to property and equipment-land for private use. The increase in costs of investment property-buildings includes $9,902 transferred from property and equipment-buildings because of lease.

Changes in accumulated depreciation are as below:

	2014.1.1	Depreciation	Current decrease	Others (Note)	2014.12.31
Buildings	$ 84,399	5,264	-	7,704	97,367

Note: For the year ended December 31, 2014, the increase in accumulated depreciation of investment property-buildings includes $7,704 transferred from property and equipment—buildings.

	2013.1.1	Depreciation	Current decrease	Others (Note)	2013.12.31
Buildings	$ 77,562	5,197	-	1,640	84,399

Note: For the year ended December 31, 2013, the increase in accumulated depreciation of investment property-buildings includes $1,640 transferred from property and equipment—buildings.

As of December 31, 2014 and 2013, the fair value of the investment property are $626,026 and $483,547, respectively. The fair value mentioned above was evaluated by the Appraisal Department of Credit Office (with related recognized professional qualifications and having related experience in field of locations and types of the investment property evaluated in the near term) semi-annually. The appraisal of property relies mainly on the approach of comparison of market value, supplemented by income approach, cost approach and land development approach. The evaluation is based on objective comparison analysis of market researches in order to acquire the gross value and net value of the evaluated objects. The rental income with sustained stability or operating properties are evaluated mainly by income approach, supplemented by the approach of comparison of market value, expounding the estimation of gross value and net value of the evaluated objects.

Rental income from investment properties are disclosed in Note 6(AG).

(L)Intangible assets—net

	2014.12.31	2013.12.31
Goodwill	$ 32,914	32,914
Computer software	96,391	76,305
Total	$ 129,305	109,219

In the year 2002 the Bank merged with XinYing credit co-operative in Tainan County for the purchase price over the fair value of its identifiable net asset amounted to $94,039. Following IAS 38 as accepted by the FSC, goodwill attributed to indefinite life intangible assets will not be amortized. The impairment tests are implemented regularly every year or when there is indication of impairment. Goodwill is no longer amortized, and is conducted impairment test annually.

The Bank evaluated that there was no impairment loss of goodwill for the years ended December 31, 2014 and 2013.

The movement of intangible assets are as follows:

	2014.1.1	Current increase	Current decrease	Exchange difference	Others (Note)	2014.12.31
Goodwill	$ 32,914	-	-	-	-	32,914
Computer software	76,305	60,380	(44,565)	(4)	4,275	96,391
Total	$ 109,219	60,380	(44,565)	(4)	4,275	129,305

Note: For the year ended December 31, 2014, the increase in intangible assets includes $4,275 transferred from property and equipment-equipment ordered.

	2013.1.1	Current increase	Current decrease	Exchange difference	Others (Note)	2013.12.31
Goodwill	$ 32,914	-	-	-	-	32,914
Computer software	85,466	33,240	(47,045)	(6)	4,650	76,305
Total	$ 118,380	33,240	(47,045)	(6)	4,650	109,219

Note: For the year ended December 31, 2013, the increase in intangible assets includes $4,650 transferred from property and equipment because of reclassification.

(M)Other assets—net

	2014.12.31	2013.12.31
Refundable deposits	$ 1,281,778	109,723
Prepayments	145,717	152,964
Others	4,600	4,600
Total	$ 1,432,095	267,287

The foreclosed collaterals located in Xiugang, Xindian Dist., New Taipei City which was disposed through the public bidding on August 1, 2013. The agreement was signed on August 12, 2013, and the property rights had been transferred on December 19, 2013.

In 2013, the foreclosed collateral, located in Datun, Beitou Dist., Taipei City, amounting to $408,340 was transferred into property and equipment at book value, as employee training centre.

(N)Deposits from the central bank and other banks

	2014.12.31	2013.12.31
Deposits from other banks	$ 2,768,369	2,706,699
Post Office transfer deposits	3,810,483	3,725,735
Loan financing from other banks	66,401	9,327
Call loans from other banks	-	4,614,975
Total	$ 6,645,253	11,056,736

(O)Financial liabilities measured at fair value through profit or loss

	2014.12.31	2013.12.31
Forward contracts	$ 730,147	12,512
SWAP	157,477	14,814
Interest rate instruments	55,655	29,825
Currency option	1,360,916	11,936
Convertible bond asset swap	20,553	1,074
Total	$ 2,324,748	70,161

(P)Securities sold under repurchase agreements

	2014.12.31			
Assets	Par value	Selling price	Designated repurchase amount	Designated repurchase date
Available-for-sale financial assets	$ 500,000	500,000	500,126	2015.1.12

	2013.12.31				
Assets		**Par value**	**Selling price**	**Designated repurchase amount**	**Designated repurchase date**
Financial assets measured at fair value through profit or loss	$	123,475	114,243	114,521	2014.1.3
Available-for-sale financial assets		850,000	850,602	851,601	2014.1.17~ 2014.3.26
Total	$	973,475	964,845	996,122	

(Q) Payables

		2014.12.31	2013.12.31
Accounts payable	$	174,934	58,154
Accrued expenses		538,743	478,131
Interest payable		299,071	288,213
Acceptances payable		430,102	213,841
Factoring payable		6,886	8,916
Collection payable		28,935	28,010
Notes payable for clearing payable		290,319	167,685
Other payables		274,602	274,047
Total	$	2,043,592	1,516,997

(R)Deposits and remittances

		2014.12.31	2013.12.31
Checking deposits	$	688,890	686,632
Bank checks		93,014	86,169
Demand deposits		24,861,322	22,882,548
Time deposits		43,634,032	38,422,528
Negotiable certificates of deposit		1,582,200	4,764,500
Savings deposits		109,412,943	103,380,955
Total	$	180,272,401	170,223,332

(S)Financial debentures

	Terms of transactions				Amount	
Financial debentures	Issue date	Maturity date	Interest rate	Type	2014.12.31	2013.12.31
2007 JIH SUN unsecured subordinated financial debentures	96.04.03	103.04.03	Fixed rate of 3%	Unsecured subordinated financial debentures	$ -	500,000
2012 JIH SUN unsecured subordinated financial debentures	101.04.30	108.04.30	Fixed rate of 2.18%	Unsecured subordinated financial debentures	2,500,000	2,500,000
					$ 2,500,000	3,000,000

The latest information of the Bank's financial debentures issued, please refer to Note 11.

(T)Other financial liabilities

	2014.12.31	2013.12.31
Principal received on structured notes	$ 2,363,502	110,928
Appropriated loan funds	-	10,057
Total	$ 2,363,502	120,985

(U)Provisions

	2014.12.31	2013.12.31
Employee benefits provision	$ 31,194	30,414
Guarantee reserve	27,853	26,655
Decommissioning costs of leasehold improvements	24,328	24,328
Provision of structured notes compensation	44,972	48,520
Other provisions	6,500	-
Total	$ 134,847	129,917

Provision of structured notes compensation occurs due to the controversial event related to the consignment of structured notes which were issued by international institutions. The provision is made considering the appraisal results of the Bankers Association of the Republic of China and individual cases' situation.

The movement of provision is as follows:

	2014.1.1	Provision	Current paid	Exchange difference	2014.12.31
Employee benefits provision	$ 30,414	780	-	-	31,194
Guarantee reserve	26,655	1,198	-	-	27,853
Decommissioning costs of leasehold improvements	24,328	-	-	-	24,328
Provision of structured notes compensation	48,520	-	(3,548)	-	44,972
Other provisions	-	6,500	-	-	6,500
Total	$ 129,917	8,478	(3,548)	-	134,847

	2013.1.1	Provision (reversal)	Current paid	Exchange difference	2013.12.31
Employee benefits provision	$ 27,707	2,707	-	-	30,414
Guarantee reserve	70,086	(43,431)	-	-	26,655
Decommissioning costs of leasehold improvements	24,328	-	-	-	24,328
Provision of structured notes compensation	55,268	1,645	(8,393)	-	48,520
Total	$ 177,389	(39,079)	(8,393)	-	129,917

(V)Other liabilities

	2014.12.31	2013.12.31
Guarantee deposits received	$ 34,491	35,460
Amount received in advance	137,438	133,991
Deferred revenue	50,091	56,210
Total	$ 222,020	225,661

(W)Employee benefits

(a)Defined benefits plan

The present value of defined benefit obligation and the fair value adjustments of the plan assets for the Bank are as follows:

	2014.12.31	2013.12.31
Present value of unfunded benefit obligations	$ -	-
Present value of funded benefits obligations	(295,918)	(277,689)
Total present value of benefit obligations	(295,918)	(277,689)
Fair value of plan assets	371,275	357,549
Surplus in the plan	75,357	79,860
Recognized assets for defined benefit obligations	$ 75,357	79,860

The Bank's Prepaid pension cost are as follows:

	2014.12.31	2013.12.31
Defined benefits plan	$ 75,357	79,860

The Bank's employee benefits liabilities are as follows:

	2014.12.31	2013.12.31
Compensated absences liabilities	$ 31,194	30,414

The Bank's defined benefits plan contributes to designated depository account with Bank of Taiwan. Payments of pension benefits to employees who are covered by the Labor Standards Act are calculated based on the employee's average monthly salary for the last 6 months prior to approved retirement and base point (b.p.) entitlement based on years of service.

(1)Plan Assets Component

The pension fund contributed by the Bank is in compliance with Labor Standards Act, R.O.C. and is under the overall management of the Bureau of Labor Funds, Ministry of Labor ("Bureau of Labor Funds"). According to Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, with regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statement shall be no less than the earnings attainable from the amounts accrued by two year time deposits' interest rates offered by local banks.

Components of plan assets are as follows:

	2014.12.31	2013.12.31
Bank of Taiwan labor pension reserve account	$ 208,870	197,353
Pension fund balance	162,405	160,196
Fair value of plan assets	$ 371,275	357,549

Please refer to the website of Council of Labor Affairs for information on labor pension fund assets utilization including contribution rate and earnings rate provided by Bank of Taiwan and fund asset allocation provided by Council of Labor Affairs.

(2)Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Bank are as follows:

		2014	2013
Defined benefits obligation at January 1	$	(277,689)	(267,092)
Current service costs		(1,560)	(1,485)
Current interest cost		(5,545)	(4,267)
Payment		522	2,894
Actuarial losses		(12,615)	-
The effect of curtailment or settlement		969	(7,739)
Defined benefits obligation at December 31	**$**	**(295,918)**	**(277,689)**

(3)Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Bank are as follows:

		2014	2013
Fair value of plan assets at January 1	$	357,549	348,029
Contributions made		7,349	7,769
Benefits paid by the plan		(522)	(2,894)
Expected return on plan assets		6,326	6,160
Experience gains (losses) on plan assets		573	(1,515)
Fair value of plan assets at December 31	**$**	**371,275**	**357,549**

(4)Expenses recognized in profit or loss

The benefit recognized in profit or loss for the Bank are as follows:

		2014	2013
Current service costs	$	1,560	1,485
Current interest cost		5,545	4,267
Gains from curtailments		(969)	-
Expected return on plan assets		(6,326)	(6,160)
	$	**(190)**	**(408)**
Actual return on assets	**$**	**6,899**	**4,645**

(5)Actuarial losses recognized in other comprehensive income

Actuarial losses recognized by the Bank in other comprehensive income for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Cumulative amount at January 1	$ 38,753	29,499
Recognized during the period	12,042	9,254
Cumulative amount at December 31	**$ 50,795**	**38,753**

(6)Primary actuarial assumptions

The following are the Bank's primary actuarial assumptions:

	2014	2013
Discount rate at December 31	2.00%	2.00%
Expected rate of return on plan assets	2.00%	2.00%
Incremental rate of future compensation levels	1.75%	1.75%

The expected long-term return rate is based on the portfolio as a whole and not the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without any adjustment.

(7)Experience adjustments on historical information

	2014.12.31	2013.12.31	2012.12.31	2012.1.1
Present value of defined benefit plans	$ (295,918)	(277,689)	(267,092)	(242,869)
Fair value of plan assets	371,275	357,549	348,029	340,176
Net assets of defined benefit obligations	**$ 75,357**	**79,860**	**80,937**	**97,307**
Experience loss on defined benefit obligation	**$ (5,053)**	**(5,100)**	**(10,387)**	**(9,595)**
Loss on actuarial assumption change of defined benefit obligation				
Loss on the change of the actuarial assumption of demographic statistics	**$ (7,562)**	**(19,878)**	**(9,873)**	**(12,746)**
Gain(Loss) on the change of financial actuarial assumption	**$ -**	**17,239**	**(6,308)**	**(19,261)**
Experience loss on plan assets	**$ 573**	**(1,515)**	**(2,931)**	**(2,519)**

(b)Defined contribution plan

The Labor Pension Act (“the Act”) has been implemented since July 1, 2005. The seniority of the employees who were hired before July 1, 2005 and chose to be subject to the Act or the seniority of the employees who were hired after July 1, 2005 are under defined contribution plan. The Bank shall contribute labor pension on a monthly basis to individual accounts of labor pension at the Bureau, which is not less than six percent of employee's monthly wage, for employees who are applicable to the Act. The Bank has no extra legal obligation or constructive obligation when the Bank attributes fixed amount of money regularly to the Bureau of Labor Insurance.

The Bank recognized the amount attributed to the pension fund as the cost of pension for the period. Please refer to Note 6.(AH), retirement expenses-defined contribution plans.

(X)Income tax

Pursuant to regulations stipulated by Tai-Cai-Shui No. 910458039 dated February 12, 2003, “Principles and regulations of profit-seeking businesses filing joint tax returns in accordance with Article 49 of the Financial Holding Company Law and Article 40 of Enterprise Merger Law”, while a financial holding company holds more than 90% of issued shares of a domestic subsidiary and holds for 12 months during a tax year. The company has to behalf of financial holding company as the obligatory tax payer and jointly filed income tax returns.

By adopting the principal of amortization of consolidated income tax, the joint filing of the tax returns of the Bank, Jih Sun Financial Holding Co., Ltd and its affiliate JihSun Securities Co., Ltd., Jih Sun International Property Insurance Agency Co., Ltd resulted in a lowered tax burden and brought tax saving efficiency. Moreover, the management efficiency was enhanced because of the individual company’s tax burden was fairly distributed.

The statutory income tax rate for 2014 and 2013 were both 17%, and the Bank calculated the basic tax amount in accordance with the Income Basic Tax Act.

(a) Income tax expenses (benefit)

The components of income tax expenses (benefit) were as follows:

		2014	2013
Current tax expenses	$	51,541	18,840
Income tax expenses (benefit) resulting from tax incentives		(127,798)	(100,540)
Under (over) estimate of prior years’ expenses		178	19,903
Difference of prior year’s taxable income assessed by tax authority from joint filing of tax		75,839	-
Deferred income tax expenses (benefit)		2,825	(1,004)
income tax expenses (benefit)	**$**	**2,585**	**(62,801)**

The components of deferred income tax expense (benefit) were as follows:

		2014	2013
Loss carryforward	$	1,474	(2,324)
Employee benefits provision		1,351	1,320
Total	**$**	**2,825**	**(1,044)**

(b) The income tax expenses (benefit) recognized under other comprehensive income are as follows:

		2014	2013
Unrealized valuation gains or losses on available-for-sale financial assets	$	(1,537)	1,537
Actuarial losses of defined benefit plan		(2,048)	(1,573)
	$	**(3,585)**	**(36)**

(c)The reconciliations of income tax expenses (benefit) and net income before tax are as below:

	2014	2013
Net income	$ 1,263,437	1,363,738
Income tax expenses (benefit)	2,585	(62,801)
Net income before tax from continuing operations	1,266,022	1,300,937
Income tax using the Bank's domestic tax rate	215,224	221,159
Tax-exempt income	(80,475)	(45,832)
Under (over) estimate of prior year's income tax	76,017	19,903
Difference between income basic tax and income tax	51,541	(18,840)
Operating loss carryforwards	(86,428)	(156,387)
Income tax benefit from jointly filed tax return	(127,798)	(100,540)
Other	(45,496)	(19,944)
Total	$ 2,585	(62,801)

(d) Deferred tax assets and liabilities

(1)Unrecognized deferred tax assets

Unrecognized deferred tax assets are as follows:

	2014.12.31	2013.12.31
Operating loss carryforwards	$ 2,858,545	3,084,418

The tax loss is recognized following the Income Tax Act. The Bank will be levied on income tax, with the authorization of Tax Authority, losses can be carried forward to offset the next ten years' taxable income. The Bank hadn't recognized all operating loss carryforwards as deferred tax assets because it's not probable to be offset by taxable income.

The tax authorities have assessed the Bank's income tax returns through 2008. As of December 31, 2014, the Bank's unused operating loss carryforwards and expiration years are as follows:

Year loss incurred	Year of expiration	Amount
2007(Authorized)	2017	$ 4,270,805
2008(Authorized)	2018	4,689,632
2009(Applied)	2019	8,045,060
Total		$ 17,005,497

(2)Recognized Deferred Tax Assets and Liabilities

The movement of in the amount of deferred tax assets and liabilities for 2014 and 2013 are as follows:

Deferred Tax Liabilities:

	Defined benefit plans	Fair value gains	Others	Total
Balance at January 1, 2014	$ 13,507	1,537	29,277	44,321
Recognized in profit or loss	1,351	-	-	1,351
Recognized in other comprehensive income	(2,048)	(1,537)	-	(3,585)
Balance at December 31, 2014	**$ 12,810**	**-**	**29,277**	**42,087**
Balance at January 1, 2013	$ 13,760	-	29,277	43,037
Recognized in profit or loss	1,320	-	-	1,320
Recognized in other comprehensive income	(1,573)	1,537	-	(36)
Balance at December 31, 2013	**$ 13,507**	**1,537**	**29,277**	**44,321**

Deferred Tax Assets:

	Defined benefit plans	Fair value gains	Others	Total
Balance at January 1, 2014	$ -	-	33,927	33,927
Recognized in profit or loss	-	-	(1,474)	(1,474)
Balance at December 31, 2014	**$ -**		**32,453**	**32,453**
Balance at January 1, 2013	$ -	-	31,603	31,603
Recognized in profit or loss	-	-	2,324	2,324
Balance at December 31, 2013	**$ -**	**-**	**33,927**	**33,927**

(e) Income tax administrative remedies

(1)For the year ended December 31, 2006, the different amount of income tax of $84,416 had been decided by National Tax Administration. The Bank had accrued this tax shortage. The Bank applied for an administrative appeal and was rejected in August, 2014. The Bank decided not to appeal to further administrative remedies.

(2)For the year ended December 31, 2007, the different amount of income tax of $84,164 had been decided by National Tax Administration. The Bank had accrued this tax shortage. However, the Bank was unsatisfied with some items of the decision by National Tax Administration, like operation rights resulted from acquisition of the trust department of Taiwan Land Development Trust Ltd. and amortization of premium on long-term bonds, so the Bank applied for reexamination for different amount of income tax resulted from these items amounted to $84,164. The Bank received the reexamination report in April, 2014 and the tax amount reduced $354. The Bank applied for an administrative appeal and had been rejected in August, 2014, the Bank decided not to appeal to further administrative remedies.

(3)For the year ended December 31, 2008, the different amount of income tax of $82,631 had been decided by National Tax Administration. The Bank had accrued this tax shortage. However, the Bank didn’t agree with some examination decisions made by National Tax Administration, so the Bank applied for reexamination. The Bank received the report of reexamination in December, 2014. The Bank decided not to appeal to further administrative remedies.

(Y)Imputation credit account

	2014.12.31	2013.12.31
Unappropriated earnings of 1998 and after	$ 1,253,442	1,225,458
Imputation credit account balance	$ 19,349	15,702

	2014(Estimated)	2013(Actual)
Tax deduction ratio for earnings distribution	1.54%	1.56%

The aforementioned information regarding imputation credit account is in accordance with the Order of Tai-Cai-Shui No.10204562810 issued by the Ministry of Finance on October 17, 2013.

(Z)Equity

(a)Capital stocks

The Bank's original authorized and paid-in capital stock were both $10,000,000, and divided into 1,000,000 thousands of shares at $10 dollars par value per share. As of December 31, 2014 and 2013, after subsequent new stocks issuance of capital increases over the years, the Bank's outstanding capital stock amounted to $15,798,890 and $15,369,980, respectively, was divided into 1,579,889 and 1,536,998 thousands of shares, respectively.

On April 24, 2014, the board of directors, on behalf of the shareholders, resolved to implement capital increases at NT$10 (dollars) per share by capitalization of retained earnings with 42,891 thousands of new shares amounted to $428,910. The case of capital increase was approved by FSC, with May 29, 2014 as its baseline, and the Bank had completed the amendment of registration on June 10, 2014.

On April 25, 2013, the board of directors, on behalf of the shareholders, resolved to implement capital increases at NT$10 (dollars) per share by capitalization of retained earnings with 50,000 thousands of new shares amounted to $500,000. The case of capital increase was approved by FSC, with May 30, 2013 as its baseline, and the Bank had completed the amendment of registration on June 11, 2013.

(b)The movement of the Bank's residual equity are as below:

	Unrealized valuation (losses) gains on available-for-sale	Exchange differences of overseas subsidiaries' financial reports translation	Total
January 1, 2014	$ 65,665	(345)	65,320
Available-for-sale financial assets			
－Valuation adjustment	(883)	-	(883)
－Realized amount	(19,316)	-	(19,316)
Exchange differences of overseas subsidiaries' financial reports translation	-	1,822	1,822
Tax	1,537	-	1,537
December 31, 2014	$ 47,003	1,477	48,480

	Unrealized valuation (losses) gains on available-for-sale	Exchange differences of overseas subsidiaries' financial reports translation	Total
January 1, 2013	$ 298,417	(406)	298,011
Available-for-sale financial assets			
－Valuation adjustment	58,270	-	58,270
－Realized amount	(289,485)	-	(289,485)
Exchange differences of overseas subsidiaries' financial reports translation	-	61	61
Tax	(1,537)	-	(1,537)
December 31, 2013	**$ 65,665**	**(345)**	**65,320**

(AA) Earnings distribution and dividend policy

In accordance with the Bank’s Articles of Incorporation, its net income after deduction of income tax and offset prior year cumulative losses shall be appropriated as legal reserve at 30% and provision for special reserve in compliance with related Acts. The remaining, if any, shall be distributed to dividends. Based on the proportion of stock holding, the remaining earning, if any, is appropriated as stockholders’ bonuses after the appropriation of director’s remuneration and employee bonuses not less than 0.01%. Before the legal reserve balance reaches to total paid-in capital, cash dividends are limited to 15% of total paid-in capital. In addition, The Bank complied with the principle is to distribute all of the remaining earning. When the Bank’s ratio of Equity Capital and Risk-Weighted Assets of Banks is less than the Banks legal standard, stock dividends will be distributed instead of cash dividends as stockholders’ bonuses.

In addition, according to the Company Act amended in January 2012, a company incurs no loss, it may pursuant to a resolution to be adopted by a stockholders’ meeting distribute its legal reserve by issuing new shares or by cash. Legal reserve is distributed by issuing new shares or by cash, only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed. In addition, it is necessary for the Bank to comply with Article 50 of the Banking Act and “The Regulations Governing the Criteria of Capital Adequacy Ratio being Sound in Finance and Business Operations as stipulated in Paragraph 2, Article 50 of the Banking Act ” amended by Jin-Kuan-Yin-Kong-Zi No.10160001340, dated April 30, 2012. After distribution, the accumulated legal reserve must reach seventy five percent of the Bank's paid-in capital, to meet the principle of sound Finance and Business Operations.

For the years ended December 31, 2014 and 2013, the employee bonuses were estimated amounting to $8,734 and $9,481, respectively; the director's remuneration were estimated amounting to both $5,500. Estimation of the employee bonuses and directions' remuneration were recognized as current period operating expenses based on the Bank's net income after tax minus an appropriate reserve at the end of the accounting period multiplied by the most appropriate estimate set by the Bank's articles of incorporation.

A resolution on the Bank's 2013 earnings distribution was approved by the board of directors on behalf of stockholders on April 24, 2014. Distribution of directors' remuneration and employee bonuses amounted to $5,500 and $8,673. However, the estimated distribution of employee bonuses in the financial report of 2013 amounted to $9,481, the difference of $808 was recognized as profit or loss in the financial report of 2014.

A resolution on the Bank's 2012 earnings distribution was approved by the board of directors on behalf of stockholders on April 25, 2013. Distribution of directors' remuneration and employee bonuses amounted to $5,500 and $9,906. However, the estimated distribution of employee bonuses in the financial report of 2012 amounted to $9,895, the difference of $11 is recognized as profit or loss in the financial report of 2013.

The related information on directors' remuneration and employees' bonuses approved in stockholder's meeting could be found in the Market Observation Post System.

Resolutions on 2013 and 2012 earnings distribution of the Bank were approved by the board of directors on behalf of stockholders on April 24, 2014 and April 25, 2013. The relevant dividend distributions to shareholders are as follows:

	2013		2012	
	Dividends per share (in NTD)	**Amount**	**Dividends per share (in NTD)**	**Amount**
Dividends to common shares				
Cash dividends	$ 0.28	428,911	0.33	490,592
Stock dividends	0.28	428,910	0.34	500,000
Total		**$ 857,821**		**990,592**

(AB) EPS

	2014	**2013**
Basic EPS：		
Net income attributed to the Bank	**$ 1,263,437**	**1,363,738**
Weighted average outstanding shares of common stock (in thousands)	**1,579,889**	**1,579,889**
Basic EPS (in dollars)	**$ 0.80**	**0.86**

Retroactive adjustments are applied to the Bank's weighted average outstanding shares of common stock for the year ended December 31 of 2013.

The Bank is an investee owned 100% by JihSun Financial Holding Co., Ltd., the Bank did not adopt the method of distributing stocks for employee bonus. No diluted EPS have been presented for the year ended December 31, 2014 and 2013, because there is no potential common shares would influence the weighted-average number of shares outstanding.

(AC) Net interest income

		2014	2013
Interest income			
Discount and loans	$	3,119,610	2,915,705
Due from banks and call loans to banks		426,604	263,676
Factoring receivables		1,958	4,597
Securities purchased under resell agreements		375	2,997
Securities		131,360	139,983
Revolving credit		82,485	97,835
Others		63,491	67,430
Subtotal		3,825,883	3,492,223
Interest expense			
Deposit		1,342,903	1,251,710
Due to central bank and other banks		56,186	63,596
Borrowings from central bank and other banks		21,290	-
Securities sold under repurchase agreements		10,567	12,580
Financial debentures		58,483	69,349
Others		119	820
Subtotal		1,489,548	1,398,055
Net interest income	$	2,336,335	2,094,168

Interest income and expense from financial assets and liabilities measured at fair value through profit and loss are excluded.

(AD) Net service fee and commission income

		2014	2013
Commission income			
Imports and exports service fee income	$	2,375	2,008
Letter of credit service fee income		2,184	1,961
Remittances service fee income		8,360	8,499
Interbank service fee income		33,061	32,420
Loan service fee income		28,162	30,906
Trust service fee income		332,990	316,914
Trust affiliated service fee income		7,135	5,751
Credit card business		97,040	99,737
Agency service		2,637	3,862
Promotion agency service fee income		395,414	547,274
Others		35,573	37,246
Total commission income		944,931	1,086,578
Service fee			
Custodian service fee		1,649	1,734
Agency service fee		9,650	9,283
Remittances service fee		3,444	3,188
Interbank service fee		13,420	12,966
Credit card business		36,588	35,518
Others		44,600	38,790
Total service fee		109,351	101,479
Net service fee and commission income	$	835,580	985,099

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

	2014	2013
Disposal gains (losses)		
Commercial paper	$ 31,147	46,254
Government bonds	(71,610)	(175,670)
Corporate bonds	4,366	7,812
Financial debentures	854	-
Listed and TPEx securities	(883)	18,713
Negotiable certificates of deposit	649	256
Beneficiary certificates	9,156	620
Derivative financial instruments	60,662	42,061
Futures margin	(30,672)	(30,866)
Others	8	-
Subtotal	3,677	(90,820)
Valuation(losses) gains		
Commercial paper	777	(1,375)
Government bonds	2,550	3,506
Negotiable certificates of deposit	777	(4,534)
Corporate bonds	(1,385)	(24,930)
Financial debentures	1,036	(320)
Convertible corporate bonds	(1,136)	845
Listed and TPEx securities	(5,073)	5,200
Beneficiary certificates	1,367	3,650
Derivative financial instruments	95,174	512
Futures margin	(298)	395
Subtotal	93,789	(17,051)
Interest income	241,371	317,642
Total	$ 338,837	209,771

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

	2014	2013
Government bonds	$ 8,088	14,059
Corporate bonds	3,708	54,097
Listed and TPEx securities	7,388	221,329
Financial debentures	132	-
Dividends earned	97	73
Total	$ 19,413	289,558

(AG) Other net non-interest income

		2014	2013
Rental income	$	12,341	12,253
Rental income from investment property		13,401	13,039
Losses on retirement of property and equipment		(478)	(330)
Gain on equity investment carried at cost		32,388	25,063
Gain on sale of NPL		14,560	-
Losses on sale of properties		(25)	-
Others		19,160	820
Total	$	91,347	50,845

(AH) Employee benefits expenses

		2014	2013
Salary expenses	$	1,343,576	1,319,036
Insurance expenses		106,168	104,223
Retirement expenses			
Defined contribution plan		56,250	56,771
Defined benefits plan		(190)	(408)
Other personnel expenses			
Termination benefits		2,501	7,352
Other employee benefits		45,607	58,854
Total	$	1,553,912	1,545,828

(AI) Depreciation and amortization expenses

		2014	2013
Property and Equipment	$	97,579	108,626
Investment property		5,264	5,197
Intangible assets		44,565	47,045
Total	$	147,408	160,868

(AJ) Other general and administrative expenses

		2014	2013
Rent	$	199,304	201,576
Site usage expenses		234,486	210,047
Insurance expenses		57,228	55,075
Professional service fees		66,018	65,283
Software maintenance fees		67,895	84,543
Tax		160,378	118,877
Others		350,862	363,492
Total	$	1,136,171	1,098,893

(AK) Financial instruments

(a)Fair value of financial instrument

Financial assets		2014.12.31 Book value	Book value
Non-Derivative Financial Instruments			
Cash and cash equivalents	$	3,646,461	3,646,461
Due from the central bank and call loans to banks		14,866,012	14,866,012
Financial assets measured at fair value through profit or loss		32,779,471	32,779,471
Receivables－net		3,162,872	3,162,872
Discounts and loans－net		143,960,130	143,960,130
Available-for-sale financial assets		8,479,415	8,479,415
Held-to-maturity financial assets		300,000	303,325
Other financial assets－net		775,957	775,957
Derivative Financial Instruments			
Forward contracts	$	736,131	736,131
SWAP		170,853	170,853
Currency option		878,426	878,426
Interest rate instruments		36,108	36,108
Convertible bond asset swap		19,150	19,150
Futures margins		53,388	53,388

Financial liabilities	2014.12.31 Book value	2014.12.31 Fair value
Non-Derivative Financial Instruments		
Deposits from the central bank and other banks	$ 6,645,253	6,645,253
Securities sold under repurchase agreements	500,000	500,000
Payables	2,043,592	2,043,592
Deposits and remittances	180,272,401	180,272,401
Financial debentures	2,500,000	2,500,000
Other financial liabilities	2,363,502	2,363,502
Derivative Financial Instruments		
Forward contracts	$ 730,147	730,147
SWAP	157,477	157,477
Currency option	1,360,916	1,360,916
Interest rate instruments	55,655	55,655
Convertible bond asset swap	20,553	20,553

Financial assets	2013.12.31 Book value	2013.12.31 Fair value
Non-Derivative Financial Instruments		
Cash and cash equivalents	$ 3,761,789	3,761,789
Due from the central bank and call loans to banks	24,308,997	24,308,997
Financial assets measured at fair value through profit or loss	15,333,317	15,333,317
Receivables－net	3,683,357	3,683,357
Discounts and loans－net	140,893,714	140,893,714
Available-for-sale financial assets	11,281,874	11,281,874
Held-to-maturity financial assets	300,000	305,824
Other financial assets－net	789,101	789,101
Derivative Financial instruments		
Forward contracts	$ 21,422	21,422
SWAP	9,324	9,324
Currency option	8,164	8,164
Interest rate instruments	11,926	11,926
Convertible bond asset swap	760	760
Futures margins	19,197	19,197

Financial liabilities		2013.12.31 Book value	2013.12.31 Fair value
Non-Derivative Financial Instruments			
Deposits from the central bank and other banks	$	11,056,736	11,056,736
Securities sold under repurchase agreements		964,845	964,845
Payables		1,516,997	1,516,997
Deposits and remittances		170,223,332	170,223,332
Financial debentures		3,000,000	3,000,000
Other financial liabilities		120,985	120,985
Derivative Financial Instruments			
Forward contracts	$	12,512	12,512
SWAP		14,814	14,814
Currency option		11,936	11,936
Interest rate instruments		29,825	29,825
Convertible bond asset swap		1,074	1,074

(b)Methods and assumptions used by the Bank for fair value evaluation of financial instruments are as follows:

(1)Fair value of financial instruments is estimated by their book value on the balance sheet date. Since these instruments have short maturities or their book value are similar to the future receivable/payable amounts, the book value is adopted as a reasonable basis in estimating the fair value. The method is applied to cash and cash equivalents, due from the central bank and call loans to banks, receivables, deposits from the central bank and other banks, securities sold under repurchase agreements, payables and Guarantee deposits received.

(2)If there is a quoted price in an active market for the financial asset, including financial instruments measured at fair value through profit or loss, available for sale financial assets and held-to-maturity financial assets, and non-derivative financial instruments, the quoted price is regarded as its fair value. Financial instruments with public market prices (except for stocks and depositary receipt) such as government bonds use the latest trade price or reference theory price under OTC European Breakdown Tyre System as fair value. Foreign currency bonds use latest trade price as fair value. If there is no quoted price in an active market for the financial asset, its fair value is estimated on the basis of the result of a valuation technique that refers to quoted prices provided by financial institutions. The information is available for the Bank. Financial derivative instruments with active market price use market value as fair value. Futures use settlement price as fair value. Foreign exchange trading uses average closing price as fair value. When there is no active market price, valuation model is mainly adopted in evaluation. Financial derivative instruments—non-option use discounted cash flow; financial derivative instruments—options mainly use Black—Scholes Model in evaluation.

(3)Discounts and Loans (including Non-accrual loans): The interest rate that the Bank uses in loans is basically based on floating rate, which can reflect the market rate. Therefore, it is reasonable to use its book value to evaluate the expected retrieve possibility.

(4)Deposits and remittances: Considering the nature of banking industry, the decision maker of market interest rate (also refer to as market price), and most of the deposit transaction mature in one year, its book value is considered to be a reasonable basis in evaluating fair value. Among deposits, the fair value of long-term deposits with fixed interest rate should be evaluated by using discounted cash flow projections, and the longest maturity date is not more than 3 years from now. Therefore, it should be reasonable to evaluate its fair value with book value.

(5)Financial debentures: Financial debentures are debentures issued by the Bank and its coupon rate is equivalent to the market rate. Therefore, by using discounted cash flow projections to evaluate its fair value will be equivalent to its par value.

(6)Other financial assets- financial assets at cost: Other financial assets- financial assets at cost belong to private equities. Because there is no active market price and the variation interval of its estimated fair value is material, or the possibility of the estimations in the variation interval cannot be reasonably estimated, the book value is used as the fair value.

(7)Other financial liabilities, including interest bearing appropriated loan funds, principal received on structured notes and interest bearing financial liabilities: These kinds of liabilities' book value are current price so that book value should be the reasonable basis in evaluating these liabilities' fair value.

(c)Fair value hierarchy information on financial instruments and the statements of changes in fair value of Level 3

		2014.12.31			
Fair value measurement for financial instruments		**Total**	**Level 1 (Note 1)**	**Level 2 (Note 2)**	**Level 3 (Note 3)**
Non-Derivative Financial Instruments					
Assets:					
Financial assets measured at fair value through profit or loss					
Financial assets held for trading					
Investment in stocks	$	56,611	56,611	-	-
Investment in bonds		9,934,081	4,649,017	5,285,064	-
Others		22,788,779	19,931,573	2,857,206	-
Available-for-sale financial assets					
Investment in stocks		3,328	3,328	-	-
Investment in bonds		8,476,087	3,644,273	4,831,814	-
Derivative Financial Instruments					
Assets:					
Financial assets measured at fair value through profit or loss	$	1,894,056	53,388	1,840,668	-
Liabilities:					
Financial liabilities measured at fair value through profit or loss		2,324,748	-	2,324,748	-

Fair value measurement for financial instruments		2013.12.31			
		Total	Level 1 (Note 1)	Level 2 (Note 2)	Level 3 (Note 3)
Non- Derivative Financial Instruments					
Assets:					
Financial assets measured at fair value through profit or loss					
Financial assets held for trading					
Investment in stocks	$	277,117	277,117	-	-
Investment in bonds		9,962,301	4,547,090	5,415,211	-
Others		4,344,842	106,267	4,238,575	-
Financial assets designated as measured at fair value through profit or loss upon initial recognition		749,057	-	749,057	-
Available- for- sale financial assets					
Investment in stocks		11,748	11,748	-	-
Investment in bonds		11,270,126	7,366,416	3,903,710	-
Derivative Financial Instruments					
Assets:					
Financial assets measured at fair value through profit or loss	$	70,793	19,197	51,596	-
Liabilities:					
Financial liabilities measured at fair value through profit or loss		70,161	-	70,161	-

Note1:Fair value measurement for a financial instrument classified in Level 1 is determined as the quoted price for an identical financial instrument in an active market. The definition of active market has all of the following conditions: (1) the products traded in the market are homogeneous, (2) willing parties are available anytime in the market, and (3) price information is available for the public.

Note2:Fair value measurement for a financial instrument classified in Level 2 is determined as the observable price other than quoted price in an active market including an observable input obtained in an active market, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The examples of observable price are as follows:

1. The quoted price for an identical financial instrument in an active market means the fair value from the market transaction prices for an identical financial instrument. An identical financial instrument should be determined by its characteristics and terms of transaction. The fair value of a financial instrument has to be adjusted according to the observable market price of the identical financial instrument. The reasons for adjustments include time lag of the occurring market transaction prices for an identical financial instrument (the quoted prices do not represent fair value at the measurement date), the difference in transaction terms for financial instruments, transaction prices involving related parties, and the correlation between the observable transaction prices of identical financial instruments and the market prices of held financial instruments.
2. The quoted market price of the same or identical financial instruments in an inactive market.
3. The fair value is estimated on the basis of the results of a valuation technique, and the market inputs used (i.e., interest rate, yield curve, and fluctuation rate) are based on obtainable data from the market (an observable input means an input can be derived from market data and can reflect the expectation of market participants when the inputs were used in evaluating the prices of financial instruments).
4. A majority of inputs are derived from observable market data, or the input correlation can be tested based on observable market data.

Note 3: Input for a fair value measurement for a financial instrument classified in Level 3 is not based on obtainable data from the market (an unobservable input, such as volatility for a share option derived from the share's historical prices, as it does not generally represent current market expectations about future volatility).

(d) Financial risk management

(1)Overview

The purpose of the financial risk management of the Bank gives consideration to the operation of financial business, the whole risk tolerance and law limitation, and maintains capital adequacy under affordable risks and assists in balancing risk and return.

The major risks the Bank faced includes credit risk, market risk (including interest rate, foreign exchange, equity security and commodity risk) liquidity risk, and operational risk of on- and off- balance sheet items.

To identify, measure, supervise, and control risk, the risk management policy or risk control regulations of the Bank are approved through the board of directors.

(2)Risk management organization structure

The board of directors is a risk management authority of the Bank and its responsibility is to approve risk management regulations and risk limits. The risk management committee of financial holding company is a risk management supervision and decision making institution. Its responsibility is risk supervision and conducting with exceptional risk of financial holding company and Bank, and making some ways and strategies to hedge risk. The division of risk management is an independent department and is responsible for risk management of the Bank under board of directors. The department of market risk, the department of credit risk, and the department of operation risk included in the division of risk management are responsible for planning and controlling of market risk, liquidity risk, credit risk, and operation risk and disperse regularly risk management to individual business departments.

(3)Credit Risk

A) The definition of credit risk

Credit risk of the Bank is the risk of financial loss if a client or counterparty fails to meet its contractual obligations. The scope of credit risk covers the credit risks on balance sheet, off balance sheet, and its derivatives including credit check, credit, investment, loan overdue, credit risk mitigation instruments (including collateral, guarantees, and hedging) and derivatives trading.

B) The management policy of credit risk

a) To ensure that the credit risk is within a tolerable range. The credit risk management process of the Bank includes identifying, assessing, measuring, supervising and reporting. In order to response to credit risks, if a client of consumer banking meets one of principles and conditions on the negative listing, the Bank would not be willing to lend to avoid risk. As for corporate banking, the Bank avoids choosing clients who have poor ratings, such as default, and warming clients. However, the Bank still takes the extent of overall credit risk into account and assesses whether the collaterals or guarantees could reduce expected losses to a controllable level.

b) The Bank establishes a consistent method based on its business characteristics to evaluate asset quality and classification, calculates and controls its risk exposure and regularly reviews and verifies its allowance for bad debts. The credit assets of the bank are classified into 5 categories. Normal credit assets shall be classified as “Category One”. According to the status of the loan collaterals and the length of overdue, the remaining unsound credit assets should be classified as category two to category five, and be named as attention, substandard, doubtful, and loss, respectively. To manage problematic credit, the Bank will make regulations as the basis of management of problematic loans and remaining debt.

c) Based on business characteristics and size, the Bank builds up the grade of credit quality, supervises, collects credit information of all counterparties and credit clients, and sets up the management objectives through the regulations of credit risk management and credit policy to reduce default and concentration risks. The systems of credit risk measurement are described as follows.

1) Corporate banking

To evaluate credit risk, the Bank has to do credit investigation and financial analysis by using relevant information provided by the credit clients and conduct credit rating after understanding the profiles of companies and industry. To accurately quantify credit risks, the Bank has to develop various probability of default models (PD models) and complete credit rating system of corporate banking. In addition to the probability of default model (PD), loss given default model (LGD) is also established by Bank. The properties of credit risk measurement system are:

A.The risk premium is the expected loss which is measured by probability of default (PD), loss given default (LGD), and exposure at default, and it is treated as the basis of corporate credit pricing.

B.Risk concentration control: the credit rating generated by the corporate credit rating system is the basis of the Bank’s corporate credit limits. The credit balance of each credit rating cannot exceed a certain percentage of the total corporate credit balance. Lower quality of credit is granted for high-risk credit clients who have poor credit ratings.

C.Post- loan risk warning: credit rating is used in the post- loan management, and monitoring every warming situation.

D.Monitor the extent of credit risk: Monitors can evaluate the extent of credit risk based on the segregation method of credit rating, and corporate group.

2) Consumer banking

To measure credit risks of the credit clients, the Bank must review the basic information such as age and occupation of the credit clients when doing consumer credit. To further quantify credit risks, Bank develops model to qualify risks of consumer banking. Currently the Bank has established the scoring cards of credit loans, automobile loans, mortgage loans and credit cards, and has established the behavioral scoring card and the probability of default model (PD).

3) Investment

The Bank manages the risk of debt instrument by external institutions or internal mechanism such as credit rating, credit quality of bond, country, and counterparty risk to identify credit risk.

The counterparties of the Bank's derivative transactions and financial peers shall be deemed as mostly above investment grade and will be controlled according to their credit limit (including interbank credit limit); for counterparties that have no credit rating or are classified as non-investment grade, the transactions are prohibited. For general customers, credit exposure is controlled in accordance with the derivative instrument risk limit that is approved when applying for the credit by following a general procedure.

4) Credit risk is divided into 4 categories and described as follows:

Category	Definition
Low risk	High transparency of information and strong capacity to meet debt obligations. Low probability of default or small expected losses.
Medium risk	Average transparency of information and capacity to meet debt obligations. Average probability of default or moderate expected losses.
High risk	Low capacity to meet debt obligations and is vulnerable to external economic conditions. High probability of default or large expected losses.
No rating	Impossible to use quantitative methods to segregate risks.

C) Policy of Mitigation of Credit Risk

a) Collateral

For risk events with low probability of default but large loss given, the Bank takes actions such as call for additional collateral, guarantor and on-balance sheet netting in order to mitigate or transfer risks. When the credit cases are evaluated to be of low probability of default and small loss given, the Bank would bear the risk.

b) Credit extension limit and credit risk concentration control

To avoid excessive concentration of credit risk, the Bank has built up limits of credit balance for a same person, same related parties, same affiliated enterprises, same enterprise group and the category of industry, collaterals and countries, respectively.

c) General conventions of net settlement

The transactions of the Bank is usually settled on a gross basis, net settlement is set with certain counterparties or in the case of default when all the transaction with the counterparty are terminated and settled on a net basis to reduce credit risk.

D) Maximum exposure to credit risk

Without taking collateral or other credit enhancement instruments into account, the maximum exposure to credit risk of on-balance sheet financial assets is equal to their book values and the maximum exposure to credit risk of off-balance sheet financial instruments are as follows:

	2014.12.31	2013.12.31
Various guarantee proceeds	$ 661,558	541,381
Unused amount of irrevocable letter of credit	1,030,354	644,576
Unused amount of irrevocable credit card commitments	24,309,520	25,170,010
Total	**$ 26,001,432**	**26,355,967**

E) Information on concentrations of credit risk

Concentrations of credit risk exist when counter- parties to financial instrument transactions are individuals or groups engaged in similar activities with similar economic characteristics, which would impair their ability to meet contractual obligations under negative economic or other conditions.

The credit risk concentration of the Bank originates from assets, liabilities or off-balance sheet items that are generated by the transaction (irrespective of the product or service), performance, execution or cross- category exposure combination, including credit extension, deposits and call loans to banks, securities investment, receivables and derivatives instruments. There is no significant concentration of credit risk within the Bank in terms of a single client or counterparty to a transaction, and the transaction amount of a single client or counterparty does not account for a significant amount of the Bank balance of discounts and loans and non- accrual account. The following table illustrates the diversification of the loan portfolio among geographical regions, industry sectors and collateral types.

a) By Industry

	2014.12.31		2013.12.31	
Industry	**Amount**	**%**	**Amount**	**%**
Private business	$ 66,136,777	45.43	67,432,017	47.29
Public enterprises	293,412	0.20	324,045	0.23
Individual	77,855,732	53.47	73,539,321	51.57
Financial institution	1,309,146	0.90	1,300,824	0.91
Total	$ 145,595,067	100.00	142,596,207	100.00

b) By Area

The Bank primarily engage its business in Taiwan and there is no significant geographically concentrated credit risk.

c) By Collateral

	2014.12.31		2013.12.31	
Collateral	**Amount**	**%**	**Amount**	**%**
Credit	$ 37,525,449	25.78	41,829,163	29.34
Stocks	10,440,661	7.17	10,080,821	7.07
Bonds	1,935,605	1.33	2,399,325	1.68
Real estate	85,643,411	58.82	79,326,563	55.63
Movables	3,869,832	2.66	4,612,642	3.23
Note receivable	976,150	0.67	1,527,904	1.07
Guaranty	4,734,805	3.25	2,440,391	1.71
Others	469,154	0.32	379,398	0.27
Total	$ 145,595,067	100.00	142,596,207	100.00

F) Credit quality and impairment analysis of financial assets

Some financial assets held by the Bank, such as cash and equivalent cash, due from the Central bank, call loans to banks, financial assets measured at fair value through profit or loss, securities purchased under resell agreements, refundable deposits, interest receivable- due from the Central bank and government bonds, receivable from pre-issuing trading bonds, and other receivables- financial holdings, are excluded from this analysis since the counterparty is normally with good credit quality and can be considered as low credit risk. Below tables provide the credit quality analysis for other financial assets.

a) Credit quality analysis of discounts and loans as well as receivables

2014.12.31

	Neither past due nor impaired								Appropriated loss (D)		
Items	Low risk	Medium risk	High risk	No rating	Subtotal (A)	Past due not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	With objective evidence of individual impairment	Without objective evidence of individual impairment	Net amount (A)+(B)+(C)-(D)
On- balance- sheet items											
Receivables											
—Credit card business	$ 213,000	509,811	834	425	724,070	90,364	14,659	829,093	4,977	21,095	803,021
—Interest receivable- loans	145,227	7,515	160	-	152,902	901	5,621	159,424	606	690	158,128
—Acceptance receivable	415,955	14,147	-	-	430,102	-	-	430,102	-	4,301	425,801
—Factoring accounts receivable- without resource	49,101	-	-	-	49,101	-	-	49,101	-	491	48,610
Discount and loans	136,007,977	5,736,141	385,427	-	142,129,545	285,940	3,179,582	145,595,067	251,921	1,331,156	144,011,990
Off- balance- sheet items											
Guaranty	544,417	87,669	29,472	-	661,558	-	-	661,558	21,532	6,321	633,705
Letter of Credit	1,006,141	24,213	-	-	1,030,354	-	-	1,030,354	-	-	1,030,354
Total	$ 138,381,818	6,379,496	415,893	425	145,177,632	377,205	3,199,862	148,754,699	279,036	1364,054	147,111,609

	2013.12.31										
	Neither past due nor impaired								Appropriated loss (D)		
Items	Low risk	Medium risk	High risk	No rating	Subtotal(A)	Past due not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	With objective evidence of individual impairment	Without objective evidence of individual impairment	Net amount (A)+(B)+(C)-(D)
On- balance- sheet items											
Receivables											
－Credit card business	$ 275,457	542,454	205	226	818,342	106,052	17,156	941,550	5,650	33,145	902,755
－Interest receivable- loan	126,242	7,520	74	-	133,836	946	8,413	143,195	723	665	141,807
－Acceptance receivable	211,841	2,000	-	-	213,841	-	-	213,841	-	2,138	211,703
－Factoring accounts receivable- without resource	4,567	25,577	-	-	30,144	-	80,004	110,148	2,196	274	107,678
Discount and loans	130,069,954	5,553,474	57,695	-	135,681,123	272,722	6,642,362	142,596,207	678,157	964,009	140,954,041
Off- balance- sheet items											
Guaranty	510,909	1,000	29,472	-	541,381	-	-	541,381	21,541	5,114	514,726
Letter of Credit	579,560	65,016	-	-	644,576	-	-	644,576	-	-	644,576
Total	$ 131,778,530	6,197,041	87,446	226	138,063,243	379,720	6,747,935	145,190,898	708,267	1,005,345	143,477,286

Note: Non- rating is (1)missing (or closed card) accounts and normal accounts which have been approved for more than 1 year but no billing recorded in the recent 1 year, or (2) bad debt, legal proceedings and doubtable accounts.

b) Client-credit-quality-based credit quality analysis on none past due and none impaired discount and loans

	Neither past due nor impaired			
2014.12.31	**Low risk**	**Medium risk**	**High risk**	**Total**
Consumer banking				
－Residential mortgages	$ 48,595,121	4,951	-	48,600,072
－Micro- credit loans	350,322	410,495	7,739	768,556
－Other	19,663,177	3,235	138	19,666,550
Corporate banking				
－Secured	31,663,698	1,492,812	61,000	33,217,510
－Unsecured	35,735,659	3,824,648	316,550	39,876,857
Total	**$ 136,007,977**	**5,736,141**	**385,427**	**142,129,545**

	Neither past due nor impaired			
2013.12.31	**Low risk**	**Medium risk**	**High risk**	**Total**
Consumer banking				
－Residential mortgages	$ 47,351,509	4,610	-	47,356,119
－Micro-credit loans	121,958	654,729	9,953	786,640
－Other	16,595,566	5,739	164	16,601,469
Corporate banking				
－Secured	25,494,315	1,341,590	-	26,835,905
－Unsecured	40,506,606	3,546,806	47,578	44,100,990
Total	**$ 130,069,954**	**5,553,474**	**57,695**	**135,681,123**

c) Credit quality analysis of security investments

2014.12.31

Items	Neither past due nor impaired: Low risk	Medium risk	High risk	Non-rating	Subtotal (A)	Past due not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss amount recognized (D)	Net amount (A)+(B)+(C)-(D)
Available- for- sale financial assets										
－Bonds investment	$ 7,772,121	703,966	-	-	8,476,087	-	-	8,476,087	-	8,476,087
－Stocks investment	3,328	-	-	-	3,328	-	-	3,328	-	3,328
Held- to- maturity financial assets										
－Bonds investment	300,000	-	-	-	300,000	-	-	300,000	-	300,000
Other financial assets										
－Stocks investment	268,645	-	-	98,675	367,320	-	52,165	419,485	12,938	406,547
Total	$ 8,344,094	703,966	-	98,675	9,146,735	-	52,165	9,198,900	12,938	9,185,962

2013.12.31

Items	Neither past due nor impaired: Low risk	Medium risk	High risk	Non-rating	Subtotal(A)	Past due not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss amount recognized (D)	Net amount (A)+(B)+(C)-(D)
Available- for- sale financial assets										
－Bonds investment	$ 10,870,070	400,056	-	-	11,270,126	-	-	11,270,126	-	11,270,126
－Stocks investment	11,748	-	-	-	11,748	-	-	11,748	-	11,748
Held- to- maturity financial assets										
－Bonds investment	300,000	-	-	-	300,000	-	-	300,000	-	300,000
Other financial assets										
－Stocks investment	268,644	-	-	98,675	367,319	-	73,482	440,801	27,787	413,014
Total	$ 11,450,462	400,056	-	98,675	11,949,193	-	73,482	12,022,675	27,787	11,994,888

Note: Non- rating means (1) not listed nor TPEx securities without the Bank's rating; (2) listed and TPEx securities without the Bank's rating whose listing period are less than one year.

G) Aging analysis on past due but not impaired financial assets

Past due but not impaired loans might results from some temporary administration reasons so the customer is in the early stages of delinquency but no actual impairment occurs yet. According to the internal credit risk assets impairment evaluation guideline, unless there are other objective evidences shown the potential loss, a less than 90-day past due loan is typically not to be treated as impairment.

The aging analysis on past due but not impaired financial assets is as follows:

	2014.12.31		
	Overdue within 1 month	**Overdue between 1 and 3 months**	**Total**
Receivables			
－Credit card business	$ 26,119	63,854	89,973
－Interest from loans	163	228	391
Discounts and loans			
Consumer banking			
－Residential mortgages	154,844	65,166	220,010
－Micro-credit loans	7,412	1,311	8,723
－Others	27,137	29,380	56,517
Corporate banking			
－Secured	-	655	655
－Unsecured	-	35	35
Total	$ 215,675	160,629	376,304

	2013.12.31		
	Overdue within 1 month	**Overdue between 1 and 3 months**	**Total**
Receivables			
－Credit card business	$ 28,984	77,068	106,052
－Interest from loans	400	546	946
Discounts and loans			
Consumer banking			
－Residential mortgages	121,378	82,433	203,811
－Micro-credit loans	7,109	3,518	10,627
－Others	33,284	25,000	58,284
Total	$ 191,155	188,565	379,720

H) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Asset quality

Business／Items			2014.12.31				
			Non-performing loans	**Total loans**	**Non-performing loans ratio**	**Allowance for bad debts**	**Coverage ratio of allowance for bad debts**
Corporate banking	Secured		59,299	34,992,222	0.17%	397,752	670.76%
	Unsecured		15,436	40,238,110	0.04%	419,267	2,716.16%
Consumer banking	Residential mortgages		30,507	49,058,144	0.06%	495,383	1,623.83%
	Cash cards		-	-	- %	-	- %
	Micro-credit loans		1,238	904,005	0.14%	21,472	1,734.41%
	Other	Secured	9,680	19,486,439	0.05%	196,423	2,029.16%
		Unsecured	2,372	916,147	0.26%	52,780	2,225.13%
Total loan business			118,532	145,595,067	0.08%	1,583,077	1,335.57%
			Overdue accounts	**Receivables**	**Overdue accounts ratio**	**Allowance for bad debts**	**Coverage ratio of allowance for bad debts**
Credit card business			4,369	1,198,503	0.36%	26,072	596.75%
Factoring receivables - without recourse			-	49,101	- %	491	- %

Business／Items			2013.12.31				
			Non-performing loans	**Total loans**	**Non-performing loans ratio**	**Allowance for bad debts**	**Coverage ratio of allowance for bad debts**
Corporate banking	Secured		642,969	31,463,588	2.04%	383,935	59.71%
	Unsecured		91,816	44,777,807	0.21%	513,757	559.55%
Consumer banking	Residential mortgages		32,795	47,830,760	0.07%	484,349	1,476.90%
	Cash cards		-	-	- %	-	- %
	Micro-credit loans		2,491	956,414	0.26%	26,070	1,046.57%
	Other	Secured	9,969	16,487,808	0.06%	166,854	1,673.73%
		Unsecured	2,156	1,079,830	0.20%	67,201	3,116.93%
Total loan business			782,196	142,596,207	0.55%	1,642,166	209.94%
			Overdue accounts	**Receivables**	**Overdue accounts ratio**	**Allowance for bad debts**	**Coverage ratio of allowance for bad debts**
Credit card business			4,994	1,317,637	0.38%	38,795	776.83%
Factoring receivables - without recourse			-	110,148	- %	2,470	- %

Note 1: Non-performing loans represent the amount of overdue loans as reported in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accural Loans." The credit card overdue loans represent the amount of overdue loans as reported in accordance with Jin-Kuan-Yin-(4)-Zi No. 0944000378, dated July 6, 2005.

Note 2: Non-performing loans ratio = Non-performing loans ÷ total loans; Credit card delinquency ratio = Overdue receivables ÷ balance of receivables.

Note 3: Coverage ratio of allowance for bad debts = allowance for credit losses ÷ non-performing loans; Coverage ratio for credit card = allowance for credit losses ÷ overdue receivables.

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

Note 5: Micro-credit loans are defined by Jin-Kuan-Yin-(4)-Zi No. 09440010950, dated December 19, 2005, and they do not include credit cards or cash cards.

Note 6: Others in consumer banking are secured and unsecured consumer loans other than residential mortgage loans, cash cards, and micro-credit loans, and do not include credit cards.

Note 7: In accordance with Jin-Kuan-Yin-(5)-Zi No. 094000494, dated July 19, 2005, the amounts of without-recourse factoring will be classified as overdue receivables within three months from the date that suppliers or insurance companies resolve not to compensate the loss.

b) The information below shows supplemental disclosures of the Bank's loans and receivables that may be exempted from reporting as non-performing loans and overdue receivables, respectively.

	2014.12.31		2013.12.31	
	Loans may be exempted from reporting as a non-performing loan	Receivables may be exempted from reporting as overdue receivables	Loans may be exempted from reporting as a non-performing loan	Receivables may be exempted from reporting as overdue receivables
Pursuant to a contract under a debt negotiation plan (Note 1)	110,677	-	150,807	-
Pursuant to a contract under a debt liquidation plan and a debt relief plan (Note 2)	38,495	7,191	51,168	8,982
Total	149,172	7,191	201,975	8,982

Note 1: In accordance with Jin-Kuan-Yin-(1)-Zi No. 09510001270, dated April 25, 2006, a bank is required to make supplemental disclosure reporting credit information which was approved under the "Debt Coordination Mechanism of Unsecured Consumer Debts by the Bankers Association of the R.O.C".

Note 2: In accordance with Jin-Kuan-Yin-(1)-Zi No. 09700318940, dated September 15, 2008, a bank is required to make supplemental disclosure reporting credit information once debtors apply for pre-negotiation, relief and liquidation under the "Consumer Debt Clearance Act."

c) Concentration of credit extensions

2014.12.31			
Rank	**Enterprise group**	**Credit amount**	**Credit amount to shareholders' equity ratio(%)**
1	A GROUP－Petroleum and Coal Products Manufacturing	3,473,496	18.79%
2	B GROUP－Other Financial Intermediates not Elsewhere Classified	3,041,491	16.45%
3	C GROUP－Real Estate Development	2,436,552	13.18%
4	D GROUP－Financial Leases	1,419,359	7.68%
5	E GROUP－Cement Products Manufacturing	1,306,480	7.07%
6	F GROUP－Wholesale of Electronic Equipment and Parts	1,295,745	7.01%
7	G GROUP－Liquid Crystal Panel and Components Manufacturing	1,221,060	6.60%
8	H GROUP－Iron and Steel Refining	1,123,000	6.07%
9	I GROUP－Financial Leases	997,630	5.40%
10	J GROUP－Manufacture of Basic Chemical Material	993,967	5.38%

2013.12.31			
Rank	**Enterprise group**	**Credit amount**	**Credit amount to shareholders' equity ratio(%)**
1	A GROUP－Petroleum and Coal Products Manufacturing	3,164,552	17.90%
2	B GROUP－Other Financial Intermediates not Elsewhere Classified	2,828,192	16.00%
3	C GROUP- Real Estate Development	2,495,000	14.11%
4	D GROUP- Liquid Crystal Panel and Components Manufacturing	1,614,046	9.13%
5	E GROUP- Wholesale of Electronic Equipment and Parts	1,508,775	8.53%
6	F GROUP- Cement Products Manufacturing	1,472,613	8.33%
7	G GROUP- Computer Manufacturing	1,391,513	7.87%
8	H GROUP- Real Estate Development	1,296,325	7.33%
9	I GROUP－Financial Leases	1,293,906	7.32%
10	J GROUP－Ocean Transportation	1,286,148	7.27%

(4)Liquidity Risk

A) Definition and sources of liquidity risk

Liquidity risk of the Bank refers to the inability to liquidate assets or obtain financing to meet its due obligations, and thus impact the Bank’s earnings or shareholders' equity.

B) Management policy of liquidity risk

a) Strategy

In addition to be in compliance with the reserve requirement and the lowest liquidity ratio required by the competent authority, the Bank establishes liquidity analysis, triggers, and limit of indicators in order to set up coping strategies to prevent poor liquidity.

b) Management process

1) Financial investment division uses the daily estimated funding gap as the basis for allocation of funds.

2) The Bank conducts stress tests of liquidity to assess the level of risk it can bear when encountering crisis and the result will be reported to the risk management division and top executives.

3) The Bank convenes “Asset Liability Management Committee” every month to review the Bank’s liquidity risk.

4) Risk management division monitors external warning indicators on a daily basis to control the flexibilty risk alert immediately.

5) Risk management division produces liquidity risk management report to top executives every month. The report includes internal indicators of the Bank’s liquidity risk management and tables of gap analysis. The risk management division monitors and analyzes the liquidity risk profiles then submits a report to the Asstes and Liabilities Management Committee, and together with the monthly liquidity risk analysis report will be reported to the top executives, audit committee and board of directors.

c) Evaluation method

1) Prepare tables of structure analysis of maturity in accordance with the competent authority.

2) Prepare tables of fund gap that predicts the renewal rate of deposits and loans in order to assess the Bank’s fund liquidity analysis.

3) The internal indicators of liquidity risk management are “LTD ratio of Taiwanese or foreign currency”, “liquidity reserve ratio” and “ratio of the amount of liquidity gap of new Taiwan dollar that will mature within 30 days to total assets”. Limit of indicators are set in accordance with risk tolerance level to develop coping strategies.

4) In addition to internal indicators, the Bank also uses external indicators. For example when its credit ratings are downgraded or when it’s significantly penalized by the competent authority, contingency measures will be initiated by the emergency response team.

5) Setting scenarios for stress test for liquidity is in order to assess the Bank’s duration under stress scenarios. Appropriate strategies for capital allocation and countermeasures are developed when it’s necessary.

6) The Bank sets “Business Crisis Contingency Measures” in accordance with the “Operational Measures when Handling Business Crisis for Financial Institutions” issued by FSC. When the Bank faces abnormal deposits withdrawals, a serious shortage of funds or other huge loss of liquidity, relevant procedures will be carried out.

C) Maturity analysis of non-derivatives liabilities

Table below shows the analysis of cash outflows of non-derivatives liabilities based on time remaining until the contractual maturity date.

	2014.12.31					
	0-30 days	**31-90 days**	**91-180 days**	**181 days-1year**	**Over 1 year**	**Total**
Deposits from the central bank and other banks	$ 780,085	696,381	1,495,077	1,330,879	2,342,831	6,645,253
Securities sold under repurchase agreements	500,000	-	-	-	-	500,000
Payables	1,008,741	606,349	315,426	73,403	39,673	2,043,592
Deposits and remittances	33,836,357	20,828,245	16,387,145	35,616,917	73,603,737	180,272,401
Financial debentures	-	-	-	-	2,500,000	2,500,000
Other financial liabilities	89,637	36,326	60,984	92,545	2,084,010	2,363,502

	2013.12.31					
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Deposits from the central bank and other banks	$ 5,414,723	783,703	1,631,117	1,606,151	1,621,042	11,056,736
Securities sold under repurchase agreements	714,845	250,000	-	-	-	964,845
Payables	967,518	140,953	245,798	117,768	44,960	1,516,997
Deposits and remittances	26,219,137	21,231,819	16,219,605	39,791,326	66,761,445	170,223,332
Financial debentures	-	-	500,000	-	2,500,000	3,000,000
Other financial liabilities	40,080	21,794	12,899	21,457	24,755	120,985

D) Maturity analysis of derivatives liabilities

Table below shows the analysis of cash outflows of derivatives liabilities based on the maturity date.

	2014.12.31					
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit or loss						
－Forward contracts	$ 730,147	-	-	-	-	730,147
－SWAP	157,477	-	-	-	-	157,477
－Currency option	15,851	10,665	26,934	272,740	1,034,726	1,360,916
－Interest rate instruments	55,655	-	-	-	-	55,655
－Convertible bond asset swap	20,553	-	-	-	-	20,553
Total	$ 979,683	10,665	26,934	272,740	1,034,726	2,324,748

	2013.12.31					
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit or loss						
－Forward contracts	$ 12,512	-	-	-	-	12,512
－SWAP	14,814	-	-	-	-	14,814
－Currency option	6,852	398	63	300	4,323	11,936
－Interest rate instruments	29,825	-	-	-	-	29,825
－Convertible bond asset swap	1,074	-	-	-	-	1,074
Total	$ 65,077	398	63	300	4,323	70,161

E) Maturity analysis of off-balance sheet items

Table below shows the maturity analysis of off-balance-sheet items for the Bank. The amount of the guarantee and committed credit lines will be allocated to the earliest period when such obligation can be exercised anytime by clients..

	2014.12.31					
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Unused amount of irrevocable credit card commitments	$ 24,309,520	-	-	-	-	24,309,520
Unused amount of irrevocable letter of credit	266,787	-	658,304	105,263	-	1,030,354
Various guarantee proceeds	31,102	40,400	140,982	363,000	86,074	661,558

	2013.12.31					
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Unused amount of irrevocable credit card commitments	$ 25,170,010	-	-	-	-	25,170,010
Unused amount of irrevocable letter of credit	192,763	361,059	90,754	-	-	644,576
Various guarantee proceeds	29,543	31,020	294,500	32,953	153,365	541,381

F) Maturity analysis of lease contract and capital expenditure commitment

The lease contracts of the Bank are operating lease. Operating lease commitment is the future minimum rental payment under operating lease conditions when the Bank is a lessee or lessor.

The capital expenditure commitment of the Bank is the contractual commitments signed for obtaining buildings and equipment.

Maturity analysis of lease contract and capital expenditure commitment of the Bank is as follows:

2014.12.31	Under 1 year	1 to 5 years	Over 5 years	Total
Lease contract commitments				
Operating lease expense (lessee)	$ 174,118	281,628	14,474	470,220
Operating lease revenue(lessor)	26,032	36,164	-	62,196
Capital expenditure commitments	9,374	3,220	-	12,594

2013.12.31	Under 1 year	1 to 5 years	Over 5 years	Total
Lease contract commitment				
Operating lease expense (lessee)	$ 166,306	283,992	14,821	465,119
Operating lease revenue(lessor)	22,677	49,732	-	72,409
Capital expenditure commitments	1,603	906	-	2,509

(5)Market Risk

A) Sources and definition of market risk

Market risk results from the changes in market prices, such as interest rates, foreign exchange rates and commodity prices, and will cause the risk of loss.

B) Market risk management policy

a) Strategy

1) The market risk positions of the Bank are monitored in accordance with the limit of indicators approved by the board of directors.

2) To fulfill market risk management and the operational goals of the Bank, the risk management division of the Bank complies with the Bank’s Risk Management Rules and Market Risk Management Measures.

3) Establishing market risk management mechanism helps effectively monitor the financial instruments positions of the Bank, including limitation management, profit and loss evaluation, stress test execution, and risk measurement. All of above will be reported to the top executives as references for decision making.

b) Policies and procedures

In order to establish the market risk management mechanism of the Bank and its operating segments and to ensure that market risk is within the tolerable range, rules, approaches and operating articles are enacted by the Bank and its operating segments. These regulations would help the Bank and its operating segments effectively monitor all possible risks deriving from financial instruments.

C) Market risk management process

a) Recognition and evaluation

To effectively evaluate the degree of market risk exposure, the Bank has set management indicators and its limit by establishing scientific methods and system of market risk management. The evaluation can serve as a basis to manage and monitor the Bank's possible market risk. The Bank's internal market risk estimation model includes interest rate, foreign exchange, equity, product and other risk factors. Inaddition to the traditional control methods such as authorize position limit, stop-loss limit, limit of risk indicators (i.e.: Greeks, DVO1……), Value at Risk (VaR), stress test and limit on permission suspension are applied to measure market risk. Nevertheless, when data is applied for stress test, in the extreme scenario the monitor and management of limit is valued as the whole financial holding company.

b) Monitoring and reporting

1) Risk management department of each business unit：Daily supervision is conducted by each business unit by following related internal policies and executing hierarchical authorization control. Furthermore, reports should be submitted. When a divergence or exception occurs, an analysis should be accompanied with the report. When submitting a report, one should not only follow the Bank's notification procedures, but also send notification to risk management division. If the risk indicator is within the limit, general manager of the Bank should approve further measures and the top executive from the financial holding company's risk management division should review before giving notice to the chairman. If, however, the loss of a business unit exceeds its limit, it should ameliorate within a period of time unless the character of the

business operation unit requires seeking approval from the Bank’s chairman. When the loss can’t be dropped below the limit, the business operation unit needs to take specific handling procedures. If necessary, financial holding company’s risk management committee should be held to come up with a resolution.

2) Risk management division：In compliance with financial holding company’s risk management mechanism, risk management division would supervise the indicators of market risk of the Bank and its managed business unit on the daily basis. If the Bank’s risk indicator exceeds the limit, risk management division should analyze the irregularity and report to the Bank’s general manager and chairman. Furthermore, the general manager and chairman of the Parent Company should be notified the case. If necessary, financial holding company’s risk management committee should be held and the case should be reported in the nearest board meeting.

D) Trading book risk management policies

Trading book is established in compliance with Regulations Governing the Capital Adequacy and Capital Category of Banks. Trading book includes the position of financial products and physical products which are evaluated frequently and actively managed for trading or for hedging.

a) Strategies

1) Intend to make a profit through the spreads of actual or expected price of held position.
2) Intend to make a profit through the changes of other prices or interest rate of held position.
3) Position held for the brokerage and proprietary business.
4) Position held for the need of hedge.
5) Other all transactions under predetermined investment limit.

b) Policies and procedures

Financial Investment Limit Authorization and Suspension Policies of the Division of Investments is established by the Bank as a basis of governance of trading book.

c) Evaluation policy

Position of trading book is evaluated daily according to its fair value or models. Market price data needed by the valuation models should be updated daily.

d) Measurement approach

1) The assumptions and calculations of Value at Risk (VaR) refer to I. Technique of market risk valuation a. Value at Risk (VaR)

2) Stress tests carried out by the Bank include single factor sensitivity test, historical scenario test and custom scenario test. These tests are conducted to understand the influence on the Bank’s existing trading portfolio assuming a recurrence of significant international and domestic events or an occurrence of customized extreme condition and to verify extreme sitution which may cause extraordiary loss.

E) Trading book interest rate risk management

a) Definition

Interest rate risk arises from changes in interest rates that will affect the Bank’s income or the fair value of its holdings of financial instruments. Primary interest rate related instruments held in the Bank’s trading portfolios include domestic and overseas bonds, interest rate derivatives, interest rate futures, interest rate options and interest rate derivative instruments issued by the Bank and its hedging position.

b) Management procedure

In order to effectively supervise the interest rate risk and the possible effect on the Bank’s profitability, authorized trading limit, suspension limit and limit of related risk indicator are established for each business unit, traders and interest related product.

c) Measurement approach

1) DVO1 limit is set for domestic and overseas bonds, interest rate derivatives and domestic and overseas interest rate futures.

2) Greeks limit (ie. Gamma and Vega) is set for interest rate options.

3) DVO1 limit and Greeks limit (ie. Delta, Gamma and Vega) are set for the interest rate derivative instruments and its hedging position that are issued by the Bank.

F) Banking book interest rate risk management

Interest rate risk is a risk that profit and economic value of assets and liabilities are affected due to an adverse change in the absolute level of interest rates.

a) Strategies

In order to decrease the degree of interest risk exposure, the Bank has built up interest rate sensitive balance sheet, analyzed interest sensitive gap and established limit of indicators for setting strategies and hedging programs.

b) Management process

1) Identification and measurement

Interest rate sensitive balance sheet system is established by the Bank to measure the Bank’s interest rate risk of banking book. The system includes the Bank’s on and off balance sheet’s asset and liability positions in New Taiwan Dollars and US Dollars. And the system is applied to observe the influence on the Bank’s economic value and the following year’s net interest revenue, if a change in interest rate occurs.

2) Monitor and report

A.Monitoring the Bank’s banking book interest rate risk exposure, supervising interest rate risk indicator, building up interest rate sensitive balance sheet and analyzing interest rate sensitivity gap are performed by the risk management division on the monthly basis. During the Asset Liability Committee, a report should be put forward. Moreover, a report of interest rate risk management analysis should be submitted to top executives, audit committee and board of directors.

B.Holding the Asset Liability Committee on a monthly basis and the committee should examine interest rate risk.

C.When the Bank’s banking book interest rate risk exceeds the predetermined threshold (medium and high risk or up), the risk management division should analyze and report to Asset Liability Committee and the Parent Company’s risk management committee. Furthermore, possible walk around is developed with the consideration of the Bank’s ability to sustain the interest risk regarding its eligible capital.

3) Measurement

Analyzing the possible economic effect as the parallel shift of interest rate at 200 bps divided by eligible capital is the main indicator used to measure interest rate risk.

G) Foreign exchange risk management

a)The definition of foreign exchange risk

The foreign exchange risk shall mean the potential loss of an exchange of two different currencies at different period of time. The main foreign exchange products operated by the Bank are non-option foreign exchange products, foreign exchange options, the foreign exchange derivative instruments and its hedged position issued by the Bank.

b) Foreign exchange risk management policies, procedures and evaluation methods.

1) In order to effectively manage the Bank's risk incurred due to foreign exchange market operation and gauge the influence on the Bank's profit, transaction limit, stop-loss limit and related risk indicator are established to each business unit, traders and foreign exchange related products.

2) USD/TWD position limit is set by the Bank's operation of non-option foreign exchange products, including spot exchange, forward exchange, foreign exchange swap and NDF.

3) Greeks limit (ie. Delta, Gamma and Vega) is set by the Bank for the operation of foreign exchange option (excluding Chinese Yuan exchange option.)

4) Greeks limit (ie. Delta, Gamma and Vega) is set by the Bank for the Bank's foreign exchange derivatives instruments and its hedged position.

H) Management of price risk of equity securities

a) The definition of equity security risk

Equity security market risk includes specific risk incurs due to the price change of a specific equity security and a general market risk incurs due to the price change of whole market. Primary equity instruments held in the Bank's trading portfolios include listed and TPEx warrants and stocks, securities borrowing, convertible bonds, equity index futures, equity and index options.

b) Equity securities risk management policies, procedures and evaluation methods

1) In order to efficiently control the risks which arise from trading of equity securities and the impact on profits, the Bank regulates the authorized transaction limit, stop limit and related risk indicator for each business unit, traders and other equity security instruments.

2) Alert for a decline of single share and stop-loss percentage are set for listed stock, convertible bond, securities lending of convertible bonds, ETF and stock mutual funds.

3) Greeks limit (ie. Delta, Gamma and Vega) is set for equity related futures and options.

I) Technique of market risk valuation

a) Value at Risk (VaR)

Incompliance with Basel- Internal Model Approach for Market Risk, the Bank updates market data on a daily basis. Exponentially-weighted moving average (EWMA) is applied to compute volatility based on the market price range for the past year. Additionally, correlation of different market risk factor is considered and assumption of price changed of risk factor follow certain pattern is made. With an assistance of a computer, simulation of possible price path is identified. The Bank uses the simulation as the basis of investment portfolio's profit allocation. Monte Carlo simulations may be applied to compute Value at Risk of 99% confidence interval. Variance-covariance matrices or Historical simulations can also be applied. Furthermore, the Bank would exercise back testing to evaluate the appropriateness of Value at Risk model on a daily basis.

Tables shown as below are the Value at Risk portfolios of the Bank for the years ended December 31, 2014 and 2013.

(In Million of New Taiwan Dollars)

99%C.L.1 day(VaR)	**2014.12.31**		
	Season average	**Season high**	**Season low**
Exchange instrument	24.53	47.38	0.99
Interest instrument	4.18	0.69	0.37
Equity instrument	3.45	1.17	4.07
VaR	24.83	47.59	3.88

(In Million of New Taiwan Dollars)

99%C.L.1 day(VaR)	**2013.12.31**		
	Season average	**Season high**	**Season low**
Exchange instrument	6.40	10.46	1.08
Interest instrument	4.58	2.69	0.52
Equity instrument	5.51	10.90	1.74
VaR	9.95	18.11	2.20

b) Stress Testing

Stress test is exercised to evaluate the greatest potential loss of risk-weighted assets under the worst hypothetical scenarios. The test is composed by three parts: (1) Single Factor Sensitivity Test: The purpose of this test is to observe the change on a portfolio's value whenever a specific risk factor changes.Assuming that the risk factor is the stock price of common stocks, the single factor sensitivity test is to evaluate the value change on a portofolio when the stock price changes. (2) Historical Scenario Test: The purpose of this test is to simulate the portfolio under a historical event, where the portfolio is applied to following the historical returns. (3) Custom Scenario Test: This test is similar to the single-factor sensitivity test and in addition, takes the correlation of risk factors into consideration.

c) Sensitivity analysis

Summary of sensitivity analysis are as follows:

(In Million of New Taiwan Dollars)

2014.12.31			
		Amount	
Risk items	Movement	Profit and loss	Equity
Interest Rate Risk	Interest rate curve shift up 100bps	(198)	(199)
	Interest rate curve shift down 100bps	171	172
Foreign Exchange Rate Risk	Foreign currency appreciate 7% against NTD	3,101	-
	Foreign currency depreciate 7% against NTD	2,981	-
Equity Price Risk	Equity price appreciate 20%	13	1
	Equity price depreciate 20%	(13)	(1)

(In Million of New Taiwan Dollars)

2013.12.31			
		Amount	
Risk items	Movement	Profit and loss	Equity
Interest Rate Risk	Interest rate curve shift up 100bps	(155)	(273)
	Interest rate curve shift down 100bps	114	234
Foreign Exchange Rate Risk	Foreign currency appreciate 7% against NTD	149	11
	Foreign currency depreciate 7% against NTD	(123)	(11)
Equity Price Risk	Equity price appreciate 20%	81	2
	Equity price depreciate 20%	(79)	(2)

J) Exchange rate risk concentration information

	2014.12.31		
	Foreign currency amount	**Exchange rate**	**NTD amount**
Financial assets			
Monetary items			
USD	$ 869,382	31.6550	27,520,279
JPY	2,112,395	0.2645	558,728
EUR	9,416	38.4730	362,249
AUD	47,347	25.9250	1,227,460
HKD	174,559	4.0820	712,549
CNY	939,841	5.0930	4,786,608
GBP	11,659	49.2570	574,305
CAD	13,006	27.2720	354,709
Others(Note)	-	-	85,637

	2014.12.31		
	Foreign currency amount	**Exchange rate**	**NTD amount**
Financial liabilities			
Monetary items			
USD	$ 719,672	31.6550	22,781,226
JPY	2,540,114	0.2645	671,860
EUR	9,653	38.4730	371,372
AUD	49,660	25.9250	1,287,441
HKD	140,026	4.0820	571,587
CNY	1,209,670	5.0930	6,160,849
GBP	2,550	49.2570	125,602
NZD	1,012,013	2.7330	2,765,830
SGD	4,297	23.9370	102,855
ZAR	5,184	24.8160	128,640
Others(Note)	-	-	100,720

	2013.12.31		
	Foreign currency amount	Exchange rate	NTD amount
Financial assets			
Monetary items			
USD	$ 716,358	29.9250	21,437,002
JPY	829,817	0.2849	236,415
AUD	51,296	26.6900	1,369,086
HKD	61,200	3.8590	236,172
CNY	741,514	4.9390	3,662,339
GBP	2,426	49.5000	120,103
NZD	463	24.5800	11,384
ZAR	95,472	2.8600	273,050
Others(Note)	-	-	134,523
Non-monetary items			
USD	2,208	29.9250	66,065

	2013.12.31		
	Foreign currency amount	Exchange rate	NTD amount
Financial liabilities			
Monetary items			
USD	$ 612,800	29.9250	18,338,035
JPY	1,358,856	0.2849	387,138
EUR	8,014	41.2400	330,505
AUD	56,402	26.6900	1,505,358
HKD	128,580	3.8590	496,190
CNY	808,562	4.9390	3,993,487
ZAR	5,705	24.5800	140,224
NZD	244,340	2.8600	698,812
Others(Note)	-	-	242,491

Note: Other Currencies that are less than to NTD 100 million are disclosed aggregately.

K) Interest rate sensitivity information

a) Interest rate sensitive assets and liabilities analysis sheet

December 31, 2014

Unit:in Thousands of Taiwan Dollars；%

ITEM	1-90 days (inclusive)	91-180 days (inclusive)	181 days -1 year (inclusive)	Over 1 year	Total
Interest rate sensitive assets	$ 151,492,803	1,611,244	330,458	17,001,806	170,436,311
Interest rate sensitive liabilities	57,538,728	73,540,825	24,154,985	4,087,019	159,321,557
Interest sensitivity gap	93,954,075	(71,929,581)	(23,824,527)	12,914,787	11,114,754
Net value					17,990,894
Interest-rate-sensitive assets to interest rate sensitive liabilities ratio					106.98
Interest rate sensitivity gap to net value ratio					61.78

December 31, 2013

Unit:in Thousands of Taiwan Dollars；%

ITEM	1-90 days (inclusive)	91-180 days (inclusive)	181 days -1 year (inclusive)	Over 1 year	Total
Interest rate sensitive assets	$ 139,026,998	1,243,760	2,857,101	22,192,605	165,320,464
Interest rate sensitive liabilities	60,635,190	68,303,879	26,150,545	3,756,198	158,845,812
Interest sensitivity gap	78,391,808	(67,060,119)	(23,293,444)	18,436,407	6,474,652
Net value					17,462,448
Interest-rate-sensitive assets to interest rate sensitive liabilities ratio					104.08
Interest rate sensitivity gap to net value ratio					37.08

Note 1:Listed amounts of the head office, domestic branches, offshore banking unit and overseas branches (excluding foreign currency amounts) are denominated in NTD.

Note 2:Interest-rate-sensitive assets and liabilities are determined by the revenue or cost of various rates spreads between interest-earning assets and interest-bearing liabilities.

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 (denominated in NTD).

b) Interest rate sensitive assets and liabilities analysis sheet(USD)

December 31, 2014

Unit:in Thousands of USD ；%

ITEM	1-90 days (inclusive)	91-180 days (inclusive)	181 days - 1 year (inclusive)	Over 1 year	Total
Interest rate sensitive assets	$ 331,897	53,540	158,141	232,927	776,505
Interest rate sensitive liabilities	368,354	250,150	26,221	106	644,831
Interest sensitivity gap	(36,457)	(196,610)	131,920	232,821	131,674
Net value					16,005
Interest-rate-sensitive assets to interest rate sensitive liabilities ratio					120.42
Interest rate sensitivity gap to net value ratio					822.71

December 31, 2013

Unit:in Thousands of USD ；%

ITEM	1-90 days (inclusive)	91-180 days (inclusive)	181 days - 1 year (inclusive)	Over 1 year	Total
Interest rate sensitive assets	$ 346,464	61,955	96,368	209,035	713,822
Interest rate sensitive liabilities	227,127	306,025	70,908	91	604,151
Interest sensitivity gap	119,337	(244,070)	25,460	208,944	109,671
Net value					7,735
Interest-rate-sensitive assets to interest rate sensitive liabilities ratio					118.15
Interest rate sensitivity gap to net value ratio					1,417.85

Note 1:Listed amounts of the head office, domestic branches and offshore banking unit (excluding contingent assets and liabilities) are denominated in USD.

Note 2:Interest-rate-sensitive assets and liabilities are determined by the revenue or cost of various rates spreads between interest-earning assets and interest-bearing liabilities.

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 (denominated in USD).

(e) Capital management

(1) Overview

The Bank's capital management objectives are as follows:

A) The capital management objective of the Bank is that their eligible capital is sufficient to meet the capital requirements and the minimum legal capital adequacy rate. The eligible capital and the authorized capital are calculated in pursuant to the regulations set by the regulators.

B) To enable the Bank to have an adequate capital to cover various risks, the required capital should be calculated based on the risk portfolios and the risk characteristics that the Bank faced. Optimal allocation of resources can be achieved by regularly reviewing the objectives of capital management.

(2) Capital management procedures

A) The Bank reviews and completes the overall risk management report and submitted to the Board monthly, and maintains adequate capital to meet the requirements of the authority and to report to the authority on a quarterly basis.

B) When the indicator of capital adequacy ratio management shows the following signals, the related management mechanism would be as follows:

a) Indicator in red and yellow light: An analysis should be provided by the risk management division. Additionally, the event should be reported in the nearest Risk Management Committee.

b) Indicator in red light: An analysis should be provided by the risk management division. Additionally, the event should not only be reported to the Risk Management Committee, but also be dealt with in accordance to the resolutions reached in the committee. If a decrease of risk- weighted asset is proposed, the related departments should take actions accordingly. If, however, an increase in authorized capital is proposed, the proposal should be submitted to and evaluated by Asset Liability Committee.

C) The Bank's capital management is responsible for the Risk Management Division. The Bank’s regulatory capital is divided into Tier 1 Capital and Tier 2 Capital following the “Regulations Governing the Capital Adequacy and Capital Category of Banks”

a) Tier 1 Capital: The aggregate amount of Common Equity Tier 1 and additional Tier 1 Capital.

Tier I capital includes Common Equity Tier 1 and additional Tier I capital. Common Equity Tier 1 includes common shares, capital surplus, capital collected in advance, paid-in capital-other, legal reserve, special reserve, accumulated profit or loss, non-controlling interest and adjustment items of equity. The statutory deductible items include: a gain and loss resulting from an effective hedge instrument which belongs to cash flow hedge (deducting revenues and adding back losses), prepaid pension expense or the deficiency of defined benefit liability which is placed under reserve of employee benefit liability, treasury stock, goodwill, other intangible assets, the deferred tax assets due to the future profitability of the Bank, unrealized losses or gains due to the change of the credit risk of the Bank’s liability (deducting revenues and adding back losses), unrealized gain of available-for-sale financial assets, operational reserve, the shortage of operational reserves and loan-loss provisions, an increase in retained earning that is due to the recognition of fair value or revaluation in the cost of fixed assets that are applicable to IFRS, the deductible amount of securitized transaction, the investments of finance-related business which are recognized by the Bank, shortage of allocation of evaluation reserve (market risk), appreciation gains on changes in the fair value of investment properties subsequently measured using fair value model, income from sale and leaseback after January 1, 2012 and other adjustments requested by regulations or the supervising authorities, the excess amount of the deferred tax resulting from temporary difference and 10% of Tier 1 capital, the deductible amount incurred when deferred tax asset resulting from temporary difference is greater than 15% of deduction threshold, and other deductible amount resulting from the shortage of additional Tier 1 and 2 capital.

Additional Tier 1 capital: The total amount of non-cumulative perpetual preferred stock and its capital stock premium, non-cumulative perpetual subordinated debts and its capital stock which are issued by the Bank’s subsidiaries, and are not directly and indirectly held by the Bank. The addition is accompanied by the deductible items that belong to additional Tier 1 capital. (ie. the deduction of inadequacy of Tier 2 capital, the investments of finance-related business which are recognized by the Bank, and other deductible items.)

b) Tier 2 capital: Consists of the aggregate amount of cumulative perpetual preferred stock and its capital stock premium, cumulative perpetual subordinated debts, convertible subordinated debts, long-term subordinated debts, non-perpetual preferred stock and its capital stock premium, the increase in retained earnings when fair value or re-estimated value is adopted as deemed cost for the first-time adoption of IFRSs on property, 45% of unrealized gains on available-for-sale financial assets, the 45% of appreciation gains on changes in the fair value of investment properties subsequently measured using fair value model, operational reserves and loan-loss provisions, and Tier 2 capital issued by the Bank's subsidiary and not directly or indirectly held by the Bank, minus statutory adjustment items belong to Tier 2 capital (the investments of finance-related business which are recognized by the Bank, and other deductible items).

D) According to Regulations Governing the Capital Adequacy and Capital Category of Banks, the definition of risk-weighted assets is as follows:

a) Total risk-weighted assets: The term “Total Risk- Weighted Assets” shall mean the sum of risk weighted assets for credit risk and the capital requirements for market risk and operational risk multiplied by 12.5. Those assets already deducted from regulatory capital, however, shall be deducted from the total risk-weighted assets.

b) Risk-Weighted Assets for Credit Risk: The term shall mean measurement of the risk of loss caused by the counterparty’s default. This risk measurement is expressed as the total of each of the Bank’s transaction items on and off-balance sheet multiply risk weight.

c) The Capital Requirement for Market Risk: The term shall mean the capital required for assessed losses to the Bank’s transaction items on and off-balance sheet in arising from movements in market prices (interest rates, exchange rates, and stock prices, etc.)

d) The Capital Requirement of Operational Risk: The term shall mean the capital required for the risk of loss resulting from inadequate or failed internal process, people and systems or external events.

(3)Capital adequacy

Analysis item		Period	2014.12.31	2013.12.31
Eligible capital	Common Equity Tier 1		16,688,407	15,245,552
	Additional Tier 1 capital		-	-
	Tier 2 capital		1,406,089	2,020,952
	Eligible capital		18,094,496	17,266,504
Risk- Weighted assets	Credit risk	Standardized approach	134,951,961	128,977,652
		Internal ratings-based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	6,742,413	6,305,286
		Standardized approach/ Alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	20,917,326	1,678,237
		Internal model approach	-	-
	Total		162,611,700	136,961,175
Capital adequacy ratio			11.13%	12.61%
Common equity / Risk-weighted assets ratio			10.26%	11.13%
Tier 1 capital / Risk-weighted assets ratio			10.26%	11.13%
Leverage ratio			5.48%	5.30%

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:Capital adequacy ratios for two years period are required for annual financial statements. However, second quarter financial statements are required to disclose for the current period in two years and also the year ended of last year.

Note 3:Formulas used are as follows:

1.Eligible capital = Common Equity Tier 1 + Additional Tier 1 capital + Tier 2 capital.

2.Risk-weighted assets = Risk-weighted asset for credit risk +appropriate proportion of (operation risk+market risk) x 12.5.

3.Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.

4.Ratio of common equity to risk-weighted assets = Common Equity Tier 1 ÷ Risk-weighted assets.

5.Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Additional Tier 1 capital) ÷ Risk-weighted assets.

6.Leverage ratio =the average of past three months Tier 1 capital ÷ the average of past three months total exposure

Note 4:Not applicable for the first and third quarter statements.

7. Related Party Transactions

(A)Names of related parties and relationship with the Bank

Name of related party	Relationship with the Bank
JihSun Financial Holding Co., Ltd.	Parent company of the Bank
JihSun Life Insurance Agency Co., Ltd.	An investee company carried under the equity method
JihSun Securities Co., Ltd.	An investee company carried under the equity method by Parent company of the Bank
JihSun International Property Insurance Agency Co., Ltd.	An investee company carried under the equity method by Parent company of the Bank
JihSun Futures Co., Ltd.	An investee company carried under the equity method by JihSun Securities Co., Ltd.
JihSun Securities Investment Consulting Co., Ltd.	An investee company carried under the equity method by JihSun Securities Co., Ltd.
JIH SUN INTERNATIONAL INVESTMENT HOLDING COMPANY LIMITED	An investee company carried under the equity method by JihSun Securities Co., Ltd.
JihSun Venture Capital Co., Ltd.	An investee company carried under the equity method by JihSun Securities Co., Ltd.
JS CRESVALE SECURITIES INTERNATIONAL LIMITED	An investee company carried under the equity method by JIH SUN INTERNATIONAL INVESTMENT HOLDING COMPANY LIMITED
JIH SUN FINANCIAL SERVICES (CAYMAN) LIMITED	An investee company carried under the equity method by JIH SUN INTERNATIONAL INVESTMENT HOLDING COMPANY LIMITED
JS CRESVALE CAPITAL LIMITED	An investee company carried under the equity method by JIH SUN INTERNATIONAL INVESTMENT HOLDING COMPANY LIMITED
JihSun Investment Consulting (Shanghai) Co., Ltd.	An investee company carried under the equity method by JIH SUN INTERNATIONAL INVESTMENT HOLDING COMPANY LIMITED
JIH SUN CAPITAL MANAGEMENT LIMITED	An investee company carried under the equity method by JIH SUN INTERNATIONAL INVESTMENT HOLDING COMPANY LIMITED
JIH-SUN SECURITIES INVESTMENT TRUST CO., LTD.	An investee company carried under the equity method by JihSun Securities Co., Ltd.
Other related parties	The Bank’s chairman, directors, general manager, vice general manager, division level executives, branch managers, and their spouses and children.

(B)Material transactions with related parties

(a) Deposits

	2014			
Name of related party	**Ending balance**	**Maximum balance**	**Interest revenue**	**Interest interval %**
JihSun Securities Co., Ltd.	$ 747,483	2,107,674	847	0-3.15%
JihSun Financial Holding Co., Ltd.	207,361	701,765	135	0-1.36%
JihSun Life Insurance Agency Co., Ltd.	100,037	199,323	206	0-0.16%
Jih Sun Securities Investment Consulting Co., Ltd.	42,181	83,628	444	0-1.36%
JihSun Futures Co., Ltd.	423,395	762,262	3,465	0-3.35%
JihSun Venture Capital Co., Ltd.	293,018	300,025	263	0.16%
JIH-SUN SECURITIES INVESTMENT TRUST CO., LTD.	77,410	77,410	365	0-2.90%
JihSun International Property Insurance Agency Co., Ltd.	5,752	6,369	8	0-0.16%
JS CRESVALE SECURITIES INTERNATIONAL LIMITED	303,832	303,832	-	0.16%
JIH SUN FINANCIAL SERVICES (CAYMAN) LIMITED	270,465	270,465	2,913	0-1.20%
JIH SUN CAPITAL MANAGEMENT LIMITED	61,567	61,583	45	0.05-0.50%
JIH SUN INTERNATIONAL INVESTMENT HOLDING COMPANY LIMITED	13,839	13,854	71	0.05-0.75%
Others	159,641	254,018	2,044	0-3.80%
Total	$ 2,705,981		10,806	

	2013			
Name of related party	**Ending balance**	**Maximum balance**	**Interest revenue**	**Interest interval %**
JihSun Securities Co., Ltd.	$ 606,953	1,868,582	786	0-1.36%
Jih Sun Financial Holding Co., Ltd	7,886	534,044	72	0-1.36%
JihSun Life Insurance Agency Co., Ltd.	149,490	233,211	186	0-0.16%
Jih Sun Securities Investment Consulting Co., Ltd.	37,473	98,468	482	0-1.36%
JihSun Futures Co., Ltd.	481,837	1,085,546	5,778	0-1.36%
JIH-SUN SECURITIES INVESTMENT TRUST CO., LTD.	275	1,673	1	0-0.16%
JihSun International Property Insurance Agency Co., Ltd.	5,795	5,874	8	0-0.16%
JS CRESVALE SECURITIES INTERNATIONAL LIMITED	186,616	265,250	-	0.16%
JIH SUN FINANCIAL SERVICES (CAYMAN) LIMITED	252,575	252,704	2	0-0.05%
JIH SUN CAPITAL MANAGEMENT LIMITED	58,248	58,684	33	0.05-0.50%
Jih Sun International Investment Holding Company Ltd.	13,192	13,387	67	0.05-0.75%
Others	98,216	227,887	1,218	0-4.20%
Total	$ 1,898,556		8,633	

The above interest rates on deposits are substantially the same as for comparable transactions with non-related parties.

(b) Rental contract

(1)Leased

The leased condition of the offices from the related parties are as follows：

	2014		2013	
	Rental expene	**Deposit**	**Rental expense**	**Deposit**
JihSun Securities Co., Ltd.	$ 11,588	2,480	13,219	2,873
JS CRESVALE SECURITIES INTERNATIONAL LIMITED	644	237	-	-
	$ 12,232	2,717	13,219	2,873

(2)Rental

The rental condition of the offices to the related parties are as follows：

	2014		2013	
	Rental income	**Deposit**	**Rental income**	**Deposit**
JihSun Securities Co., Ltd.	$ 10,367	2,012	10,850	1,970
JihSun Futures Co., Ltd.	401	45	271	45
	$ 10,768	2,057	11,121	2,015

Note:The rentals were determined by the reference to the rental rates of nearby office buildings. The rentals are based on market price; therefore, there are no notable difference between the related parties and non-related parties. The rentals are paid and collected by month.

(c) Loan：

2014.12.31							
Classification	Number or related party name	Maxium balance	Ending balance	Agreement		Collateral	Terms of trade different or not with non-related party
				Normal loans	Overdue loans		
Mortgage loan	31	213,184	193,096	193,096	-	Real estate	none
Others	1	42	42	42	-	Real estate	none

2013.12.31							
Classification	Number or related party name	Maxium balance	Ending balance	Agreement		Collateral	Terms of trade different or not with non-related party
				Normal loans	Overdue loans		
Mortgage loan	26	151,453	128,730	128,730	-	Real estate	none
Others	3	1,519	1,427	1,427	-	Real estate	none

As of June 12, 2014 and June 27, 2013, the Bank's guaranteed line of credit to JihSun Securities Co., Ltd. amounted to $1,200,000. As of December 31, 2014 and 2013, the loan balances were both $0.

As of December 31, 2014 and 2013, there were no overdue loans from the related parties. Allowance for bad debts is estimated in accordance with the accounting policy of the Bank. In relation to the related-party credit policy, the Bank follows the requirements under Articles 32, 33, 33-1, 33-2, 33-4, 33-5 of the Banking Act, and does not provide credit loans without collaterals. For collateralized loans, the collaterals shall consists of full guarantees, and the terms (including interest rate, collateral and its related appraisal, guarantor requirement, loan term, repayment method of principal and interest, etc.) must not be superior to the other parties for similar types of loan. Financing provided to the same related party, which individually or cumulatively amounts to $100,000 or 1% of the Bank's net worth, whichever is lower, must be presented to the Board of Directors for deliberation. Moreover, the meeting must be attended by more than two-thirds of the directors and approved by more than three-fourths of the directors in attendance. The terms and conditions of loans to related parties are not superior to those given to non-related parties.

(d) Others

(1)Tax refund receivable from joint filing of tax

	2014.12.31		2013.12.31	
	Amount	%	Amount	%
Jih Sun Financial Holding Co.,Ltd	$ 1,188,236	37.57	1,787,253	48.52

(2)The other receivables and payables from the related parties：

Related party	2014.12.31	2013.12.31
Other receivables		
JihSun Life Insurance Agency Co., Ltd.	$ 65,393	106,263
JihSun International Property Insurance Agency Co., Ltd.	411	426

Related party	2014.12.31	2013.12.31
Other payables		
JihSun Securities Co., Ltd.	$ 19,024	17,170
Jih Sun Securities Investment Consulting Co., Ltd.	-	250
JihSun Futures Co., Ltd.	61	31
Jih Sun Financial Holding Co.,Ltd.(Note1)	5,500	5,500

Note1: This amount is the accrued directors’ remuneration.

(3)Other transactions with JihSun Securities Co., Ltd. are as follows：

	2014	2013
Brokerage fee	$ 4,277	2,719
Stock agent fee	780	960
Trust and other commissions service fee	502	437
Joint marketing fee	905	874
Site usage fee (Note2)	225,420	202,268

Note2:The Bank acts as an agent of JihSun Securities Co., Ltd. to pay for the site usage fee to deal with trading securities for customers.

(4)Other transactions with Jih Sun Futures Co.,Ltd are as follows：

	2014.12.31	2013.12.31
Futures margin	$ 19,174	19,197

	2014	2013
Brokerage fee	$ 785	2,169
Interest income of guarantee deposits	29	28
Software service fees	537	408
Custodian fees of operational deposit	10	10

(5)Other transactions with JIH-SUN SECURITIES INVESTMENT TRUST CO., LTD. are as follows：

		2014	2013
Fund bonus	$	317	691

(6)Other transactions with JihSun International Property Insurance Agency Co., Ltd. are as follows：

		2014	2013
Commission revenue	$	2,492	2,346

(7)Other transactions with JihSun Securities Investment Consulting Co., Ltd. are as follows：

		2014	2013
Consulting service fees	$	2,520	3,000
Custodian fees of operational deposit		-	1

(8)Other transactions with JS Cresvale Securities International Ltd. are as follows：

		2014	2013
Custodian fees	$	1,709	1,447

(9)Other transactions with JihSun Life Insurance Agency Co., Ltd. are as follows：

		2014	2013
Commission revenue	$	392,922	544,927

(C)Compensation information for main management

The Bank's main management refers to the level above vice general managers.

		2014	2013
Salary and other short-term employee benefits	$	48,080	44,740
Post-employment benefits		805	743
Other long-term employee benefits		-	-
Termination benefits		-	-
Share-based payment		-	-
Total	$	48,885	45,483

8. Pledged Assets

Assets	Type of securities	2014.12.31 Par value	Purpose of collateral
Financial assets measured at fair value through profit or loss	Government bonds	$ 2,200	Deposited court guarantee
	Government bonds	50,000	Guarantee of bills dealer
	Government bonds	50,000	Trust fund reserve for compensation
	Certificate of time deposits of central bank	2,100,000	guarantee of US dollar clear accounts
Total		$ 2,202,200	

Assets	Type of securities	2013.12.31 Par value	Purpose of collateral
Financial assets measured at fair value through profit or loss	Government bonds	$ 50,800	Deposited court guarantee
	Government bonds	50,000	Guarantee of bills dealer
	Government bonds	50,000	Trust fund reserve for compensation
Total		$ 150,800	

9.Significant Commitments and Contingencies

(A)Major commitments and contingencies：

	2014.12.31	2013.12.31
Acted as an agent for various collections	$ 347,411	460,270
Consignment sale- traveler’s checks	25,070	26,984
Handled several guarantees	661,558	541,381
Outstanding bank acceptance liabilities	430,102	213,841
Letters of credit	1,030,354	644,576
Acted as custodian of post-dated checks for its clients (excluding next day’s checks for clearing)	12,247,514	11,261,061
Loans commitments	62,069,892	68,132,981
Credit card commitments	24,309,520	25,170,010
Total	$ 101,121,421	106,451,104

(B)Pursuant to Article 17 of the Enforcement Rules of the Trust Enterprise Act, the balance sheets and income statements of trust accounts are as follows：

TRUST BALANCE SHEETS

Trust Assets	2014.12.31	2013.12.31	Trust Liabilities	2014.12.31	2013.12.31
Cash in bank	$ 400,530	823,962	Payables	$ 35	102
Prepayments	355	299	Payable for securities in custody	2,660,378	374,121
Bonds	699,554	536,958	Trust Capital	27,293,555	27,317,885
Stocks	747,385	1,468,894	Reserves and accumulated earnings (losses)		
Funds	22,373,615	20,882,236	Accumulated earnings (losses)	1,935	3,441
Securities borrowed by the other parties	91,168	554,088	Net income	613,727	452,539
Real Estate			Deferred amount transferred from the previous period	(614,053)	(454,045)
Land	2,683,340	2,760,020			
Buildings	96,374	110,415			
Construction in progress	202,878	183,050			
Securities in custody	2,660,378	374,121			
Total Trust Assets	$ 29,955,577	27,694,043	Total Trust Liabilities	$ 29,955,577	27,694,043

TRUST PROPERTY LIST

Trust Assets	2014.12.31	2013.12.31
Cash in bank	$ 400,530	823,962
Short-term investments		
Bonds	699,554	536,958
Stocks	747,385	1,468,894
Funds	22,373,615	20,882,236
Securities borrowed by the other parties	91,168	554,088
Securities in custody	2,660,378	374,121
Real Estate		
Land	2,683,340	2,760,020
Buildings	96,374	110,415
Construction in progress	202,878	183,050
Total Trust Assets	**$ 29,955,222**	**27,693,744**

TRUST INCOME STATEMENTS

Investment Item	2014	2013
Trust revenues		
Interest income	$ 2,100	2,742
Dividends	806,134	607,337
Revenue from securities borrowing	7,626	13,480
Realized capital gains	82	8,722
Income from beneficiary certificates	-	311
Gain on sale of properties	424,524	484,935
Subtotal	1,240,466	1,117,527
Trust expenses		
Administration expenses	189,687	147,493
Service fee expenses	167	303
Loss on sale of properties	436,670	516,900
Other expenses	5	11
Tax expenses	210	281
Subtotal	626,739	664,988
Net income	**$ 613,727**	**452,539**

10. Significant Catastrophic Losses：None。

11. Significant Subsequent Events：

The Bank issued JihSun International Bank 2015-1 unsecured subordinated financial debentures which amounted to $2,500,000 on January 30, 2015 to enhance working capital and capital adequacy ratio. The maturity date of the financial debentures will be on January 30, 2022. The Bank obtained the approval letter from Taipei Exchange, with the issuing number of Jheng- Gre -Zhai Zi 10400016831 dated January 23, 2015.

12. Others

(A)Average amount and current period average interest rate of interest-earning assets and interest-bearing liabilities are as follows：

	2014.12.31		2013.12.31	
	Average amount	Average rate (%)	Average amount	Average rate (%)
Interest-earning assets	$ 196,300,825	2.05	182,768,471	2.05
Interest-bearing liabilities	189,382,563	0.79	180,606,539	0.77

(B)The income and expenses arising from the joint marketing operation and information interoperability amongst the Financial Holding Company's subsidiaries were allocated as follows:

The allocation of marketing income and expenses between the Bank and JihSun Securities Co., Ltd., except for the rental, which was paid at a fixed amount based on agreements, were mutually shared according to the proportion of the actual usage. For the years ended December 31, 2014 and 2013, receivable marketing income from JihSun Securities Co., Ltd. was $0 for both years, whereas marketing expenses amounted $905 and $874, respectively.

(C) Supplementary disclosures of asset quality, concentration of credit extensions, interest rate sensitivity information, profitability, and the structure analysis of assets and liabilities time to maturity are as follows:

(a) Profitability

Unit：%

Item		2014	2013
Return on assets ratio	Before tax	0.60	0.64
	After tax	0.60	0.67
Return on equity ratio	Before tax	7.00	7.49
	After tax	6.99	7.85
Net income ratio		32.29	34.63

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

Note 2:Return on equity ratio = Net income (loss) before/after income tax ÷ average total equity.

Note 3:Net income ratio = Net income after income tax ÷ Net revenue.

Note 4:Net income (loss) before/after tax represents accumulated income (loss) of the current year.

(b) Maturity analysis of assets and liabilities:

(1)Structure analysis of New Taiwan Dollars time to maturity

December 31, 2014

	Total	Remaining amount to maturity				
		1-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Major capital inflow at maturity	$ 182,123,657	48,972,518	16,363,126	6,704,846	9,259,565	100,823,602
Major capital outflow at maturity	242,792,038	19,293,667	24,287,934	27,607,747	57,770,984	113,831,706
Gap	(60,668,381)	29,678,851	(7,924,808)	(20,902,901)	(48,511,419)	(13,008,104)

December 31, 2013

	Total	Remaining amount to maturity				
		1-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Major capital inflow at maturity	$ 180,705,075	45,479,149	16,364,643	8,483,623	11,434,986	98,942,674
Major capital outflow at maturity	242,466,061	21,024,448	25,671,087	26,737,306	59,421,048	109,612,172
Gap	(61,760,986)	24,454,701	(9,306,444)	(18,253,683)	(47,986,062)	(10,669,498)

Note:Listed amounts of the head office and domestic branches (excluding foreign currency amounts) are denominated in NTD.

(2)Structure analysis of US Dollars time to maturity

December 31, 2014

Unit: in Thousands of U.S. Dollars

	Total	Remaining amount to maturity				
		1-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Major capital inflow at maturity	$ 1,175,145	392,888	219,185	97,659	181,213	284,200
Major capital outflow at maturity	1,276,570	492,127	256,124	126,831	151,825	249,663
Gap	(101,425)	(99,239)	(36,939)	(29,172)	29,388	34,537

December 31, 2013

Unit: in Thousands of U.S. Dollars

	Total	Remaining amount to maturity				
		1-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Major capital inflow at maturity	$ 784,686	215,008	188,083	72,871	98,329	210,395
Major capital outflow at maturity	939,219	287,289	168,927	141,379	177,249	164,375
Gap	(154,533)	(72,281)	19,156	(68,508)	(78,920)	46,020

Note 1: Listed amounts of the head office and domestic branches and offshore banking unit are denominated in U.S. dollars. The amounts were listed by book value except for additional statement. Non-recorded amount shall not be listed. (For example: planning to issue negotiable certificates of deposit, bonds or stocks.)

Note 2:The supplementary disclosure of information shall be provided, if the overseas assets accounts for more than 10% to the total assets.

13. Disclosure Required

(A)Related information on significant transactions

(a)Loans to others businesses or individuals：Not applicable to bank.

(b)Endorsements and guarantees for others：Not applicable to bank.

(c)Marketable securities held as of December 31, 2013：Not applicable to bank.

(d)Cumulative purchase or sale of the same investee’s capital stock up to $300,000 or 10% of paid-in capital：None.

(e)Cumulative purchase or sale of the same securities up to $300,000 or 10% of paid-in capital：Not applicable to bank.

(f)Acquisition of real estate up to $300,000 or 10% of paid-in capital：None.

(g)Disposal of real estate up to $300,000 or 10% of paid-in capital：None.

(h)Discount on commission fees for transaction with related parties up to $5,000：None.

(i)Receivables from related parties up to $300,000 or over 10% of paid in capital: Please refer to Note 6(E) and 7(B).

(j)Financial derivative transactions：Not applicable to bank.

(k)Information on NPL disposal transactions：

(1) Summary of information on NPL disposal transactions:

Unit: in thousands of New Taiwan Dollars

Transaction date	Trading partner	NPL information	Book value	Selling price	Disposal gain or loss	Contractual conditions	Relationship with trading partner
August 18, 2014	Deutsche Bank AG. London Branch	Corporate Loans with collateral	227,346	216,680	(10,666)	None	None
May 5, 2014	Bank of America, National Association	Corporate Loans with collateral	214,079	237,865	23,786	None	None

Note: The book value is the balance (including interest receivable) of initial loans amount less bad debt allowance.
The Bank recognized $ 14,560 sales gains for above NPL disposal transactions.

(2) Disposal of single batch of NPL up to $1,000,000: none.

(l)Types of securitization instruments approved to be issued pursuant to financial assets securitization rules or real estate securitization rules and other relevant information：None.

(m)Significant transactions that may affect the decision of financial report users：None.

(B)Related information on investee companies：

Names of investee company	Address	Main business scope	Shareholding ratio	Highest shareholding ratio and funding of the period	Carrying value	Investment gain recognized	Aggregate shareholding of the Bank and its subsidiaries				Remark
							Number of shares	Number of proforma shares	Total		
									Number of shares	Shareholding ratio	
JihSun Life Insurance Agency Co., Ltd.	8F., No.85, 87, Sec. 2, Nanjing E. Rd., Taipei City	Life Insurance Agency	99.00%	-%	63,1	49,425	297,000	-	297,000	99.00%	

(C)Information on investment in Mainland China：None.

14. Segment Information

(A)Segment information：

(a)Factors determining reportable segment

The segment reporting relates to the Bank as several types of services and products are provided by different divisions. Each division has its own characteristics, pricing strategy and marketing strategy, thus should be managed separately.

(b)Source of revenue from each reportable segment

There are four major reportable segments within the Bank, including: consumer banking division, Corporate banking division, wealth management division, and investment management division.

Consumer banking division provides general personal account dealing affairs, products include: mortgage loans, housing insurance, credit loans, car loans and credit cards.

Corporate banking division mainly focuses on corporate customers, the Bank provides the following service and products, including: short-term, medium to long and long-term loans, accounts receivables, guarantee, project finance, syndication loans, imports and exports, foreign exchange, trust service, financial planning, electronic financial products and underwriting.

Wealth management division offers a variety of products and services to meet personal wealth management needs. Products and services provided include: savings, remittance services, insurance products, financial instruments, fund investment and personal trust. The subsidiary is belonging to the wealth management division.

Investment management division is responsible for the short-term investment and fund dispatching of the Bank and to provide relevant financial products for customers to avoid risks.

(c)Gains/losses of business segments and valuation of assets

Accounting treatments applied to business segments are consistent with the significant accounting policies used with the external reports. The Bank assesses the operating performance based on earnings before tax.

In order to improve capital efficiency and loan strategy, the Bank has established an integrated funds transferring system, the interest rate given to the internal funds depends on the ratio between savings and loans which has direct impact on capital efficiency.

(d)Financial information on reportable segments

2014	Consumer banking	Corporate banking division	Wealth management	Investment management	Others	Total
Net interest income	$ 1,145,937	1,171,673	38,457	32,488	(52,220)	2,336,335
Net service fee income	151,249	122,796	946,513	457,839	(102,201)	1,576,196
Net revenue	1,297,186	1,294,469	984,970	490,327	(154,421)	3,912,531
Provision for loan losses (reversal gains)	(245,700)	57,188	-	(2,470)	-	(190,982)
Operating expenses	978,681	783,534	700,033	305,781	69,462	2,837,491
Net income before tax	$ 564,205	453,747	284,937	187,016	(223,883)	1,266,022
Assets (Note)	$ -	-	-	-	-	-

2013	Consumer banking	Corporate banking division	Wealth management	Investment management	Others	Total
Net interest income	$ 1,115,738	1,078,814	52,535	(81,734)	(71,185)	2,094,168
Net service fee income	169,210	13,969	785,636	(21,952)	38,236	985,099
Other non-interest net income	2,977	18,213	81,271	236,498	519,392	858,351
Net revenue	1,287,925	1,110,996	919,442	132,812	486,443	3,937,618
Provision for loan losses (reversal gains)	(278,908)	143,489	-	(33,489)	-	(168,908)
Operating expenses	411,357	280,440	1,333,805	58,030	721,957	2,805,589
Allocation of internal expenses	539,091	467,521	(678,568)	255,585	(583,629)	-
Net income before tax	$ 616,385	219,546	264,205	(147,314)	348,115	1,300,937
Assets (Note)	$ -	-	-	-	-	-

Note: According to Interpretation (99) No. 151, the assets are disclosed at zero amount due to the volume of deposits/loans, financial assets and liabilities are measured at an average quantity.

(B)Geographic information: The Bank primarily operates within the Republic of China, and therefore, has no other regional information for disclosure.

(C)Information on major customers: The Bank does not have income from a single customer that made up to 10% of the Bank's income.