

# Annual Report 2015

**Bank of Panhsin Head Office**

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**Spokesman**

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**Certified Public Accountants for Financial Statements**

KPMG Certified Public Accountants

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## Bank Overview

Bank of Panhsin (BOP), formerly known as Panchiao Credit Cooperatives (PCC), has always upheld a customer-centric integrity management since its establishment on April 25, 1957, achieving steady business expansion. Thereafter, in response to a rapidly liberalized financial environment and in compliance with the Standards and Methods for Reorganization of Credit Cooperative into Commercial Bank announced on December 6, 1995, PCC had acquired the Kaohsiung Fifth Credit Cooperative on September 29, 1997, and officially transformed into a commercial bank the following day. The business premise has thus surpassed the boundary of New Taipei City. Subsequently, the Bank has made several adjustments and established branch offices according to business development needs. In support of government policies, BOP had acquired the Chiayi First Credit Cooperative on March 7, 2005, opening 46 branches in total. On July 21, 2014, BOP officially acquired the Taipei City Ninth Credit Cooperative, obtaining a total of 64 branches after the merge. In particular, 48 branches are based in Taipei City and New Taipei City.

The Bank has reallocated its headquarters to Panhsin Twin Towers in New Banqiao Station Special Zone in 2011 (winning the throne of New Taipei City for seven consecutive years). This relocation not only enhanced the Bank's corporate image and achieved employee consensus, but also provided customers with the best professional service through the establishment of its financial flagship store and enhanced organizational performance. From today forward, BOP will persist in retaining its management concepts of "Integrity, Practicality, and Innovation" to offer perfect financial services, expand its operating scale, improve its asset quality, and ultimately maximize its profits. BOP is determined to become a professional mid-sized commercial bank.

### I 、Date of establishment

PCC was established on April 25, 1957 and officially transformed into a commercial bank on September 30, 1997.

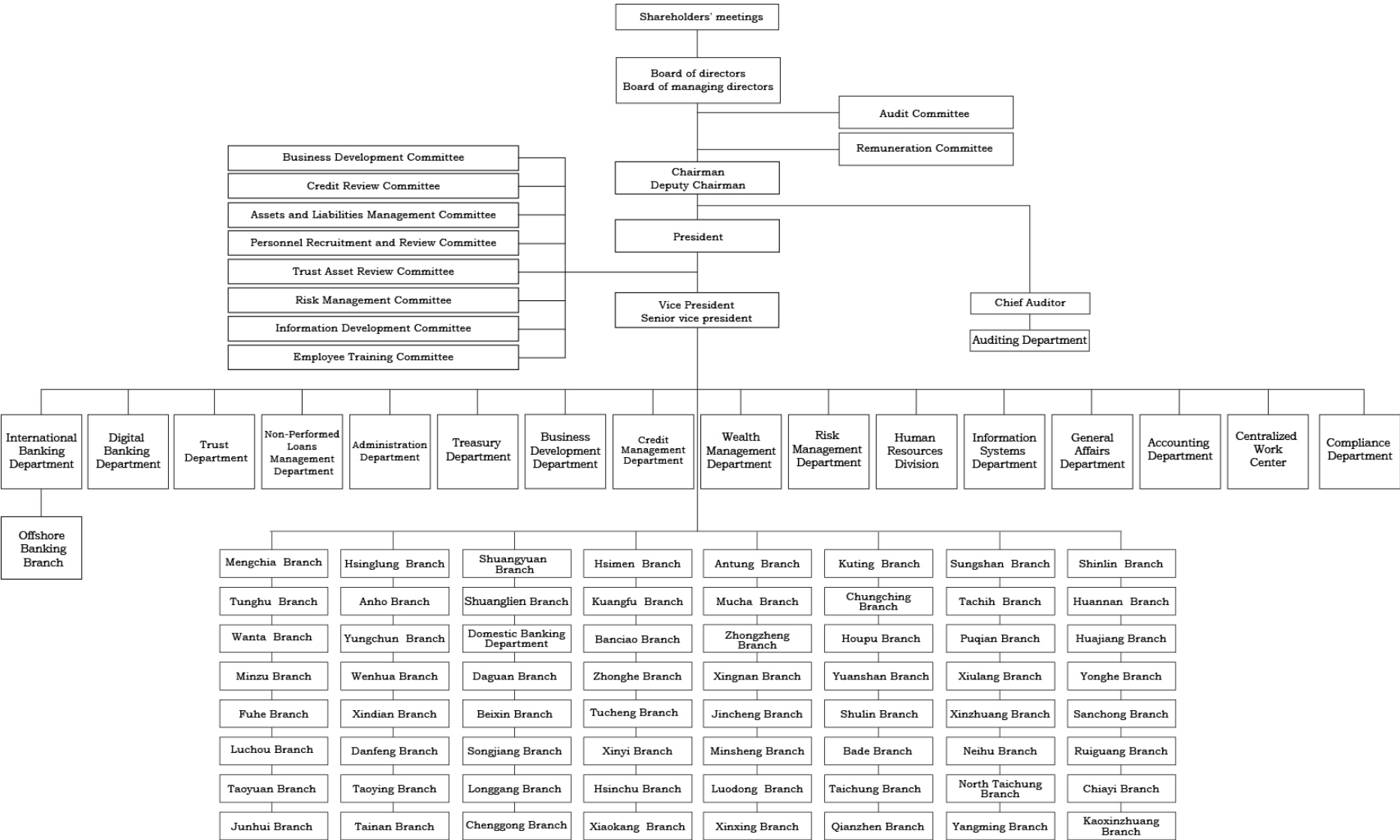
### II 、Credit rating

| Rating Agency      | Date          | Long-Term | Short-Term | Outlook |
|--------------------|---------------|-----------|------------|---------|
| Taiwan Ratings Co. | Oct. 30, 2015 | tw BBB-   | twA-3      | Stable  |

Corporate Governance

I、Organizational Chart

Baseline date: December 31, 2015



## II 、Profiles of directors, president, vice presidents, and management

Baseline date: December 31, 2015

| Position                      | Name   | Country or place of registration | Date elected | Term (Year) | First elected | Shares held during election |                      | No. of shares currently held |                      | Current shares held by spouse and underage children |                      | Major career (academic) achievements  | Current job position at the Bank and other companies   |
|-------------------------------|--|----------------------------------|--------------|-------------|---------------|-----------------------------|----------------------|------------------------------|----------------------|---|----------------------|---|--|
|                               |  |                                  |              |             |               | No. of shares               | Percentage of shares | No. of shares                | Percentage of shares | No. of shares                                       | Percentage of shares |   |  |
| Chairman                      | Ping-Hui Liu   | Republic of China                | 2015.07.01   | 3           | 1996.12.27    | 36,142,606                  | 3.27                 | 37,299,169                   | 3.05                 | 30,168,430  | 2.47                 | Chihlee College of Business/<br>Chairman of PCC   | Supervisor of Sanlight Construction Co.,Ltd./<br>Director of Shan Hui Construction Co.,Ltd./<br>Director of Yuan Chi Investment Co.,Ltd./<br>Chairman of BOP Charity Foundation/   |
| Deputy Chairman               | Peng-Lang Lin  | Republic of China                | 2015.07.01   | 3           | 2015.06.25    | 11,604                      | -                    | 12,730                       | -                    | -   | -                    | Faculty of Business Administration, Aomori University/ Chairman, Sunny Bank             | Supervisor, Concord Medical Co., Ltd.  |
| Managing Director             | Ming-Hsin Chiu   | Republic of China                | 2015.07.01   | 3           | 1996.12.27    | 4,504,116                   | 0.41                 | 4,648,247                    | 0.38                 | 2,191,817   | 0.18                 | Ta-Tung Vocational High School/<br>Director of PCC                                      | Director of Panhsin Asset Management Co.,Ltd./<br>Director of BOP Charity Foundation   |
| Managing Director             | Dao-Ming Kuo   | Republic of China                | 2015.07.01   | 3           | 1996.12.27    | 7,513,572                   | 0.68                 | 7,754,006                    | 0.63                 | 2,271,098   | 0.19                 | MBA, Meijo University, Japan/<br>Director of PCC  | Chairman of Chao Neng Sheng Biotechnology Co.,Ltd./<br>Managing Director of Ta-Ou Xingye Co.,Ltd./<br>Director of Ma Shang Fa International Industry Co.,Ltd./<br>Director of Jie Xiong Enterprise Co.,Ltd./<br>Chairman of Aizia Enterprise Co.,Ltd./<br>Chairman of Qing Yan Internation Co.,Ltd./<br>Chairman of Panhsin Asset Management Co.,Ltd./<br>Director of BOP Charity Foundation |
| Independent Managing Director | Fu-Yuan Chang  | Republic of China                | 2015.07.01   | 3           | 2009.06.23    | -                           | -                    | -                            | -                    | -   | -                    | National Taipei College of Business/<br>Accountant of Yong Cheng United Accounting Firm | Manager of Yong Cheng Management Consultants Firm  |
| Director                      | Representative of Sanjyun Construction Co., Ltd.: Chung-Liang Chen | Republic of China                | 2015.07.01   | 3           | 2006.06.20    | 12,421                      | -                    | 12,818                       | -                    | -   | -                    | KaiNan High School of Commerce and Industry/<br>Manager of BOP                          | Director of BOP Charity Foundation   |

| Position | Name   | Country or place of registration | Date elected | Term (Year) | First elected | Shares held during election |                      | No. of shares currently held |                      | Current shares held by spouse and underage children |                      | Major career (academic) achievements                               | Current job position at the Bank and other companies   |
|----------|--|----------------------------------|--------------|-------------|---------------|-----------------------------|----------------------|------------------------------|----------------------|---|----------------------|--|--|
|          |  |                                  |              |             |               | No. of shares               | Percentage of shares | No. of shares                | Percentage of shares | No. of shares                                       | Percentage of shares |  |  |
| Director | Representative of Tianlu Construction Co., Ltd.: Sheng-Hong Shao | Republic of China                | 2015.07.01   | 3           | 2015.06.25    | 241,465                     | 0.02                 | 249,191                      | 0.02                 | -   | -                    | National Tam-Shui Vocational High School/ Director of PCC          | Shao Sheng Hong person in charge   |
| Director | Representative of Baiyuan Investment Co., Ltd.: Ching-E Yeh      | Republic of China                | 2015.07.01   | 3           | 2009.06.23    | 33,178,251                  | 3.00                 | 34,239,955                   | 2.80                 | -   | -                    | National Taipei High School of Commerce/ Chairman President of PCC | Director of BOP Charity Foundation   |
| Director | Tong-Ren Lin   | Republic of China                | 2015.07.01   | 3           | 2006.06.20    | 8,383,837                   | 0.76                 | 8,652,119                    | 0.71                 | 635,011   | 0.05                 | Tamkang University/ EVP of BOP                                     | Director of Panhsin Insurance Broker Co.,Ltd./ Chairman of Ya Guan Co.,Ltd./ Director of Hong Chun Construction Co.,Ltd./ Director of Quo Ding Construction Co.,Ltd./ Chairman of Jing Bao Di Co.,Ltd./  |
| Director | Representative of Sanlight Construction Co., Ltd.: Mei-Yun Liao  | Republic of China                | 2015.07.01   | 3           | 2006.06.20    | 32,912,421                  | 2.98                 | 33,965,618                   | 2.78                 | -   | -                    | Blessed Imelda's School/ Chairman of Sanlight onstruction Co.,Ltd. | Chairman of Da Shun Construction Co.,Ltd./ Chairman of Yuan Ci Investment Co.,Ltd./ Chairman of Sanlight Construction Co.,Ltd./ Director of Tien Lu Construction Co.,Ltd./ Director of San Hsin Machinery Engineering Co.,Ltd./ Director of Shan Hui Construction Co.,Ltd./ Chairman of Sanjyun Construction Co.,Ltd./ |
| Director | Lin-Long Chien   | Republic of China                | 2015.07.01   | 3           | 1996.12.27    | 8,294,038                   | 0.75                 | 9,099,462                    | 0.75                 | 1,537,043   | 0.13                 | Chihlee Institute of Technology/ Supervisor of PCC                 | Director of Panhsin Asset Management Co.,Ltd./ Chairman of Yong Zhen Construction Co.,Ltd./ Chin Tung Li person in charge / Director of BOP Charity Foundation / Vice Chairman of He Chung Entertainment Co.,Ltd./ Hao Tsai Tou site person in charge/ Chin Pin person in charge                                       |

| Position | Name   | Country or place of registration | Date elected | Term (Year) | First elected | Shares held during election |                      | No. of shares currently held |                      | Current shares held by spouse and underage children |                      | Major career (academic) achievements   | Current job position at the Bank and other companies   |
|----------|--|----------------------------------|--------------|-------------|---------------|-----------------------------|----------------------|------------------------------|----------------------|---|----------------------|--|--|
|          |  |                                  |              |             |               | No. of shares               | Percentage of shares | No. of shares                | Percentage of shares | No. of shares                                       | Percentage of shares |  |  |
| Director | Representative of Hanchia Construction Co., Ltd.: Ping-Huang Liu | Republic of China                | 2015.07.01   | 3           | 2006.06.20    | 61,797                      | 0.01                 | 63,774                       | 0.01                 | -   | -                    | Chung-Yuan Christian University/<br>Director of PCC                          | Director of Panhsin Asset Management Co.,Ltd./<br>Chairman of Yi Chang Development Co.,Ltd./<br>Chairman of Hai Shan Da Di Construction Co.,Ltd./<br>Director of BOP Charity Foundation/<br>Supervisor of Yong Tai Construction Enterprise Co.,Ltd.<br>Chairman of Han Chia Construction Co.,Ltd./<br>Director of Geng Shen Construction Co.,Ltd./   |
| Director | Lai-Wei Liu  | Republic of China                | 2015.07.01   | 3           | 1996.12.27    | 3,491,124                   | 0.32                 | 3,602,839                    | 0.30                 | 426,972   | 0.03                 | Ger-Jyh Senior High School/<br>Director of PCC                               | Chairman of Jin Annian Construction Co.,Ltd./<br>Director of Kao Do Construction Co.,Ltd./<br>Chairman of Jin Fu Construction Co.,Ltd./<br>Director of BOP Charity Foundation  |
| Director | Yao-Chih Chu   | Republic of China                | 2015.07.01   | 3           | 2012.06.19    | 2,016,481                   | 0.18                 | 2,267,154                    | 0.19                 | 130,419   | 0.01                 | Fu-Jen Catholic University/<br>Business Executive of China - Rebar Co., Ltd. |  |
| Director | Ruei-Long Chen   | Republic of China                | 2015.07.01   | 3           | 2009.06.23    | -                           | -                    | -                            | -                    | -   | -                    | National Chung Hsing University/<br>Minister of Economic Affairs             | Chairman of Powerchip Technology Co.,Ltd./<br>Directors of Chih-Jen Science and Technology Development Co.,Ltd./<br>Directors of PowerGate Optical Co.,Ltd./<br>Independent director of China Petroleum and Chemical Co.,Ltd./<br>Director of Natural Beauty Biological Technology Co.,Ltd./<br>Independent Director of the Inventec Co.,Ltd./<br>Director of HannStar Board Co.,Ltd./<br>Director of Asia Cement Co.,Ltd./<br>Managing Director of Formosa Chemicals & Fibre Co.,Ltd./<br>Director, HannStar Board Corporation<br>Chairman, Sinocon Industrial Standards Foundation |

| Position              | Name          | Country or place of registration | Date elected | Term (Year) | First elected | Shares held during election |                      | No. of shares currently held |                      | Current shares held by spouse and underage children |                      | Major career (academic) achievements   | Current job position at the Bank and other companies   |
|-----------------------|---------------|----------------------------------|--------------|-------------|---------------|-----------------------------|----------------------|------------------------------|----------------------|---|----------------------|--|--|
|                       |               |                                  |              |             |               | No. of shares               | Percentage of shares | No. of shares                | Percentage of shares | No. of shares                                       | Percentage of shares |  |  |
| Independent Directors | Sung-Hui Su   | Republic of China                | 2015.07.01   | 3           | 2012.06.19    | -                           | -                    | -                            | -                    | -   | -                    | Feng Chia University/<br>President of Taiwan Agricultural Bank                           | Director of IBF Financial Holding Co.,Ltd./<br>Chairman of Kuo Wang International Financial Leasing Co.,Ltd./<br>Director of Waterland Venture Capital Co., Ltd. |
| Independent Directors | Sin-Yi Luo    | Republic of China                | 2015.07.01   | 3           | 2009.06.23    | -                           | -                    | -                            | -                    | -   | -                    | National Chengchi University/<br>Lawyer of Sin-Yi Luo Law Firm                           | Director of Yang Shu Construction Co.,Ltd.   |
| Independent Directors | Yue-Siou Liao | Republic of China                | 2015.07.01   | 3           | 2009.06.23    | -                           | -                    | -                            | -                    | -   | -                    | Phd. of St. John's University/<br>Associate Professor of Chihlee Institute of Technology | -  |

Note 1: "Shares held by nominee shareholders": N/A.

Note 2: The No. of Shares and Percentage of Shares columns during election were based on the 1,105,790,000 shares actually issued during the reelection on June 25, 2015.

Note 3: The No. of Shares currently held and Percentage of Shares columns were based on the 1,221,175,280 shares actually issued on December 31, 2015.

Note 4: Panhsin Charitable Foundation is short for Provincial Private Panhsin Social Welfare Charitable Foundation.

Note 5: Director reelection was held on June 25, 2015.

Note 6: Representative of Baiyuan Investment Co., Ltd., Jui-Tsai Chou was replaced on August 19, 2015 by Ching-E Yeh.



### III 、Profiles of president, vice presidents, and management

Baseline date: February 29, 2016

| Position                               | Nationality       | Name          | Date elected | Shares held   |                      | Shares held by spouse and underage children |                      | Major career (academic) achievements   | Current job position in other companies  |
|--|-------------------|---------------|--------------|---------------|----------------------|---|----------------------|--|--|
|  |                   |               |              | No. of shares | Percentage of shares | No. of shares                               | Percentage of shares |  |  |
| President                              | Republic of China | Wen-Lung Lin  | 2015.02.17   | 21,590        | -                    | -   | -                    | Business Administration, Taichung Business Vocational School/<br>Chairman, Taiwan Cooperative Securities<br>Vice President, Taiwan Cooperative Bank  | -  |
| SEVP                                   | Republic of China | Simon Fang    | 2006.09.21   | 17,960,537    | 1.47                 | 9,401,932                                   | 0.77                 | Department of Economics, Soochow University/<br>Vice President, Bank of Panhsin<br>Senior Assistant Vice President, CTBC Bank                        | Chairman, Trust Association of R.O.C<br>Alternate Chairman, Taiwan Securities Association<br>Independent Director, Charoen Pokphand Enterprise |
| SEVP                                   | Republic of China | Shih-Chi Wu   | 2014.09.22   | 61,395        | 0.01                 | 59,325                                      | -                    | Executive Master of Business Administration, National Chengchi University/<br>Vice President, Bank of Panhsin  | Director, Panhsin Asset Management Co., Ltd.<br>Director, Panhsin Insurance Broker   |
| Chief Auditor                          | Republic of China | Frank Teng    | 2014.03.01   | 196,137       | 0.02                 | -   | -                    | Business Administration, National Chung Hsing University/<br>Vice President, Bank of Panhsin<br>Assistant Vice President, Taishin International Bank | -  |
| SEVP                                   | Republic of China | Li-Chin Wei   | 2014.04.21   | 83,687        | 0.01                 | 3,831                                       | -                    | Business Administration, Chihlee University of Technology/<br>Assistant Manager, Bank of Panhsin   | -  |
| SEVP                                   | Republic of China | Hong-Chi Chen | 2015.08.24   | 17,820        | -                    | -   | -                    | PhD, Department of Applied Economics, National Chung Hsing University/<br>Vice President, Sunny Bank   | Associate Professor, Chaoyang University of Technology   |
| Manager ,<br>Wealth Management Dept.   | Republic of China | Sunny Sun     | 2015.03.12   | 15,840        | -                    | -   | -                    | Department of International Trade, Ming Chuan University/<br>Senior Vice President, Standard Chartered Bank  | -  |
| Manager,<br>Business Development Dept. | Republic of China | Yu-Tsi Yo     | 2015.07.20   | 24,180        | -                    | -   | -                    | Department of International Business, Soochow University/<br>Manager, CTBC Bank  | -  |

| Position   | Nationality       | Name             | Date elected | Shares held   |                      | Shares held by spouse and underage children |                      | Major career (academic) achievements   | Current job position in other companies           |
|--|-------------------|------------------|--------------|---------------|----------------------|---|----------------------|--|---|
|  |                   |                  |              | No. of shares | Percentage of shares | No. of shares                               | Percentage of shares |  |   |
| Manager, Human Resources Dept.                                 | Republic of China | Ta-Huang Chen    | 2014.10.27   | 28,000        | -                    | -   | -                    | MBA, Graduate Institute of Management, Fu Jen Catholic University/<br>Vice Manager, Bank of Panhsin                      | -   |
| Manager, Credit Management Dept.                               | Republic of China | Shih-Ming Lin    | 2015.04.20   | 76,834        | 0.01                 | -   | -                    | Business Administration, Advanced Vocational School Affiliated with Yuanpei University/<br>Manager, Bank of Panhsin      | Director, Panhsin International Leasing Co., Ltd. |
| Manager, Administration Dept.                                  | Republic of China | Chao-Chun Lin    | 2014.04.21   | 46,813        | -                    | -   | -                    | Accounting Department, Feng Chia University/<br>Vice Manager, Bank of Panhsin  | Director, Panhsin International Leasing Co., Ltd. |
| Manager, Non-Performing Loans Management Dept.                 | Republic of China | Ko-Han Liu       | 2013.01.21   | 80,858        | 0.01                 | 767   | -                    | Banking Insurance, Open College Affiliated With National Taipei University of Business/<br>Manager, Bank of Panhsin      | -   |
| Manager, International Banking Dept. & Offshore Banking Branch | Republic of China | Jennie Lin       | 2008.03.26   | 34,227        | -                    | -   | -                    | Masters in International Finance, University of Birmingham/<br>Manager, Bank of Panhsin                                  | -   |
| Manager, Trust Dept.   | Republic of China | Ching-Hsing Lee  | 2015.08.24   | 11,880        | -                    | -   | -                    | Business Administration, Chung Hua University/<br>Vice President, Consumer Banking Operations of Standard Chartered Bank | -   |
| Manager, Treasury Dept.  | Republic of China | Kevin Lee        | 2007.04.02   | 72,159        | 0.01                 | 80,045                                      | 0.01                 | Department of Statistics, National Cheng Kung University/<br>Vice President, IBT Securities                              | -   |
| Manager, Risk Management Dept.                                 | Republic of China | Shu-Nu Yang      | 2008.11.26   | 44,254        | -                    | -   | -                    | Masters in International Monetary Finance, University of Birmingham/<br>Manager, Bank of Panhsin                         | -   |
| Manager, Compliance Dept.                                      | Republic of China | Ching-Yuan Chang | 2015.03.23   | 49,435        | -                    | -   | -                    | Department of Law, Fu Jen Catholic University/<br>Vice Manager, Bank of Panhsin  | -   |

| Position   | Nationality       | Name            | Date elected | Shares held   |                      | Shares held by spouse and underage children |                      | Major career (academic) achievements  | Current job position in other companies             |
|--|-------------------|-----------------|--------------|---------------|----------------------|---|----------------------|---|---|
|  |                   |                 |              | No. of shares | Percentage of shares | No. of shares                               | Percentage of shares |   |   |
| Manager, Accounting Dept.                            | Republic of China | Chung-Chi Huang | 2011.08.01   | 41,024        | -                    | -   | -                    | Accounting Statistics, Chihlee University of Technology/<br>Manager, Bank of Panhsin                                      | Supervisor, Panhsin International Leasing Co., Ltd. |
| Manager, Information Systems & Digital Banking Dept. | Republic of China | Mao-Sen Kao     | 2009.01.01   | 137,410       | 0.01                 | 11,038                                      | -                    | Business Administration, Taipei Business Vocational School/<br>Manager, Bank of Panhsin                                   | -   |
| Manager, General Affairs Dept.                       | Republic of China | A-Ren Lai       | 2010.02.01   | 107,418       | 0.01                 | 92,503                                      | 0.01                 | Business Administration, Open College Affiliated With National Taipei University of Business/<br>Manager, Bank of Panhsin | -   |
| Manager, Centralized Work Center                     | Republic of China | Chun-Lian Lin   | 2010.07.26   | 114,000       | 0.01                 | 21,000                                      | -                    | Business Management, Sung-Shan High School of Commerce/<br>Manager, Bank of Panhsin                                       | -   |
| Manager, Domestic Banking Dept.                      | Republic of China | Hsin-Mao Huang  | 2013.01.21   | 97,835        | 0.01                 | 365   | -                    | Accounting Department, Fu Jen Catholic University/<br>Assistant Manager, Bank of Panhsin                                  | -   |
| Manager, Banqiao Branch                              | Republic of China | Shu-Chuan Wei   | 2015.12.28   | 119,077       | 0.01                 | 3,692                                       | -                    | Department of Banking and Insurance, Taipei Business Vocational School/<br>Manager, Bank of Panhsin                       | -   |
| Manager, Houpu Branch                                | Republic of China | Hsiao-Hsuan Lu  | 2016.02.01   | -             | -                    | -   | -                    | Applied Commerce, National Taipei University of Business/<br>Business manager, Taipei Fubon Bank                          | -   |
| Manager, Yonghe Branch                               | Republic of China | Hong-Ming Lin   | 2015.07.20   | 29,821        | -                    | 334   | -                    | MBA Program, University of St Andrews/<br>Manager, Bank of Panhsin  | -   |
| Manager, Puqian Branch                               | Republic of China | Pei-Yu Weng     | 2015.12.28   | 20,480        | -                    | -   | -                    | Department of Finance Management, National Chengchi University/<br>Manager, Bank of Panhsin                               | -   |
| Manager, Huajiang Branch                             | Republic of China | Yi-Min Wan      | 2015.01.26   | 583,089       | 0.05                 | 15,129                                      | -                    | Department of International Trade, Chihlee University of Technology/<br>Manager, Bank of Panhsin                          | -   |

| Position                  | Nationality       | Name           | Date elected | Shares held   |                      | Shares held by spouse and underage children |                      | Major career (academic) achievements   | Current job position in other companies |
|---------------------------|-------------------|----------------|--------------|---------------|----------------------|---|----------------------|--|---|
|                           |                   |                |              | No. of shares | Percentage of shares | No. of shares                               | Percentage of shares |  |   |
| Manager, Minzu Branch     | Republic of China | Te-Wei Lee     | 2013.01.26   | 52,443        | -                    | -   | -                    | Department of Theatre Arts, Chinese Culture University/<br>Manager, Jihsun Bank  | -                                       |
| Manager, Zhonghe Branch   | Republic of China | Te-Kuo Lin     | 2013.01.21   | 447,795       | 0.04                 | 502   | -                    | Department of Banking and Insurance, Hsing Wu University/<br>Manager, Bank of Panhsin  | -                                       |
| Manager, Tucheng Branch   | Republic of China | Ping-Hong Tsao | 2014.01.27   | 50,722        | -                    | 6,184                                       | -                    | Masters, Graduate Institute of Economics, Chinese Culture University/<br>Manager, Chengthai Commercial Bank                      | -                                       |
| Manager, Wenhua Branch    | Republic of China | Mei-Ling He    | 2014.11.24   | 44,478        | -                    | 52,104                                      | -                    | Business Administration, Chihlee University of Technology/<br>Manager, Bank of Panhsin   | -                                       |
| Manager, Daguan Branch    | Republic of China | Ying-An Hsieh  | 2016.01.25   | 15,077        | -                    | 17,329                                      | -                    | Department of Economics, Fu Jen Catholic University/<br>Vice Manager, Bank of Panhsin  | -                                       |
| Manager, Xingnan Branch   | Republic of China | Hui-Mei Liu    | 2015.12.28   | 113,133       | 0.01                 | -   | -                    | Banking Information, Open College Affiliated With National Taipei University of Business/<br>Manager, Bank of Panhsin            | -                                       |
| Manager, Fuhe Branch      | Republic of China | Shu-Ming Liu   | 2014.01.27   | 39,744        | -                    | -   | -                    | Department of Applied Business, Open College Affiliated with National Taipei University of Business/<br>Manager, Bank of Panhsin | -                                       |
| Manager, Xiulang Branch   | Republic of China | Tian-Yi Pan    | 2015.12.28   | 29,613        | -                    | -   | -                    | Masters, Graduate Institute of Business Administration, National Taiwan University<br>Vice Manager, Bank of Panhsin              | -                                       |
| Manager, Xinzhuang Branch | Republic of China | Zhao-Mao Kao   | 2014.01.27   | 53,707        | -                    | -   | -                    | Department of Cooperative Economy, National Chung Hsing University/<br>Manager, Bank of Panhsin                                  | -                                       |
| Manager, Yuanshan Branch  | Republic of China | Hua-Yi Kuo     | 2015.12.28   | 110,368       | 0.01                 | -   | -                    | Business Management, Yu Da High School of Commerce and Home Economics/<br>Manager, Bank of Panhsin                               | -                                       |
| Manager, Shulin Branch    | Republic of China | Lai-Wang Lin   | 2015.01.26   | 333,780       | 0.03                 | 167,000                                     | 0.01                 | Accounting Statistics, Taipei Business Vocational School/<br>Manager, Bank of Panhsin  | -                                       |

| Position                   | Nationality       | Name            | Date elected | Shares held   |                      | Shares held by spouse and underage children |                      | Major career (academic) achievements  | Current job position in other companies |
|----------------------------|-------------------|-----------------|--------------|---------------|----------------------|---|----------------------|---|---|
|                            |                   |                 |              | No. of shares | Percentage of shares | No. of shares                               | Percentage of shares |   |   |
| Manager, Jincheng Branch   | Republic of China | Da-Hu Yo        | 2015.01.26   | 31,404        | -                    | -   | -                    | College of Business and Management, Tamkang University/<br>Assistant Manager, Cosmos Bank             | -                                       |
| Manager, Xindian Branch    | Republic of China | Wen-Hui Chou    | 2013.01.21   | 30,800        | -                    | -   | -                    | Department of Economics, National Chung Hsing University/<br>Manager, Bank of Panhsin                 | -                                       |
| Manager, Zhongzheng Branch | Republic of China | Yao-Tsong Liu   | 2013.01.21   | 60,000        | -                    | -   | -                    | National Hsinchu Commercial & Vocational High School/<br>Manager, Bank of Panhsin                     | -                                       |
| Manager, Luchou Branch     | Republic of China | Wan-Ki Chen     | 2015.01.26   | 138,555       | 0.01                 | 30,434                                      | -                    | Business Administration, Chihlee Business Vocational School/<br>Manager, Bank of Panhsin              | -                                       |
| Manager, Sanchong Branch   | Republic of China | Chih-Cheng Nieh | 2014.07.21   | 13,860        | -                    | -   | -                    | Business Administration, Feng Chia University/<br>Manager, DBS Bank                                   | -                                       |
| Manager, Songjiang Branch  | Republic of China | Ming-Chou Tsai  | 2014.01.27   | 23,704        | -                    | -   | -                    | Department of Statistics, Tamkang University/<br>Manager, Bank of Panhsin                             | -                                       |
| Manager, Xinyi Branch      | Republic of China | Mo Cheng        | 2015.01.26   | 55,350        | -                    | -   | -                    | Department of Economics, Fu Jen Catholic University/<br>Manager, Bank of Panhsin                      | -                                       |
| Manager, Minsheng Branch   | Republic of China | Eric Liu        | 2015.01.26   | 44,956        | -                    | -   | -                    | Department of Finance, Takming University of Science and Technology/<br>Vice Manager, Bank of Panhsin | -                                       |
| Manager, Bade Branch       | Republic of China | Rui-Dian Chen   | 2015.01.26   | 73,627        | 0.01                 | -   | -                    | Industrial Management, National Taipei University of Technology/<br>Vice Manager, Bank of Panhsin     | -                                       |
| Manager, Neihu Branch      | Republic of China | Chih-Wen Lin    | 2015.04.20   | 120,313       | 0.01                 | -   | -                    | Business Administration, Hsing Wu University/<br>Assistant Manager, Bank of Panhsin                   | -                                       |

| Position                       | Nationality       | Name              | Date elected | Shares held   |                      | Shares held by spouse and underage children |                      | Major career (academic) achievements  | Current job position in other companies |
|--------------------------------|-------------------|-------------------|--------------|---------------|----------------------|---|----------------------|---|---|
|                                |                   |                   |              | No. of shares | Percentage of shares | No. of shares                               | Percentage of shares |   |   |
| Manager, Ruiguang Branch       | Republic of China | Chung-An Chen     | 2015.01.30   | 5,000         | -                    | -   | -                    | Department of Banking and Finance, Tamkang University/<br>Manager, DBS Bank                             | -                                       |
| Manager, Taoyuan Branch        | Republic of China | Chung-Wei Wang    | 2013.01.21   | 49,000        | -                    | -   | -                    | Business Administration, Tamsui Institute of Business Administration/<br>Manager, Grand Commercial Bank | -                                       |
| Manager, Taoying Branch        | Republic of China | Yi-Chang Kao      | 2011.07.25   | 30,456        | -                    | -   | -                    | Department of Information Management, Chung Yuan Christian University/<br>Manager, Bank of Panhsin      | -                                       |
| Manager, Longgang Branch       | Republic of China | Po-Cheng Hsu      | 2013.01.21   | 90,000        | 0.01                 | -   | -                    | Department of Economics, Chinese Culture University/<br>Manager, EnTie Commercial Bank                  | -                                       |
| Manager, Hsinchu Branch        | Republic of China | Su-Ching Chien    | 2015.12.28   | 23,316        | -                    | -   | -                    | Department of Statistics, Feng Chia University/<br>Vice Manager, Bank of Panhsin                        | -                                       |
| Manager, Taichung Branch       | Republic of China | Yung-Lun Lee      | 2015.01.26   | 103,806       | 0.01                 | -   | -                    | Business Administration, Taichung Business Vocational School/<br>Manager, CTBC Bank                     | -                                       |
| Manager, North Taichung Branch | Republic of China | Tsong-Hsin Lee    | 2015.01.26   | 60,259        | -                    | -   | -                    | Department of Accounting, National Cheng Kung University/<br>Manager, Grand Commercial Bank             | -                                       |
| Manager, Chiayi Branch         | Republic of China | Shih-Te Chen      | 2012.01.19   | 18,960        | -                    | -   | -                    | Department of Cooperative Economy, Tamkang University/<br>Business Manager, Yuanta Bank                 | -                                       |
| Manager, Junhui Branch         | Republic of China | Hong-Chang Chiang | 2012.01.19   | 15,320        | -                    | -   | -                    | Department of Finance, Tatung Institute of Commerce and Technology/<br>Manager, Bank of Panhsin         | -                                       |
| Manager, Tainan Branch         | Republic of China | Chin-Chu Wu       | 2015.01.26   | 10,160        | -                    | -   | -                    | Department of International Business, Feng Chia University/<br>Vice Manager, Bank of Panhsin            | -                                       |

| Position                    | Nationality       | Name            | Date elected | Shares held   |                      | Shares held by spouse and underage children |                      | Major career (academic) achievements   | Current job position in other companies |
|-----------------------------|-------------------|-----------------|--------------|---------------|----------------------|---|----------------------|--|---|
|                             |                   |                 |              | No. of shares | Percentage of shares | No. of shares                               | Percentage of shares |  |   |
| Manager, Chenggong Branch   | Republic of China | Dun-Jen Lin     | 2015.01.26   | 20,480        | -                    | -   | -                    | MBA, Chiayi University/<br>Vice President, Citibank  | -                                       |
| Manager, Danfeng Branch     | Republic of China | Jung-Fang Hsieh | 2015.03.02   | 11,880        | -                    | -   | -                    | Accounting Department, Feng Chia University/<br>Senior sales manager, Hwatai Bank  | -                                       |
| Manager, Xiaogang Branch    | Republic of China | Shou-Yao Chen   | 2013.04.22   | 84,120        | 0.01                 | -   | -                    | Banking and Insurance, China University of Science and Technology/<br>Manager, Bank of Panhsin                                       | -                                       |
| Manager, Xinxing Branch     | Republic of China | Chi-Hsun Chang  | 2014.10.27   | 120,953       | 0.01                 | -   | -                    | Masters, Graduate Institute of Economics, National Taiwan University/<br>Manager, Bank of Panhsin                                    | -                                       |
| Manager, Qianzhen Branch    | Republic of China | Hsian-Chin Kuo  | 2012.01.19   | 32,520        | -                    | -   | -                    | Finance and Banking Department, Shih Chien University/<br>Manager, Bank of Panhsin   | -                                       |
| Manager, Yangming Branch    | Republic of China | Chung-Fu Chen   | 2010.10.08   | 68,640        | 0.01                 | -   | -                    | Business Management, Kuochi Senior Vocational High School of Commerce and Technology/<br>Manager, Kaohsiung Fifth Credit Cooperative | -                                       |
| Manager, Kaoxinhuang Branch | Republic of China | Da-Hui Tsai     | 2012.01.19   | 27,544        | -                    | -   | -                    | College of Management, National Taiwan University/<br>Vice Manager, Bank of Panhsin  | -                                       |
| Manager, Luodong Branch     | Republic of China | Po-Kun Wang     | 2015.01.26   | 6,000         | -                    | -   | -                    | Masters, Department of Finance, Ming Chuan University/<br>Vice Manager, Bank of Panhsin  | -                                       |
| Manager, Beixin Branch      | Republic of China | Jung-Dian Hsiao | 2015.08.24   | 30,960        | -                    | -   | -                    | Masters, Graduate Institute of Economics, National Taiwan University/<br>Manager, Bank of Panhsin                                    | -                                       |
| Manager, Mengchia Branch    | Republic of China | Chung-Wei Liao  | 2016.01.25   | 37,867        | -                    | -   | -                    | Department of International Trade, Chihlee University of Technology/<br>Vice Manager, Bank of Panhsin                                | -                                       |

| Position                   | Nationality       | Name            | Date elected | Shares held   |                      | Shares held by spouse and underage children |                      | Major career (academic) achievements  | Current job position in other companies |
|----------------------------|-------------------|-----------------|--------------|---------------|----------------------|---|----------------------|---|---|
|                            |                   |                 |              | No. of shares | Percentage of shares | No. of shares                               | Percentage of shares |   |   |
| Manager, Hsinglung Branch  | Republic of China | Yong-Yuan Chen  | 2016.01.25   | 25,736        | -                    | 3,692                                       | -                    | MBA in Executive Management, Royal Roads University/<br>Manager, Bank SinoPac                                     | -                                       |
| Manager, Shuangyuan Branch | Republic of China | Wei-Feng Chao   | 2015.04.20   | 11,880        | -                    | -   | -                    | Sung-Shan High School of Commerce/<br>Manager, Taipei Ninth Credit Cooperative                                    | -                                       |
| Manager, Hsimen Branch     | Republic of China | Ming-Hsing Shih | 2015.10.28   | 34,513        | -                    | -   | -                    | Accounting Department, Chung Yuan Christian University/<br>Vice Manager, Bank of Panhsin                          | -                                       |
| Manager, Kuting Branch     | Republic of China | Pei-Yun Lin     | 2016.01.25   | 5,940         | -                    | -   | -                    | Finance and Banking Department, Tamkang University/<br>Vice Manager, Bank of Panhsin                              | -                                       |
| Manager, Antung Branch     | Republic of China | Shih-Yang Liu   | 2015.09.21   | 15,060        | -                    | -   | -                    | MBA Program, University of Southern California/<br>Vice Manager, Bank of Panhsin                                  | -                                       |
| Manager, Sungshan Branch   | Republic of China | Fu-Yuan Shih    | 2015.09.21   | 30,579        | -                    | -   | -                    | Masters in Agribusiness Management, National Pingtung Institute of Commerce/<br>Vice Manager, Bank of Panhsin     | -                                       |
| Manager, Shinlin Branch    | Republic of China | Shih-Yang Chien | 2015.04.20   | 1,000         | -                    | -   | -                    | Finance and Banking Department, Tamkang University/<br>Manager, Taishin International Bank                        | -                                       |
| Manager, Tunghu Branch     | Republic of China | Yi-Cheng Su     | 2014.07.21   | 1,000         | -                    | -   | -                    | Department of English Language and Literature, Fu Jen Catholic University/<br>Manager, Taishin International Bank | -                                       |
| Manager, Anho Branch       | Republic of China | Kai-Ming Wu     | 2015.03.02   | 59,505        | -                    | -   | -                    | Accounting Statistics, Taipei Business Vocational School/<br>Manager, Bank of Panhsin                             | -                                       |
| Manager, Kuangfu Branch    | Republic of China | Chien-Wen Lee   | 2015.04.20   | 74,042        | 0.01                 | 4,478                                       | -                    | MBA, Stratford University/<br>Manager, Enterprise Bank of Hualien   | -                                       |



| Position                   | Nationality       | Name            | Date elected | Shares held   |                      | Shares held by spouse and underage children |                      | Major career (academic) achievements  | Current job position in other companies |
|----------------------------|-------------------|-----------------|--------------|---------------|----------------------|---|----------------------|---|---|
|                            |                   |                 |              | No. of shares | Percentage of shares | No. of shares                               | Percentage of shares |   |   |
| Manager, Shuanglien Branch | Republic of China | Ching-Hsian Liu | 2015.12.21   | -             | -                    | -   | -                    | Masters, Department of Finance,<br>- Shih Hsin University/<br>Manager, Hwatai Bank                                    | -                                       |
| Manager, Chungching Branch | Republic of China | Ke-Long Wu      | 2014.11.24   | 166,000       | 0.01                 | 53,692                                      |                      | Business Administration, Chihlee<br>- Business Vocational School/<br>Manager, Bank of Panhsin                         | -                                       |
| Manager, Mucha Branch      | Republic of China | Song-Lin Chiang | 2014.07.21   | 9,900         | -                    | -   |                      | Kaiping Culinary School/<br>- Representative assistant manager,<br>Taipei Ninth Credit Cooperative                    | -                                       |
| Manager, Huannan Branch    | Republic of China | Fang-Ming Huang | 2014.07.21   | 38,424        | -                    | 413   |                      | Business Administration, Chihlee<br>- University of Technology/<br>Vice Manager, Bank of Panhsin                      | -                                       |
| Manager, Tachih Branch     | Republic of China | Yi-Hong Peng    | 2015.03.16   | 3,000         | -                    | -   |                      | Department of Statistics, Fu Jen<br>Catholic University/<br>- Assistant Vice President, Taishin<br>International Bank | -                                       |
| Manager, Wanta Branch      | Republic of China | Ling-Hui Kao    | 2015.10.27   | 39,820        | -                    | -   |                      | Department of Business, National<br>- Open University/<br>Vice Manager, Bank of Panhsin                               | -                                       |
| Manager, Yungchun Branch   | Republic of China | Ming-Jen Chen   | 2015.09.21   | 11,000        | -                    | -   |                      | Accounting Statistics, Tamsui<br>Institute of Business<br>- Administration/<br>Manager, EnTie Bank                    | -                                       |

Note 1: Information regarding the president, vice president, assistant vice president, and managers, as well as those whose position is equivalent to the president, vice president, or assistant vice president, regardless of their job title °

Note 2: The career experiences related to the current positions shall be disclosed. If the executive has worked in auditing CPAs or affiliate enterprises within the preceding period, he/she shall specify his/her titles and positions °

**IV 、Equity transfers and changes of equity interests in the most recent financial year up till the publication date of this annual report (2016.02.29), by directors, supervisors, managers, and those needing to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Individual Parties and Aggregate Related Parties"**

**(I)Changes of equity interests by directors, supervisors, managers, and those needing to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Individual Parties and Aggregate Related Parties"**

Baseline date: February 29, 2016

| Position  | Name                            | 2015  |   | By the end of February 2016                 |   |
|---|---------------------------------|---|---|---|---|
|   |                                 | Increase/Decrease in the No. of Shares Held | Increase/Decrease in the No. of Pledged Shares Held | Increase/Decrease in the No. of Shares Held | Increase/Decrease in the No. of Pledged Shares Held |
| Chairman<br>(Major shareholder)                             | Ping-Hui Liu                    | 1,156,563                                   | -   | -   | 13,000,000<br>(13,000,000)                          |
| Deputy Chairman   | Peng-Lang Lin                   | 1,126                                       | -   | -   | -   |
| Managing Director   | Dao-Ming Kuo                    | 240,434                                     | -   | -   | -   |
| Managing Director   | Ming-Hsin Chiu                  | 144,131                                     | -   | -   | -   |
| Director  | Sanjyun Construction Co., Ltd.  | 397   | -   | -   | -   |
| Director<br>(Major shareholder)                             | Baiyuan Investment Company      | 1,061,704                                   | 9,300,000<br>(14,000,000)                           | -   | -   |
| Director<br>(Major shareholder)                             | Sanlight Construction Co., Ltd. | 1,053,197                                   | -   | -   | 25,000,000<br>(13,000,000)                          |
| Director  | Tianlu Construction Co., Ltd.   | 249,191                                     | -   | -   | -   |
| Director  | Yao-Chih Chu                    | 862,800                                     | -   | -   | -   |
| Director  | Hanchia Construction Co., Ltd.  | 1,977                                       | -   | -   | -   |
| Director  | Lai-Wei Liu                     | (2,000,000)<br>111,715                      | -   | -   | -   |
| Director  | Lin-Long Chien                  | 805,424                                     | (6,500,000)   | -   | -   |
| Director  | Tong-Ren Lin                    | 268,282                                     | -   | -   | -   |
| Representative of corporate director                        | Chung-Liang Chen                | 138,688                                     | -   | -   | -   |
| Representative of corporate director                        | Sheng-Hong Shao                 | 227,006                                     | -   | -   | -   |
| Representative of corporate director<br>(Major shareholder) | Mei-Yun Liao                    | 939,033                                     | -   | -   | -   |
| Corporate Director Representative                           | Ching-E Yeh                     | (1,000,000)<br>32,886                       | -   | -   | -   |

| Position  | Name                                | 2015  |   | By the end of February 2016                 |   |
|---|-------------------------------------|---|---|---|---|
|   |                                     | Increase/Decrease in the No. of Shares Held | Increase/Decrease in the No. of Pledged Shares Held | Increase/Decrease in the No. of Shares Held | Increase/Decrease in the No. of Pledged Shares Held |
| An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties" (Major shareholder) | Fuching Investment Company          | 8,488,577                                   | 300,000   | 32,330,417                                  | 81,380,000<br>(42,300,000)                          |
| An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties" (Major shareholder) | Yuanchih Investment Co., Ltd.       | 3,126,948                                   | 300,000   | 32,330,417                                  | 61,780,000<br>(24,300,000)                          |
| Major shareholder(s)  | Industrial Bank of Taiwan Co., Ltd. | 64,660,834                                  | -   | (64,660,834)                                | -   |
| An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties" (Major shareholder) | Shanhui Construction Co., Ltd.      | 2,519,888                                   | 12,000,000  | 469,996                                     | 7,272,000<br>(7,272,000)                            |
| An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties" (Major shareholder) | Jingqing Investment Co., Ltd.       | 849,171                                     | -   | -   | 5,443,000<br>(5,443,000)                            |
| An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties" (Major shareholder) | Yuanmao Construction Co., Ltd.      | 640,336                                     | -   | -   | -   |

| Position  | Name          | 2015  |   | By the end of February 2016                 |   |
|---|---------------|---|---|---|---|
|   |               | Increase/Decrease in the No. of Shares Held | Increase/Decrease in the No. of Pledged Shares Held | Increase/Decrease in the No. of Shares Held | Increase/Decrease in the No. of Pledged Shares Held |
| An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties" | Hsiu-Lan Liu  | 917   | -   | -   | -   |
| An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties" | Shun-Chih Liu | 10  | -   | -   | -   |
| An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties" | Hsiu-Hsia Liu | 1,756                                       | -   | -   | -   |
| An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties" | Liu-Miao Lin  | 10  | -   | -   | -   |
| An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties" | Ping-Che Liu  | 22,560                                      | -   | -   | -   |

| Position  | Name                             | 2015  |   | By the end of February 2016                 |   |
|---|----------------------------------|---|---|---|---|
|   |                                  | Increase/Decrease in the No. of Shares Held | Increase/Decrease in the No. of Pledged Shares Held | Increase/Decrease in the No. of Shares Held | Increase/Decrease in the No. of Pledged Shares Held |
| An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties" | Si-Hui Liu                       | 208,230                                     | -   | -   | -   |
| An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties" | Chao-Hsuan Liu                   | 200,000                                     | -   | -   | -   |
| An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties" | Chao-Tong Liu                    | 77,466                                      | -   | -   | -   |
| An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties" | Kin-Yu Liao (Maiden surname: He) | 1,843                                       | -   | -   | -   |
| An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties" | Ke-Huang Liao                    | 1,051                                       | -   | -   | -   |

| Position  | Name                           | 2015  |   | By the end of February 2016                 |   |
|---|--------------------------------|---|---|---|---|
|   |                                | Increase/Decrease in the No. of Shares Held | Increase/Decrease in the No. of Shares Held | Increase/Decrease in the No. of Shares Held | Increase/Decrease in the No. of Pledged Shares Held |
| An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties" | Jung-Cuan Liao                 | 17,354                                      | -   | -   | -   |
| An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties" | Hsinhui Construction Co., Ltd. | 32,336                                      | -   | -   | -   |
| President   | Wen-Lung Lin                   | 21,590                                      | -   | -   | -   |
| Vice president (Major shareholder)  | Chia-Nan Fang                  | 574,183                                     | 5,000,000 (5,800,000)                       | -   | -   |
| Vice president  | Shih-Chi Wu                    | 19,171                                      | -   | -   | -   |
| Vice president  | Fu-Chai Teng                   | 23,349                                      | -   | -   | -   |
| Vice president  | Li-Chin Wei                    | 21,844                                      | -   | -   | -   |
| Vice president  | Hong-Chi Chen                  | 17,820                                      | -   | -   | -   |
| Senior vice president   | Chi-Hsun Chang                 | 19,099                                      | -   | -   | -   |
| Senior vice president   | Chih-Wen Lin                   | 3,730                                       | -   | -   | -   |
| Senior vice president   | Hsin-Mao Huang                 | 18,382                                      | -   | -   | -   |
| Senior vice president   | Sunny Sun                      | 15,840                                      | -   | -   | -   |
| Manager   | Yu-Tsi Yo                      | 14,180                                      | -   | -   | -   |
| Manager   | Ta-Huang Chen                  | 13,000                                      | -   | -   | -   |
| Manager   | Shih-Ming Lin                  | 19,433                                      | -   | -   | -   |
| Manager   | Chao-Chun Lin                  | 12,963                                      | -   | -   | -   |
| Manager   | Ko-Han Liu                     | 15,937                                      | -   | -   | -   |
| Manager   | Jennie Lin                     | 6,875                                       | -   | -   | -   |
| Manager   | Ching-Hsing Lee                | 11,880                                      | -   | -   | -   |
| Manager   | Kevin Lee                      | 15,667                                      | -   | -   | -   |
| Manager   | Shu-Nu Yang                    | 14,802                                      | -   | -   | -   |

| Position | Name            | 2015  |   | By the end of February 2016                 |   |
|----------|-----------------|---|---|---|---|
|          |                 | Increase/Decrease in the No. of Shares Held | Increase/Decrease in the No. of Shares Held | Increase/Decrease in the No. of Shares Held | Increase/Decrease in the No. of Pledged Shares Held |
| Manager  | Jone-Chih Huang | 9,024                                       | -   | -   | -   |
| Manager  | Mao-Sen Kao     | 17,691                                      | -   | -   | -   |
| Manager  | A-Ren Lai       | 22,140                                      | -   | -   | -   |
| Manager  | Chung-Lian Lin  | 9,000                                       | -   | -   | -   |
| Manager  | Shu-Chuan Wei   | 17,122                                      | -   | -   | -   |
| Manager  | Wen-Ching Wang  | 10,642                                      | -   | -   | -   |
| Manager  | Hong-Ming Lin   | 1,893                                       | -   | -   | -   |
| Manager  | Pei-Yu Weng     | 5,480                                       | -   | -   | -   |
| Manager  | Yi-Min Wan      | 29,591                                      | -   | -   | -   |
| Manager  | Te-Wei Lee      | 6,471                                       | -   | -   | -   |
| Manager  | Te-Kuo Lin      | 23,275                                      | -   | -   | -   |
| Manager  | Ping-Hong Tsao  | 11,262                                      | -   | -   | -   |
| Manager  | Mei-Ling He     | 6,224                                       | -   | -   | -   |
| Manager  | Chung-Wei Liao  | 1,174                                       | -   | -   | -   |
| Manager  | Hui-Mei Liu     | 16,938                                      | -   | -   | -   |
| Manager  | Shu-Ming Liu    | 12,744                                      | -   | -   | -   |
| Manager  | Tian-Yi Pan     | 5,763                                       | -   | -   | -   |
| Manager  | Zhao-Mao Kao    | 11,355                                      | -   | -   | -   |
| Manager  | Hua-Yi Kuo      | 22,401                                      | -   | -   | -   |
| Manager  | Lai-Wang Lin    | 23,780                                      | -   | -   | -   |
| Manager  | Da-Hu Yo        | 14,404                                      | -   | -   | -   |
| Manager  | Wen-Hui Chou    | 5,800                                       | -   | -   | -   |
| Manager  | Yao-Tsong Liu   | 8,557                                       | -   | -   | -   |
| Manager  | Wan-Ki Chen     | 9,141                                       | -   | -   | -   |
| Manager  | Chih-Cheng Nieh | 13,860                                      | -   | -   | -   |
| Manager  | Ming-Chou Tsai  | 1,704                                       | -   | -   | -   |
| Manager  | Mo Cheng        | 1,716                                       | -   | -   | -   |
| Manager  | Eric Liu        | 7,207                                       | -   | -   | -   |
| Manager  | Rui-Dian Chen   | 11,972                                      | -   | -   | -   |

| Position | Name              | 2015  |   | By the end of February 2016                 |   |
|----------|-------------------|---|---|---|---|
|          |                   | Increase/Decrease in the No. of Shares Held | Increase/Decrease in the No. of Shares Held | Increase/Decrease in the No. of Shares Held | Increase/Decrease in the No. of Pledged Shares Held |
| Manager  | Chung-An Chen     | 5,000                                       | -   | -   | -   |
| Manager  | Chung-Wei Wang    | 14,949                                      | -   | -   | -   |
| Manager  | Yi-Chang Kao      | 12,456                                      | -   | -   | -   |
| Manager  | Po-Cheng Hsu      | 20,100                                      | -   | -   | -   |
| Manager  | Su-Ching Chien    | 10,316                                      | -   | -   | -   |
| Manager  | Yung-Lun Lee      | 16,649                                      | -   | -   | -   |
| Manager  | Tsong-Hsin Lee    | 13,380                                      | -   | -   | -   |
| Manager  | Shih-Te Chen      | 3,500                                       | -   | -   | -   |
| Manager  | Hong-Chang Chiang | 5,320                                       | -   | -   | -   |
| Manager  | Chin-Chu Wu       | 5,160                                       | -   | -   | -   |
| Manager  | Dun-Jen Lin       | 5,480                                       | -   | -   | -   |
| Manager  | Jung-Fang Hsieh   | 11,880                                      | -   | -   | -   |
| Manager  | Shou-Yao Chen     | 14,120                                      | -   | -   | -   |
| Manager  | Hsian-Chin Kuo    | 12,520                                      | -   | -   | -   |
| Manager  | Chung-Fu Chen     | 13,640                                      | -   | -   | -   |
| Manager  | Da-Hui Tsai       | 10,544                                      | -   | -   | -   |
| Manager  | Po-Kun Wang       | 6,000                                       | -   | -   | -   |
| Manager  | Jung-Dian Hsiao   | 960   | -   | -   | -   |
| Manager  | Hsian-Ming Chiu   | 11,880                                      | -   | -   | -   |
| Manager  | Shang-Te Chiang   | 2,000                                       | -   | -   | -   |
| Manager  | Wei-Feng Chao     | 11,880                                      | -   | -   | -   |
| Manager  | Ming-Hsing Shih   | 10,663                                      | -   | -   | -   |
| Manager  | Yi-Hong Peng      | 3,000                                       | -   | -   | -   |
| Manager  | Shih-Yang Liu     | 10,060                                      | -   | -   | -   |
| Manager  | Fu-Yuan Shih      | 5,793                                       | -   | -   | -   |
| Manager  | Shih-Yang Chien   | 1,000                                       | -   | -   | -   |
| Manager  | Yi-Cheng Su       | 1,000                                       | -   | -   | -   |
| Manager  | Kai-Ming Wu       | 6,690                                       | -   | -   | -   |
| Manager  | Chien-Wen Lee     | 19,186                                      | -   | -   | -   |



| Position | Name             | 2015  |   | By the end of February 2016                 |   |
|----------|------------------|---|---|---|---|
|          |                  | Increase/Decrease in the No. of Shares Held | Increase/Decrease in the No. of Shares Held | Increase/Decrease in the No. of Shares Held | Increase/Decrease in the No. of Pledged Shares Held |
| Manager  | Ke-Long Wu       | 10,534                                      | -   | -   | -   |
| Manager  | Song-Lin Chiang  | 9,900                                       | -   | -   | -   |
| Manager  | Fang-Ming Huang  | 12,424                                      | -   | -   | -   |
| Manager  | Fu-Shan Lu       | 24,112                                      | -   | -   | -   |
| Manager  | Ling-Hui Kao     | 12,547                                      | -   | -   | -   |
| Manager  | Ming-Jen Chen    | 11,000                                      | -   | -   | -   |
| Manager  | Ching-Yuan Chang | 11,125                                      | -   | -   | -   |
| Manager  | Yong-Chieh Lin   | 13,860                                      | -   | -   | -   |

## (II )Equity Transfer Information

Baseline date: February 29, 2016

| Name                          | Reason for transfer | Transaction date | Counterparty                                   | Relationship between counterparty and directors, supervisors, managers, and those needing to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Individual Parties and Aggregate Related Parties" | No. of shares (shares) | Transaction price |
|-------------------------------|---------------------|------------------|--|--|------------------------|-------------------|
|                               |                     |                  |  |  |                        |                   |
| Yao-Chih Chu                  | Acquisition         | 2015.01.15       | Cheng-Hong Wu                                  | -  | 27,000                 | 8.60              |
| Yao-Chih Chu                  | Acquisition         | 2015.01.15       | Shih-Min Yang                                  | -  | 30,000                 | 8.30              |
| Yao-Chih Chu                  | Acquisition         | 2015.01.15       | Hsue-Ju Liao                                   | -  | 45,000                 | 8.60              |
| Yao-Chih Chu                  | Acquisition         | 2015.01.15       | Chia-Ying Su                                   | -  | 82,000                 | 8.60              |
| Yao-Chih Chu                  | Acquisition         | 2015.01.15       | Chian-Hui Liao                                 | -  | 67,000                 | 8.60              |
| Yao-Chih Chu                  | Acquisition         | 2015.01.15       | Cheng-Tong Liao                                | -  | 170,000                | 8.60              |
| Yao-Chih Chu                  | Acquisition         | 2015.01.22       | Cheng-Hong Wu                                  | -  | 110,000                | 8.60              |
| Yao-Chih Chu                  | Acquisition         | 2015.01.22       | Cheng-Hong Wu                                  | -  | 34,000                 | 8.60              |
| Yao-Chih Chu                  | Acquisition         | 2015.02.04       | Ming-Fa Liu                                    | -  | 41,704                 | 8.40              |
| Yao-Chih Chu                  | Acquisition         | 2015.02.09       | Ming-Fa Liu                                    | -  | 5,423                  | 8.40              |
| Yao-Chih Chu                  | Acquisition         | 2015.08.21       | Ming-Fa Liu                                    | -  | 50,000                 | 8.30              |
| Tianlu Construction Co., Ltd. | Acquisition         | 2015.03.11       | Yu-Hsuan Chang                                 | -  | 241,465                | 8.50              |
| Lai-Wei Liu                   | Disposal            | 2015.01.30       | Ching-An-Nian Construction Co., Ltd.           | Responsible person   | 2,000,000              | 12.13             |
| Ching-E Yeh                   | Disposal            | 2015.08.18       | Li-Yu Yeh (Maiden surname: Kuo)                | Spouse   | 1,000,000              | 8.00              |
| Fuching Investment Company    | Acquisition         | 2015.03.11       | Hongwei Development and Construction Co., Ltd. | -  | 20,000                 | 8.50              |
| Fuching Investment Company    | Acquisition         | 2015.03.11       | Jui-Ching Chang                                | -  | 2,905,025              | 8.50              |
| Fuching Investment Company    | Acquisition         | 2015.03.11       | Chang-Er Yang                                  | -  | 1,881,624              | 8.50              |
| Fuching Investment Company    | Acquisition         | 2015.03.11       | Ting-Yu Chang                                  | -  | 349,930                | 8.50              |

| Name                           | Reason for transfer | Transaction date | Counterparty                        | Relationship between counterparty and directors, supervisors, managers, and those needing to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Individual Parties and Aggregate Related Parties" | No. of shares (shares) | Transaction price |
|--------------------------------|---------------------|------------------|-------------------------------------|--|------------------------|-------------------|
| Fuching Investment Company     | Acquisition         | 2015.03.11       | Wen-Kui Chang                       | -  | 482,930                | 8.50              |
| Fuching Investment Company     | Acquisition         | 2016.02.03       | Industrial Bank of Taiwan Co., Ltd. | -  | 32,330,417             | 10.00             |
| Yuanchih Investment Co., Ltd.  | Acquisition         | 2015.10.29       | Hsian-Hua Chiu                      | -  | 464,204                | 8.50              |
| Yuanchih Investment Co., Ltd.  | Acquisition         | 2016.02.03       | Industrial Bank of Taiwan Co., Ltd. | -  | 32,330,417             | 10.00             |
| Shanhui Construction Co., Ltd. | Acquisition         | 2015.11.30       | Ying-Chieh Chen                     | -  | 53,299                 | 8.30              |
| Shanhui Construction Co., Ltd. | Acquisition         | 2015.12.08       | Li-Chue Chen                        | -  | 111,935                | 8.50              |
| Shanhui Construction Co., Ltd. | Acquisition         | 2015.12.14       | Tsi-Ling Yang                       | -  | 76,000                 | 8.30              |
| Shanhui Construction Co., Ltd. | Acquisition         | 2015.11.26       | Yu-Tsa Chu                          | -  | 57,000                 | 8.30              |
| Shanhui Construction Co., Ltd. | Acquisition         | 2015.12.28       | Tsi-Ling Yang                       | -  | 322,315                | 8.30              |
| Shanhui Construction Co., Ltd. | Acquisition         | 2016.01.08       | Yu-Tsa Chu                          | -  | 100,000                | 8.30              |
| Shanhui Construction Co., Ltd. | Acquisition         | 2016.01.08       | Yu-Tsa Chu                          | -  | 105,800                | 8.20              |
| Shanhui Construction Co., Ltd. | Acquisition         | 2016.01.11       | Yu-Tsa Chu                          | -  | 35,000                 | 8.20              |
| Shanhui Construction Co., Ltd. | Acquisition         | 2016.01.11       | Yu-Chu Hsu                          | -  | 103,326                | 8.20              |
| Shanhui Construction Co., Ltd. | Acquisition         | 2016.01.11       | Fu-Ling Investment Co., Ltd.        | -  | 11,528                 | 8.20              |

| Name                           | Reason for transfer | Transaction date | Counterparty   | Relationship between counterparty and directors, supervisors, managers, and those needing to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Individual Parties and Aggregate Related Parties" | No. of shares (shares) | Transaction price |
|--------------------------------|---------------------|------------------|--|--|------------------------|-------------------|
| Shanhui Construction Co., Ltd. | Acquisition         | 2016.01.11       | Tsi-Ling Yang  | -  | 8,000                  | 8.20              |
| Shanhui Construction Co., Ltd. | Acquisition         | 2016.01.18       | Yu-Tsa Chu   | -  | 100,000                | 8.00              |
| Shanhui Construction Co., Ltd. | Acquisition         | 2016.01.27       | Yu-Tsa Chu   | -  | 6,342                  | 8.20              |
| Mei-Yun Liao                   | Acquisition         | 2015.01.23       | Chia-Peng Liao   | Second degree kinship  | 3,578                  | 8.45              |
| Si-Hui Liu                     | Acquisition         | 2015.01.20       | Northern Region Branch, National Property Administration | -  | 30,100                 | 9.63              |
| Si-Hui Liu                     | Acquisition         | 2015.10.29       | Ying-Chieh Chen  | -  | 84,610                 | 8.50              |
| Si-Hui Liu                     | Acquisition         | 2015.11.11       | Ying-Chieh Chen  | -  | 92,557                 | 8.50              |
| Chao-Hsuan Liu                 | Acquisition         | 2015.09.16       | Yu-Ju Wang   | -  | 100,000                | 7.60              |
| Chao-Hsuan Liu                 | Acquisition         | 2015.11.17       | Ying-Chieh Chen  | -  | 100,000                | 8.30              |
| Chao-Tong Liu                  | Acquisition         | 2015.11.17       | Ying-Chieh Chen  | -  | 72,453                 | 8.30              |
| Te-Kuo Lin                     | Acquisition         | 2015.04.16       | Hsiu-Yu Chang  | -  | 7,452                  | 7.00              |

Note 1 : Related parties requiring equity declaration refer to the names of bank directors, supervisors, managers, and those needing to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Individual Parties and Aggregate Related Parties"

Note 2 : Filling in either "acquisition" or "disposal."

### (III) Equity pledge information

Baseline date: February 29, 2016

| Name                          | Reason for change | Date of change | Counterparty                    | Relationship between counterparty and the bank, directors, supervisors, managers, and those needing to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Individual Parties and Aggregate Related Parties" | No. of shares (shares) | Secured small loan (redemption) amount |
|-------------------------------|-------------------|----------------|---------------------------------|--|------------------------|--|
| Ping-Hui Liu                  | Redemption        | 2016.02.23     | Sales Department, Cosmos Bank   | -  | 13,000,000             | -                                      |
| Ping-Hui Liu                  | Pledge            | 2016.02.23     | Bank SinoPac, Lanya Branch      | -  | 13,000,000             | -                                      |
| Fuching Investment Company    | Pledge            | 2015.10.02     | Industrial Bank of Taiwan       | -  | 300,000                | -                                      |
| Fuching Investment Company    | Redemption        | 2016.01.29     | Industrial Bank of Taiwan       | -  | 19,200,000             | -                                      |
| Fuching Investment Company    | Pledge            | 2016.01.29     | King's Town Bank, Luchou Branch | -  | 24,050,000             | -                                      |
| Fuching Investment Company    | Redemption        | 2016.02.23     | Industrial Bank of Taiwan       | -  | 23,100,000             | -                                      |
| Fuching Investment Company    | Pledge            | 2016.02.03     | Industrial Bank of Taiwan       | -  | 32,330,000             | -                                      |
| Fuching Investment Company    | Pledge            | 2016.02.23     | Yuanta Bank, Taohsing Branch    | -  | 25,000,000             | -                                      |
| Chia-Nan Fang                 | Pledge            | 2015.03.27     | Ta Chong Bank, Taoyuan Branch   | -  | 5,000,000              | -                                      |
| Chia-Nan Fang                 | Redemption        | 2015.03.27     | Sales Department, Cosmos Bank   | -  | 5,800,000              | -                                      |
| Yuanchih Investment Co., Ltd. | Pledge            | 2015.10.02     | Industrial Bank of Taiwan       | -  | 300,000                | -                                      |
| Yuanchih Investment Co., Ltd. | Redemption        | 2016.02.23     | Industrial Bank of Taiwan       | -  | 24,300,000             | -                                      |
| Yuanchih Investment Co., Ltd. | Pledge            | 2016.02.03     | Industrial Bank of Taiwan       | -  | 32,330,000             | -                                      |
| Yuanchih Investment Co., Ltd. | Pledge            | 2016.02.17     | King's Town Bank, Luchou Branch | -  | 4,050,000              | -                                      |

| Name                            | Reason for change | Date of change | Counterparty                     | Relationship between counterparty and the bank, directors, supervisors, managers, and those needing to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Individual Parties and Aggregate Related Parties" | No. of shares (shares) | Secured small loan (redemption) amount |
|---------------------------------|-------------------|----------------|----------------------------------|--|------------------------|--|
| Yuanchih Investment Co., Ltd.   | Pledge            | 2016.02.23     | Yuanta Bank, Taohsing Branch     | -  | 23,800,000             | -                                      |
| Yuanchih Investment Co., Ltd.   | Pledge            | 2016.02.23     | Bank SinoPac, Lanya Branch       | -  | 1,600,000              | -                                      |
| Baiyuan Investment Company      | Pledge            | 2015.12.23     | Jihsun Bank                      | -  | 9,300,000              | -                                      |
| Baiyuan Investment Company      | Redemption        | 2015.04.02     | Ta Chong Bank, Taoyuan Branch    | -  | 14,000,000             | -                                      |
| Shanhui Construction Co., Ltd.  | Pledge            | 2015.03.27     | Fina Finance & Trading Co., Ltd. | -  | 12,000,000             | -                                      |
| Shanhui Construction Co., Ltd.  | Redemption        | 2016.02.23     | Sales Department, EnTie Bank     | -  | 7,272,000              |  |
| Shanhui Construction Co., Ltd.  | Pledge            | 2016.02.24     | Sales Department, KGI Bank       | -  | 7,272,000              |  |
| Jingqing Investment Co., Ltd.   | Redemption        | 2016.02.23     | Sales Department, EnTie Bank     | -  | 5,443,000              | -                                      |
| Jingqing Investment Co., Ltd.   | Pledge            | 2016.02.24     | Sales Department, KGI Bank       | -  | 5,443,000              | -                                      |
| Sanlight Construction Co., Ltd. | Redemption        | 2016.01.08     | TCBL Co., Ltd.                   | -  | 10,000,000             | -                                      |
| Sanlight Construction Co., Ltd. | Redemption        | 2016.02.23     | Sales Department, Cosmos Bank    | -  | 3,000,000              | -                                      |
| Sanlight Construction Co., Ltd. | Pledge            | 2016.02.17     | King's Town Bank, Luchou Branch  | -  | 20,000,000             | -                                      |
| Sanlight Construction Co., Ltd. | Pledge            | 2016.02.23     | Bank SinoPac, Lanya Branch       | -  | 3,000,000              | -                                      |

| Name                            | Reason for change | Date of change | Counterparty                        | Relationship between counterparty and the bank, directors, supervisors, managers, and those needing to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Individual Parties and Aggregate Related Parties" | No. of shares (shares) | Secured small loan (redemption) amount |
|---------------------------------|-------------------|----------------|-------------------------------------|--|------------------------|--|
|                                 |                   |                |                                     |  |                        |  |
| Sanlight Construction Co., Ltd. | Pledge            | 2016.02.24     | Sales Department, KGI Bank          | -  | 2,000,000              | -                                      |
| Lin-Long Chien                  | Redemption        | 2015.03.13     | Cathay United Bank, Shuanghe Branch | -  | 6,500,000              | -                                      |

**V、Percentage of shares held by the top-10 shareholders related persons, spouses, or family members within second degrees of kinship**

Baseline date: December 31, 2015

| Name  | Shareholding             |                       | Shares held by spouse and underage children |                       | Total shareholding by nominee arrangement |                       | Titles, names, and relationship of parties, spouse, relative of second degree or closer, in relation to top 10 shareholders. |                         |
|---|--------------------------|-----------------------|---|-----------------------|---|-----------------------|--|-------------------------|
|   | No. of shares (shares)   | Percent age of shares | No. of shares (shares)                      | Perce ntage of shares | No. of shares (shares)                    | Perce ntage of shares | Name   | Relationship            |
| Representative of Fuching Investment Company: Wei-Ren Liao      | 91,882,449<br>-          | 7.52<br>-             | -   | -                     | -   | -                     | Baiyuan Investment Company   | Chairman<br>Same person |
| Representative of Yuanchih Investment Co., Ltd.: Mei-Yun Liao   | 86,337,698<br>30,168,430 | 7.07<br>2.47          | 37,299,169                                  | 3.05                  | -   | -                     | Mei-Yun Liao   | Chairman                |
|   |                          |                       |   |                       |   |                       | Ping-Hui Liu   | Director                |
|   |                          |                       |   |                       |   |                       | Sanhui Construction Co., Ltd.  | Chairman<br>Same person |
|   |                          |                       |   |                       |   |                       | Shanhui Construction Co., Ltd.<br>Representative: Chao-Tong Liu  | Second degree kinship   |
| Designated trust account of Industrial Bank of Taiwan           | 64,660,834               | 5.29                  | -   | -                     | -   | -                     | -  | -                       |
| Representative of Shanhui Construction Co., Ltd.: Chao-Tong Liu | 61,874,249<br>234,142    | 5.07<br>0.02          | -   | -                     | -   | -                     | Mei-Yun Liao   | Second degree kinship   |
|   |                          |                       |   |                       |   |                       | Ping-Hui Liu   |                         |
|   |                          |                       |   |                       |   |                       | Representative of Yuanchih Investment Co., Ltd.: Mei-Yun Liao  |                         |
|   |                          |                       |   |                       |   |                       | Representative of Shanhui Construction Co., Ltd.: Mei-Yun Liao   |                         |
| Ping-Hui Liu  | 37,299,169               | 3.05                  | 30,168,430                                  | 2.47                  | -   | -                     | Yuanchih Investment Co., Ltd.  | Director                |
|   |                          |                       |   |                       |   |                       | Representative of Shanhui Construction Co., Ltd.: Chao-Tong Liu  | Second degree kinship   |
|   |                          |                       |   |                       |   |                       | Mei-Yun Liao   | Spouse                  |
|   |                          |                       |   |                       |   |                       | Representative of Shanhui Construction Co., Ltd.: Mei-Yun Liao   | Spouse                  |
| Representative of Baiyuan Investment Co., Ltd.: Wei-Ren Liao    | 34,239,955<br>-          | 2.80<br>-             | -   | -                     | -   | -                     | Fuching Investment Company   | Chairman<br>Same person |



| Name  | Shareholding           |                       | Shares held by spouse and underage children |                       | Total shareholding by nominee arrangement |                       | Titles, names, and relationship of parties, spouse, relative of second degree or closer, in relation to top 10 shareholders. |                       |
|---|------------------------|-----------------------|---|-----------------------|---|-----------------------|--|-----------------------|
|   | No. of shares (shares) | Percent age of shares | No. of shares (shares)                      | Perce ntage of shares | No. of shares (shares)                    | Perce ntage of shares | Name   | Relationship          |
| Representative of Sanlight Construction Co., Ltd.: Mei-Yun Liao | 33,965,618             | 2.78                  | 37,299,169                                  | 3.05                  | -   | -                     | Mei-Yun Liao   | Chairman              |
|   | 30,168,430             | 2.47                  |   |                       |   |                       | Ping-Hui Liu   | Director              |
|   |                        |                       |   |                       |   |                       | Yuanchih Investment Co., Ltd.  | Chairman              |
|   |                        |                       |   |                       |   |                       | Representative of Shanhuai Construction Co., Ltd.: Chao-Tong Liu   | Same person           |
| Mei-Yun Liao  | 30,168,430             | 2.47                  | 37,299,169                                  | 3.05                  | -   | -                     | Yuanchih Investment Co., Ltd.  | Second degree kinship |
|   |                        |                       |   |                       |   |                       | Sanhui Construction Co., Ltd.  | Chairman              |
|   |                        |                       |   |                       |   |                       | Representative of Shanhuai Construction Co., Ltd.: Chao-Tong Liu   | Chairman              |
|   |                        |                       |   |                       |   |                       | Ping-Hui Liu   | Second degree kinship |
| Representative of Jingqing Investment Co., Ltd.: Chung-Er Lin   | 27,385,788             | 2.24                  | 57,068                                      | -                     | -   | -                     | Yuanmao Construction Co., Ltd.   | Spouse                |
|   | 43,537                 | -                     |   |                       |   |                       |  | Chairman              |
| Representative of Yuanmao Construction Co., Ltd.: Chung-Er Lin  | 20,650,836             | 1.69                  | 57,068                                      | -                     | -   | -                     | Jingqing Investment Co., Ltd.  | Same person           |
|   | 43,537                 | -                     |   |                       |   |                       |  | Chairman              |

**VI、Numbers of shares in the subsidiaries held by the Bank, the Bank's directors, supervisors, president, vice president, assistant vice president, managers, and entities directly or indirectly controlled by the Bank and the total percentage of shares on a consolidated basis**

Baseline date: December 31, 2015

| Investment Transfer                      | Investment by Bank of Panhsin |                          | Investment by directors, supervisors, president, vice president, assistant vice president, managers, and entities directly or indirectly controlled by the Bank |                          | Consolidated Investment |                          |
|--|-------------------------------|--------------------------|---|--------------------------|-------------------------|--------------------------|
|  | No. of shares (shares)        | Percentage of shares (%) | No. of shares (shares)  | Percentage of shares (%) | No. of shares (shares)  | Percentage of shares (%) |
| Hsinruidu Development Co., Ltd.          | 4,940,000                     | 1.86                     | -   | -                        | 4,940,000               | 1.86                     |
| Financial Information Service Co., Ltd.  | 5,937,750                     | 1.14                     | -   | -                        | 5,937,750               | 1.14                     |
| Taiwan Depository & Clearing Corporation | 285,365                       | 0.08                     | -   | -                        | 285,365                 | 0.08                     |
| Yangguang Asset Management Co., Ltd.     | 69,180                        | 1.15                     | -   | -                        | 69,180                  | 1.15                     |
| Taiwan Mobile Payment Co., Ltd.          | 300,000                       | 0.55                     | -   | -                        | 300,000                 | 0.55                     |
| Panhsin Insurance Broker                 | 3,095,400                     | 100.00                   | -   | -                        | 3,095,400               | 100.00                   |
| Panhsin Asset Management Co., Ltd.       | 54,000,000                    | 81.82                    | 12,000,000  | 18.18                    | 66,000,000              | 100.00                   |
| Panhsin International Leasing Co., Ltd.  | 30,000,000                    | 100.00                   | -   | -                        | 30,000,000              | 100.00                   |

Note : Investment made in accordance with Article 74 of the Banking Act °

## Fund raising

### I、Capital and Shares

#### (I) Sources of capital

| Year/<br>Month | Issue<br>price | Authorized capital                    |                       | Paid-in capital                       |                       | Note                  |  |        |
|----------------|----------------|---------------------------------------|-----------------------|---------------------------------------|-----------------------|-----------------------|--|--------|
|                |                | No. of shares<br>(thousand<br>shares) | Amount<br>(NT\$1,000) | No. of shares<br>(thousand<br>shares) | Amount<br>(NT\$1,000) | Sources<br>of capital | Shares<br>acquired by<br>non-cash assets | Others |
| 1997.09        | 10             | 600,000                               | 6,000,000             | 600,000                               | 6,000,000             | Note 1                | N/A                                      | N/A    |
| 2005.06        | 10             | 819,800                               | 8,198,000             | 819,800                               | 8,198,000             | Note 2                | N/A                                      | N/A    |
| 2006.07        | 10             | 1,500,000                             | 15,000,000            | 819,800                               | 8,198,000             | Note 3                | N/A                                      | N/A    |
| 2006.09        | 10             | 1,500,000                             | 15,000,000            | 855,790                               | 8,557,900             | Note 3                | N/A                                      | N/A    |
| 2006.12        | 10             | 1,500,000                             | 15,000,000            | 955,790                               | 9,557,900             | Note 4                | N/A                                      | N/A    |
| 2011.05        | 10             | 1,500,000                             | 15,000,000            | 1,055,790                             | 10,557,900            | Note 5                | N/A                                      | N/A    |
| 2011.06        | 10             | 1,500,000                             | 15,000,000            | 955,790                               | 9,557,900             | Note 5                | N/A                                      | N/A    |
| 2014.05        | 10             | 1,500,000                             | 15,000,000            | 1,105,790                             | 11,057,900            | Note 6                | N/A                                      | N/A    |
| 2015.08        | 10             | 1,500,000                             | 15,000,000            | 1,141,175                             | 11,411,753            | Note 7                | N/A                                      | N/A    |
| 2015.12        | 10             | 1,500,000                             | 15,000,000            | 1,221,175                             | 12,211,753            | Note 8                | N/A                                      | N/A    |

Note 1 : Transformation of Panchiao Credit Cooperative.

Note 2 : With June 20, 2005 as the baseline date for capital increase, the capital increase by surplus was NT\$198,000,000; approval was received from FSC on June 24, 2005 in accordance with Jing-Guan-Yin (3) Letter No. 0940015799. With July 11, 2005 as the baseline date for capital increase, the capital increase by issuing of preferred shares was NT\$1,000,000,000. With June 24, 2005 as the baseline date for capital increase, the capital increase by issuing of ordinary shares was NT\$1,000,000,000; approval was received from FSC on September 10, 2004 in accordance with Jing-Guan-Yin (3) Letter No. 0938011560.

Note 3 : On June 20, 2006, the shareholders' meeting passed the resolution to change capital amount to NT\$15 billion; with September 1, 2006 as the baseline date for capital increase, the capital reserves transferred to capital totaled to NT\$359,900,000; approval was received from FSC on July 18, 2006 in accordance with Jing-Guan-Yin (3) Letter No. 09500320330.

Note 4 : With December 28, 2006 as the baseline date for capital increase, the capital increase by issuing of ordinary shares was NT\$1,000,000,000; approval was received from FSC in accordance with Jin-Guan-Yin (3) Letter No. 09500439170 on October 3, 2006 and Jin-Guan-Yin Letter No. 0950150935 on November 14, 2006.

Note 5 : With June 16, 2011 as the baseline date for capital increase, the capital increase by issuing of ordinary shares was NT\$1,000,000,000; approval was received from FSC on May 4, 2011 in accordance with Jing-Guan-Zheng-Fa-Zi No. 1000016060; NT\$1,000,000,000 of preferred shares expired on June 23, 2011 and were redeemed as share prices obtained from issuing of new shares on June 16, 2011.

Note 6 : With May 27, 2014 as the baseline date for capital increase, the capital increase by issuing of ordinary shares was NT\$1,500,000,000; approval was received from FSC on April 11, 2014 in accordance with Jing-Guan-Zheng-Fa-Zi No. 1030009692.

Note 7 : With August 28, 2015 as the baseline date for capital increase, the capital increase by surplus was NT\$353,853,000; approval was received from FSC on August 5, 2015 in accordance with Jing-Guan-Zheng-Fa-Zi No. 1040028772.

Note 8 : With December 10, 2015 as the baseline date for capital increase, the capital increase by issuing of ordinary shares was NT\$800,000,000; approval was received from FSC on October 13, 2015 in accordance with Jing-Guan-Zheng-Fa-Zi No. 1040039950.

| Type \ Shares   | Authorized capital (thousand shares) |                 |           | Note  |
|-----------------|--------------------------------------|-----------------|-----------|---|
|                 | Outstanding shares                   | Unissued shares | Total     |   |
| Ordinary shares | 1,221,175                            | 278,825         | 1,500,000 | Became a public issuing company as of November 14, 2006 |

## (II) Shareholder structure

Baseline date: December 31, 2015

| Shareholder structure \ Quantity | Government agencies | Financial institutions | Other corporations | Individuals | Foreign institutions and foreigners | Total         |
|----------------------------------|---------------------|------------------------|--------------------|-------------|-------------------------------------|---------------|
| Number of people                 | 2                   | 12                     | 83                 | 98,613      | 2                                   | 98,712        |
| No. of shares held               | 48,651              | 254,294,254            | 199,189,668        | 767,608,458 | 34,249                              | 1,221,175,280 |
| Percentage of shares (%)         | -                   | 20.82                  | 16.31              | 62.87       | -                                   | 100.00        |

Note : Number of shares held was based on the 1,221,175,280 ordinary shares issued by December 31, 2015.

## (III) Equity Distribution (Denomination of NT\$10 per share)

Baseline date: December 31, 2015

| Shareholding range       | Number of shareholders | No. of shares held | Percentage of shares (%) |
|--------------------------|------------------------|--------------------|--------------------------|
| 1 to 999                 | 73,022                 | 26,195,061         | 2.15                     |
| 1,000 to 5,000           | 13,425                 | 39,726,765         | 3.25                     |
| 5,001 to 10,000          | 3,044                  | 20,113,972         | 1.65                     |
| 10,001 to 15,000         | 2,074                  | 25,096,662         | 2.06                     |
| 15,001 to 20,000         | 521                    | 8,939,022          | 0.73                     |
| 20,001 to 30,000         | 3,776                  | 90,833,503         | 7.44                     |
| 30,001 to 50,000         | 868                    | 32,540,286         | 2.66                     |
| 50,001 to 100,000        | 1,385                  | 87,733,179         | 7.18                     |
| 100,001 to 200,000       | 285                    | 37,500,811         | 3.07                     |
| 200,001 to 400,000       | 129                    | 35,537,889         | 2.91                     |
| 400,001 to 600,000       | 46                     | 22,995,117         | 1.88                     |
| 600,001 to 800,000       | 42                     | 29,536,309         | 2.42                     |
| 800,001 to 1,000,000     | 16                     | 14,712,264         | 1.20                     |
| 1,000,001 to 999,999,999 | 79                     | 749,714,440        | 61.39                    |
| Total                    | 98,712                 | 1,221,175,280      | 100.00                   |

Note : Number of shares held and percentage of shares were based on the 1,221,175,280 ordinary shares issued by December 31, 2015.

**(IV)Major shareholders**

Baseline date: December 31, 2015

| <b>Shares</b>   |                           |                                 |
|---|---------------------------|---------------------------------|
| <b>Name of majority shareholders</b>                  | <b>No. of shares held</b> | <b>Percentage of shares (%)</b> |
| Fuching Investment Co., Ltd.                          | 91,882,449                | 7.52                            |
| Yuanchih Investment Co., Ltd.                         | 86,337,698                | 7.07                            |
| Designated trust account of Industrial Bank of Taiwan | 64,660,834                | 5.29                            |
| Shanhui Construction Co., Ltd.                        | 61,874,249                | 5.07                            |
| Ping-Hui Liu  | 37,299,169                | 3.05                            |
| Baiyuan Investment Co., Ltd.                          | 34,239,955                | 2.80                            |
| Sanlight Construction Co., Ltd.                       | 33,965,618                | 2.78                            |
| Mei-Yun Liao  | 30,168,430                | 2.47                            |
| Jingqing Investment Co., Ltd.                         | 27,385,788                | 2.24                            |
| Yuanmao Construction Co., Ltd.                        | 20,650,836                | 1.69                            |

Note: : Number of shares held and percentage of shares were based on the 1,221,175,280 ordinary shares issued by December 31, 2015.

## II · Issuance of financial instruments

Baseline date: December 31, 2015

| Order of Share Issuance   | Tenth  | Eleventh  | Twelfth   |
|---|--|---|---|
| Term  | 2010 Term 1  | 2011 Term 1                                       | 2012 Term 1                                       |
| Central competent authority Approval date, Letter No.   | 2010.10.07, Jing-Guan-Yin-He-Zi No. 09900391970  | 2011.10.06, Jing-Guan-Yin-He-Zi No. 10000337280   | 2011.10.06, Jing-Guan-Yin-He-Zi No. 10000337280   |
| Date of issue   | 2010.11.05   | 2011.12.02  | 2012.03.21  |
| Denomination (NT\$)   | 10 million   |   |   |
| Place of issue and trading  | -  |   |   |
| Currency  | TWD  |   |   |
| Issue price   | Fully issued at denomination   | Fully issued at denomination                      | Fully issued at denomination                      |
| Total   | NT\$500,000,000  | NT\$400,000,000                                   | NT\$100,000,000                                   |
| Interest rate   | Fixed:3.25%  | Fixed:3%  | Fixed:3%  |
| Term  | 6 years<br>Maturity date: 2016.11.05   | 6 years<br>Maturity date: 2017.12.02              | 6 years<br>Maturity date: 2018.03.21              |
| Claim Priority  | Second   |   |   |
| Guarantor institution   | -  |   |   |
| Contractor  | -  |   |   |
| Underwriter   | -  |   |   |
| Legal adviser   | -  |   |   |
| CPA   | -  |   |   |
| Chartered Banking institutions  | -  |   |   |
| Terms of repayment  | Lump-sum at maturity   |   |   |
| Unpaid Balance  | -  |   |   |
| Previous-year paid-in capital   | NT\$9.558 billion<br>(including preferred shares)  | NT\$9.558 billion<br>(including preferred shares) | NT\$9.558 billion                                 |
| Previous-year net value after settlement  | NT\$8,586,003,000  | NT\$8,601,944,000                                 | NT\$7,868,190,000                                 |
| Contract Implementation   | -  |   |   |
| Provisions for redemption or advanced settlement  | -  |   |   |
| Criteria for conversion and exchange  | -  |   |   |
| Restrictive terms   | <p>Sales and transfer objects of the Bank's debentures are limited to banks, bill finance companies, trust enterprises, insurance companies, securities firms, specific persons who participate in the Bank's Capital Strengthening Program, companies or funds whose total assets as recorded in the latest financial reports reviewed or perused by accountants exceed NT\$50 million (NT\$50,000,000), or trust property mentioned in a trust agreement concluded with a trust enterprise exceeds NT\$50 million (NT\$50,000,000).</p> <p>Sales and transfer objects of the Bank's debentures are limited to banks, bill finance companies, trust enterprises, insurance companies, securities firms, specific persons who participate in the Bank's Capital Strengthening Program.</p> |   |   |
| Capital Allocation Plan   | Adequate capital structure   |   |   |
| The ratio of the reported issue amount plus the balance of already issued and outstanding bonds to the net worth after final report of the preceding year (%) | 45.88  | 50.44   | 35.07   |
| Conformance to regulatory capital and its associated category   | Yes, Category 2  |   |   |
| Name of credit rating institution, date of credit rating, and credit rating   | Taiwan Ratings Corporation<br>2010.10.29<br>twBB+  | Taiwan Ratings Corporation<br>2011.12.02<br>twBB+ | Taiwan Ratings Corporation<br>2012.03.21<br>twBB+ |

| Order of Share Issuance  | Thirteenth   | Fourteenth  |
|--|--|---|
| Term   | 2012 Term 2  | 2014 Term 1   |
| Central competent authority<br>Approval date, Letter No.   | 2012.10.08, Jing-Guan-Yin-He-Zi<br>No. 10100319820   | 2014.03.28, Jing-Guan-Yin-He-Zi<br>No. 10300083390  |
| Date of issue  | 2012.11.12   | 2014.06.06  |
| Denomination (NT\$)  | 10 million   | 100,000   |
| Place of issue and trading   | -  | -   |
| Currency   | TWD  | TWD   |
| Issue price  | Fully issued at denomination   | Fully issued at denomination  |
| Total  | NT\$700,000,000  | NT\$3,000,000,000   |
| Interest rate  | Fixed:3%   | Fixed:3%<br>Floating: : +1.50% floating rate for 1-year time<br>deposit according to Chunghwa Post<br>Co., Ltd. |
| Term   | 6 years<br>Maturity date: 2018.11.12   | 6 years<br>Maturity date: 2020.06.06  |
| Claim Priority   | Second   |   |
| Guarantor institution  | -  |   |
| Contractor   | -  |   |
| Underwriter  | -  |   |
| Legal adviser  | -  |   |
| CPA  | -  |   |
| Chartered Banking institutions   | -  |   |
| Terms of repayment   | Lump-sum at maturity   |   |
| Unpaid Balance   | -  |   |
| Previous-year paid-in capital  | NT\$9.558 billion  | NT\$9.558 billion   |
| Previous-year net value after settlement   | NT\$7,868,190,000  | NT\$9,816,689,000   |
| Contract Implementation  | -  |   |
| Provisions for redemption or advanced<br>settlement  | -  |   |
| Criteria for conversion and exchange   | -  |   |
| Restrictive terms  | Sales and transfer objects of the Bank's<br>debentures are limited to banks, bill finance<br>companies, trust enterprises, insurance<br>companies, securities firms, specific persons who<br>participate in the Bank's Capital Strengthening<br>Program. |   |
| Capital Allocation Plan  | Adequate capital structure   |   |
| The ratio of the reported issue amount<br>plus the balance of already issued and<br>outstanding bonds to the net worth after<br>final report of the preceding year (%) | 43.96  | 58.06   |
| Conformance to regulatory capital and its<br>associated category   | Yes, Category 2  |   |
| Name of credit rating institution, date of<br>credit rating, and credit rating   | Taiwan Ratings Corporation<br>2012.11.05<br>twBB+  | Taiwan Ratings Corporation<br>2014.06.04<br>twBB  |

## Overview of Business Operation

### I 、Scope of business

#### (I) Primary business revenue breakdown

##### 1.Deposits and remittance

Unit: thousand NTD

| Category   | End of December 2015 |                | End of December 2014 |                | Difference |                 |
|--|----------------------|----------------|----------------------|----------------|------------|-----------------|
|  | Amount               | Proportion (%) | Amount               | Proportion (%) | Amount     | Growth rate (%) |
| Time deposits  | 76,497,104           | 40.78          | 75,463,204           | 41.07          | 1,033,900  | 1.37            |
| Cheque deposit                                       | 1,626,723            | 0.87           | 1,956,452            | 1.06           | (329,729)  | (16.85)         |
| Current deposit                                      | 27,992,971           | 14.92          | 27,877,246           | 15.17          | 115,725    | 0.42            |
| Current savings deposits                             | 46,877,410           | 24.99          | 45,629,506           | 24.83          | 1,247,904  | 2.73            |
| Fixed deposits                                       | 109,747,036          | 58.51          | 106,939,122          | 58.2           | 2,807,914  | 2.63            |
| Time deposit   | 32,339,537           | 17.24          | 30,886,395           | 16.81          | 1,453,142  | 4.70            |
| Negotiable certificates of deposit (NCD)             | 580,200              | 0.31           | 779,300              | 0.42           | (199,100)  | (25.55)         |
| Time savings deposits                                | 76,827,300           | 40.96          | 75,273,427           | 40.97          | 1,553,873  | 2.06            |
| Simple-interest savings deposits                     | 67,421,226           | 35.95          | 65,441,816           | 35.62          | 1,979,410  | 3.02            |
| Compound-interest savings deposits                   | 9,279,306            | 4.95           | 9,712,495            | 5.29           | (433,189)  | (4.46)          |
| Installment savings deposits                         | 126,767              | 0.07           | 119,116              | 0.06           | 7,651      | 6.42            |
| Deposits from the post office and interbank deposits | 1,320,036            | 0.70           | 1,333,583            | 0.73           | (13,547)   | (1.02)          |
| Savings balance                                      | 187,564,176          | 100.00         | 183,735,909          | 100.00         | 3,828,267  | 2.08            |

Note : Savings balance include NTD and foreign currencies.

##### 2.Credit business

###### (1) Personal Loans

Unit: thousand NTD

| Category                              | End of December 2015 |                | End of December 2014 |                | Difference  |                 |
|---------------------------------------|----------------------|----------------|----------------------|----------------|-------------|-----------------|
|                                       | Amount               | Proportion (%) | Amount               | Proportion (%) | Amount      | Growth rate (%) |
| Secured overdraft                     | 3,431                | 0.01           | 8,201                | 0.01           | (4,770)     | (58.16)         |
| Short-term loans                      | 447,145              | 0.73           | 519,112              | 0.85           | (71,967)    | (13.86)         |
| Short-term secured loans              | 11,312,270           | 18.50          | 4,862,160            | 7.97           | 6,450,110   | 132.66          |
| Mid-term loans                        | 1,309,808            | 2.14           | 1,349,419            | 2.21           | (39,611)    | (2.94)          |
| Mid-term secured loans                | 15,122,540           | 24.73          | 16,287,024           | 26.71          | (1,164,484) | (7.15)          |
| Long-term loans                       | 314,200              | 0.51           | 418,173              | 0.69           | (103,973)   | (24.86)         |
| Long-term secured loans               | 32,642,356           | 53.38          | 37,540,558           | 61.56          | (4,898,202) | (13.05)         |
| Total outstanding loan balance in TWD | 61,151,750           | 100.00         | 60,984,647           | 100.00         | 167,103     | 0.27            |



## (2) Corporate NTD loans

Unit: thousand NTD

| Category                              | End of December 2015 |                | End of December 2014 |                | Difference  |                 |
|---------------------------------------|----------------------|----------------|----------------------|----------------|-------------|-----------------|
|                                       | Amount               | Proportion (%) | Amount               | Proportion (%) | Amount      | Growth rate (%) |
| Secured overdraft                     | 0                    | 0              | 0                    | 0              | 0           | 0               |
| Short-term loans                      | 13,870,168           | 22.88          | 10,936,346           | 18.74          | 2,933,822   | 26.83           |
| Short-term secured loans              | 9,191,474            | 15.16          | 9,480,360            | 16.25          | (288,886)   | (3.05)          |
| Mid-term loans                        | 9,703,541            | 16.00          | 8,280,193            | 14.19          | 1,423,348   | 17.19           |
| Mid-term secured loans                | 23,866,633           | 39.36          | 25,322,068           | 43.39          | (1,455,435) | (5.75)          |
| Long-term loans                       | 446,228              | 0.74           | 305,361              | 0.52           | 140,867     | 46.13           |
| Long-term secured loans               | 3,550,957            | 5.86           | 4,029,817            | 6.91           | (478,860)   | (11.88)         |
| Total outstanding loan balance in TWD | 60,629,001           | 100.00         | 58,354,145           | 100.00         | 2,274,856   | 3.90            |

## (3) Corporate foreign currency loans

Unit: US\$1,000

| Category   | End of December 2015 | End of December 2014 | Difference |                 |
|--|----------------------|----------------------|------------|-----------------|
|  | Amount               | Amount               | Amount     | Growth rate (%) |
| Total outstanding loan balance in foreign currency | 308,331              | 297,589              | 10,742     | 3.61            |

## 3. Wealth management and trust services

Unit: thousand NTD

| Primary businesses   | 2015    |                | 2014    |                | Difference |                 |
|--|---------|----------------|---------|----------------|------------|-----------------|
|  | Amount  | Proportion (%) | Amount  | Proportion (%) | Amount     | Growth rate (%) |
| Special monetary trust in domestic and offshore securities | 132,675 | 21.70          | 149,004 | 26.00          | (16,329)   | (10.96)         |
| Real-estate trust (development and management)             | 51,499  | 8.43           | 77,192  | 13.47          | (25,693)   | (33.28)         |
| Other trusts   | 16,550  | 2.71           | 27,484  | 4.80           | (10,934)   | (39.78)         |
| Fee income subtotal  | 200,724 | 32.84          | 253,680 | 44.27          | (52,956)   | (20.88)         |
| Insurance  | 410,519 | 67.16          | 319,370 | 55.73          | 91,149     | 28.54           |
| Fee income grand total                                     | 611,243 | 100.00         | 573,050 | 100.00         | 38,193     | 6.66            |

#### 4. Debt collection and management services

Overdue loan payment amounted to NT\$956,983,000 at the end of 2015, reflecting a reduction of NT\$191,880,000 compared with the NT\$1,148,863,000 in 2014. Regarding the undertaken collateral, the remaining balance for 2015 was NT\$660,630,000, which is NT\$7,080,000 less than the NT\$667,710,000 for 2014.

#### 5. Foreign currencies

Unit: US\$1,000

| Category                         | End of December 2015 | End of December 2014 | Difference |                 |
|----------------------------------|----------------------|----------------------|------------|-----------------|
|                                  | Amount               | Amount               | Amount     | Growth rate (%) |
| Imports                          | 333,497              | 418,529              | (85,032)   | (20.32)         |
| Exports                          | 170,061              | 175,017              | (4,956)    | (2.83)          |
| Outward remittance               | 1,417,456            | 1,418,608            | (1,152)    | (0.08)          |
| Inward remittance                | 1,829,888            | 1,649,997            | 179,891    | (10.90)         |
| Total                            | 3,750,902            | 3,662,151            | 88,751     | 2.42            |
| Foreign currency deposit balance | 466,384              | 362,781              | 103,603    | 28.56           |

#### 6. Primary business as a percentage of the Bank's total assets and its changes

Unit: thousand NTD

| Primary businesses                                  | End of December 2015 |                                     | End of December 2014 |                                     |
|---|----------------------|-------------------------------------|----------------------|-------------------------------------|
|   | Amount               | As a percentage of total assets (%) | Amount               | As a percentage of total assets (%) |
| Total assets  | 209,966,912          | 100.00                              | 204,465,339          | 100.00                              |
| Loans and discounts                                 | 131,236,162          | 62.50                               | 128,273,163          | 62.74                               |
| Deposits at the CBC as well as loans to other banks | 33,738,715           | 16.07                               | 32,260,996           | 15.78                               |
| Investments in bills, bonds, and securities         | 22,769,547           | 10.84                               | 24,071,238           | 11.77                               |
| Others  | 22,222,488           | 10.58                               | 19,859,942           | 9.71                                |
| Total liabilities                                   | 196,725,051          | 93.69                               | 192,862,759          | 94.33                               |
| Deposits and remittances                            | 186,111,200          | 88.64                               | 181,967,628          | 89.00                               |
| Deposits from CBC and peer banks                    | 1,320,036            | 0.63                                | 1,650,763            | 0.81                                |
| Financial bonds payable                             | 4,700,000            | 2.24                                | 5,420,000            | 2.65                                |
| Others  | 4,593,815            | 2.18                                | 3,824,368            | 1.87                                |

Note 1 : Compiled in accordance with the International Financial Reporting Standards (IFRSs) for consolidated statements.

Note 2 : According to Jing-Guan-Ying-Fa No. 10200070270 issued by the FSC on 2013.05.15, the Bank recognized the sale of Floors 1 and 2 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2014 were adjusted.

## 7. Various business revenue as a percentage of operating revenue and its changes

Unit: thousand NTD

| Primary businesses   | 2015      |                                   | 2014      |                                   |
|--|-----------|-----------------------------------|-----------|-----------------------------------|
|  | Amount    | As a percentage of net income (%) | Amount    | As a percentage of net income (%) |
| Net interest income  | 2,360,646 | 62.92                             | 2,194,678 | 61.24                             |
| Net fee income   | 451,891   | 12.05                             | 513,183   | 14.33                             |
| Financial asset or financial liability at fair value through profit (loss) | 279,557   | 7.45                              | 55,116    | 1.54                              |
| Realized gain (loss) on available-for-sale financial assets                | 80,750    | 2.15                              | 80,740    | 2.25                              |
| Share of gain (loss) from subsidiaries recognized by equity method         | -         | -                                 | -         | -                                 |
| Exchange gains   | (100,013) | (2.67)                            | 114,914   | 3.20                              |
| Reversal gains from asset impairments (losses)                             | (76)      | -                                 | (574)     | (0.02)                            |
| Other non-interest income  | 678,854   | 18.10                             | 649,210   | 17.47                             |
| Net income   | 3,751,609 | 100.00                            | 3,607,267 | 100.00                            |

Note1 : Compiled in accordance with the International Financial Reporting Standards (IFRSs) for consolidated statements.

Note 2 : According to Jing-Guan-Ying-Fa No. 10200070270 issued by the FSC on 2013.05.15, the Bank recognized the sale of Floors 1 and 2 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2014 were adjusted.

## II 、 Employees

| Year                      |                   | 2014  | 2015  | Now until February 29, 2016 |
|---------------------------|-------------------|-------|-------|-----------------------------|
| Number of employees       | Staff             | 1,394 | 1,395 | 1,398                       |
|                           | Service personnel | 25    | 31    | 31                          |
|                           | Total             | 1,419 | 1,426 | 1,429                       |
| Average age               |                   | 40.15 | 39.70 | 39.74                       |
| Average years of services |                   | 9.70  | 10.09 | 10.20                       |
| Academic qualification    | Higher education  | 7.75  | 8.49  | 8.54                        |
|                           | Bachelors Degree  | 81.25 | 82.12 | 81.88                       |
|                           | High school       | 10.71 | 9.19  | 9.38                        |
|                           | Below high school | 0.28  | 0.21  | 0.21                        |

## Financial Report

### I 、Five-year simplified balance sheet and profit and loss statement

#### (I)Comparative summary of balance sheet

##### 1.Adoption of International Financial Reporting Standards

##### (1) Consolidated

Unit: thousand NTD

| Item \ Year  | Financial data over the last five years |                  |             |             |      | Up to February 29, 2016 |
|--|---|------------------|-------------|-------------|------|-------------------------|
|  | 2015                                    | 2014<br>(Note 3) | 2013        | 2012        | 2011 |                         |
| Cash and cash equivalents, deposits at CBC and interbank loans | 38,297,240                              | 37,210,318       | 36,880,549  | 40,772,472  | N/A  | 40,532,939              |
| Financial assets at fair value through profit and loss         | 3,057,697                               | 4,679,723        | 557,936     | 714,318     |      | 2,912,611               |
| Financial assets available for sale                            | 12,728,369                              | 14,711,668       | 8,900,515   | 6,671,543   |      | 12,831,067              |
| Financial asset derivatives for hedging purposes               | -                                       | -                | -           | -           |      | -                       |
| Investment in resale bills and bonds                           | 6,233,031                               | 3,926,169        | 199,781     | 1,299,002   |      | 4,246,656               |
| Accounts receivables - net                                     | 3,808,133                               | 1,556,966        | 1,527,932   | 904,964     |      | 4,395,984               |
| Current income tax assets                                      | 34,148                                  | 76,510           | 101,259     | 68,604      |      | 73,686                  |
| Assets for sale - net  | -                                       | -                | -           | -           |      | -                       |
| Loans and discounts - net                                      | 131,236,162                             | 128,273,163      | 103,162,173 | 97,333,371  |      | 133,156,541             |
| Held-to-maturity financial assets                              | 750,450                                 | 753,678          | 707,940     | 713,084     |      | 749,919                 |
| Equity-accounted investments - net                             | -                                       | -                | -           | -           |      | -                       |
| Restricted assets  | -                                       | -                | -           | -           |      | -                       |
| Other financial assets - net                                   | 55,537                                  | 65,537           | 62,537      | 62,547      |      | 55,537                  |
| Property and equipment - net                                   | 6,709,010                               | 6,914,737        | 5,700,952   | 5,882,897   |      | 6,538,869               |
| Investment property - net                                      | 2,315,100                               | 2,231,343        | 1,837,972   | 2,130,803   |      | 2,259,807               |
| Intangible assets - net  | 2,418,500                               | 2,464,359        | 1,463,675   | 1,511,896   |      | 2,408,951               |
| Deferred taxes assets - net                                    | 657,869                                 | 773,941          | 879,997     | 1,048,936   |      | 644,840                 |
| Other assets   | 1,665,666                               | 827,227          | 846,039     | 1,075,737   |      | 2,168,951               |
| Total assets   | 209,966,912                             | 204,465,339      | 162,829,257 | 160,190,174 |      | 212,976,360             |
| Deposits at the CBC and peer banks                             | 1,320,036                               | 1,650,763        | 1,118,851   | 1,112,671   | N/A  | 1,521,034               |
| Loans from CBC and peer banks                                  | 438,000                                 | -                | -           | -           |      | -                       |
| Financial liabilities at fair value through profit and loss    | 431,388                                 | 962              | 11,997      | 6,863       |      | 435,102                 |
| Financial liability derivatives for hedging purposes           | -                                       | -                | -           | -           |      | -                       |
| Bills and bonds sold under repurchase agreements               | -                                       | -                | -           | -           |      | -                       |
| Payables   | 3,234,613                               | 3,145,610        | 2,000,824   | 2,380,862   |      | 4,886,183               |
| Current income tax liabilities                                 | -                                       | 13,614           | -           | 20,955      |      | 38,934                  |

| Item \ Year  |                     | Financial data over the last five years |                  |             |             |      | Up to February 29, 2016 |
|--|---------------------|---|------------------|-------------|-------------|------|-------------------------|
|  |                     | 2015                                    | 2014<br>(Note 3) | 2013        | 2012        | 2011 |                         |
| Liabilities directly related to for-sale assets    |                     | -                                       | -                | -           | -           |      | -                       |
| Deposits and remittances                           |                     | 186,111,200                             | 181,967,628      | 146,574,270 | 145,304,922 |      | 186,971,203             |
| Bonds payable                                      |                     | 4,700,000                               | 5,420,000        | 2,939,000   | 2,939,000   |      | 4,700,000               |
| Special share liabilities                          |                     | -                                       | -                | -           | -           |      | -                       |
| Other financial liabilities                        |                     | -                                       | -                | 13,928      | 18,810      |      | 508,000                 |
| Liability provisions                               |                     | 180,049                                 | 186,989          | 178,245     | 169,295     |      | 174,847                 |
| Deferred income tax liabilities                    |                     | 111,197                                 | 111,197          | 35,037      | 119,948     |      | 111,196                 |
| Other liabilities                                  |                     | 198,568                                 | 365,996          | 140,416     | 123,979     |      | 205,865                 |
| Total liabilities                                  | Before distribution | 196,725,051                             | 192,862,759      | 153,012,568 | 152,197,305 |      | 199,552,364             |
|  | After distribution  | (Note 1)                                | 192,862,759      | 153,169,021 | 152,197,305 |      | (Note 1)                |
| Equity attributable to parent company shareholders |                     | 13,241,861                              | 11,602,580       | 9,816,689   | 7,992,869   |      | 13,423,996              |
| Share capital                                      | Before distribution | 12,211,753                              | 11,057,900       | 9,557,900   | 9,557,900   |      | 12,211,753              |
|  | After distribution  | (Note 1)                                | 11,411,753       | 9,557,900   | 9,557,900   |      | (Note 1)                |
| Capital reserves                                   |                     | -                                       | -                | -           | -           |      | -                       |
| Retained earnings                                  | Before distribution | 901,970                                 | 514,611          | 264,267     | (1,621,620) |      | 1,002,286               |
|  | After distribution  | (Note 1)                                | 160,758          | 107,814     | (1,621,620) |      | (Note 1)                |
| Other equity                                       |                     | 128,138                                 | 30,069           | (5,478)     | 56,589      |      | 209,958                 |
| Treasury stock                                     |                     | -                                       | -                | -           | -           |      | -                       |
| Non-controlling shareholders                       |                     | -                                       | -                | -           | -           |      | -                       |
| Total equity                                       | Before distribution | 13,241,861                              | 11,602,580       | 9,816,689   | 7,992,869   |      | 13,423,996              |
|  | After distribution  | (Note 1)                                | 11,602,580       | 9,660,236   | 7,992,869   |      | (Note 1)                |

Note 1: The aforementioned data obtained after distribution are based on the resolution of the annual shareholders' meeting. Earnings distribution for 2015 has not yet been approved by the shareholders' meeting.

Note 2: The above mentioned financial report has been audited by CPA.

Note 3: According to Jing-Guan-Ying-Fa No. 10200070270 issued by the FSC on 2013.05.15, the Bank recognized the sale of Floors 1 and 2 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2014 were adjusted.

(2) Individual

Unit: thousand NTD

| Item \ Year  | Financial data over the last five years |                  |             |             |      | Up to February 29, 2016 |
|--|---|------------------|-------------|-------------|------|-------------------------|
|  | 2015                                    | 2014<br>(Note 3) | 2013        | 2012        | 2011 |                         |
| Cash and cash equivalents, deposits at CBC and interbank loans | 38,280,130                              | 37,187,724       | 36,877,989  | 40,769,917  | N/A  | 40,467,391              |
| Financial assets at fair value through profit and loss         | 3,057,697                               | 4,679,723        | 557,936     | 714,318     |      | 2,912,611               |
| Financial assets available for sale                            | 12,728,369                              | 14,711,668       | 8,900,515   | 6,671,543   |      | 12,831,067              |
| Financial asset derivatives for hedging purposes               | -                                       | -                | -           | -           |      | -                       |
| Investment in resale bills and bonds                           | 6,233,031                               | 3,926,169        | 199,781     | 1,299,002   |      | 4,246,656               |
| Accounts receivables - net                                     | 3,227,327                               | 1,501,115        | 1,419,362   | 1,017,320   |      | 3,601,204               |
| Current income tax assets                                      | 29,554                                  | 69,614           | 94,365      | 68,579      |      | 66,912                  |
| Assets for sale - net  | -                                       | -                | -           | -           |      | -                       |
| Loans and discounts - net                                      | 131,236,162                             | 128,273,163      | 103,162,173 | 97,333,371  |      | 133,156,542             |
| Held-to-maturity financial assets                              | 750,450                                 | 753,678          | 707,940     | 713,084     |      | 749,919                 |
| Equity-accounted investments - net                             | 525,747                                 | 555,412          | 259,808     | 178,446     |      | 536,994                 |
| Restricted assets  | -                                       | -                | -           | -           |      | -                       |
| Other financial assets - net                                   | 55,537                                  | 65,537           | 62,537      | 62,547      |      | 55,537                  |
| Property and equipment - net                                   | 6,705,851                               | 6,911,428        | 5,700,779   | 5,882,670   |      | 6,535,408               |
| Investment property - net                                      | 2,315,100                               | 2,215,464        | 1,821,843   | 2,048,406   |      | 2,259,807               |
| Intangible assets - net  | 2,418,500                               | 2,464,359        | 1,463,675   | 1,511,801   |      | 2,408,951               |
| Deferred taxes assets - net                                    | 657,869                                 | 773,941          | 879,997     | 1,048,936   |      | 644,840                 |
| Other assets   | 1,443,182                               | 792,111          | 813,192     | 988,899     |      | 2,141,643               |
| Total assets   | 209,664,506                             | 204,881,106      | 162,921,892 | 160,308,839 |      | 212,615,482             |
| Deposits at the CBC and peer banks                             | 1,320,036                               | 1,650,763        | 1,118,851   | 1,112,671   |      | 1,521,034               |
| Loans from CBC and peer banks                                  | -                                       | -                | -           | -           |      | -                       |
| Financial liabilities at fair value through profit and loss    | 431,388                                 | 962              | 11,997      | 6,863       | N/A  | 435,102                 |
| Financial liability derivatives for hedging purposes           | -                                       | -                | -           | -           |      | -                       |
| Bills and bonds sold under repurchase agreements               | -                                       | -                | -           | -           |      | -                       |
| Payables   | 3,209,409                               | 3,137,455        | 1,988,282   | 2,372,007   |      | 4,864,038               |
| Current income tax liabilities                                 | -                                       | -                | -           | -           |      | 32,420                  |
| Liabilities directly related to for-sale assets                | -                                       | -                | -           | -           |      | -                       |
| Deposits and remittances                                       | 186,277,381                             | 182,411,479      | 146,684,018 | 145,493,410 |      | 187,152,558             |
| Bonds payable  | 4,700,000                               | 5,420,000        | 2,939,000   | 2,939,000   |      | 4,700,000               |
| Special share liabilities                                      | -                                       | -                | -           | -           |      | -                       |
| Other financial liabilities                                    | -                                       | -                | 13,928      | 18,810      |      | -                       |

| Item \ Year  |                     | Financial data over the last five years |                  |             |             |      | Up to February 29, 2016 |
|--|---------------------|---|------------------|-------------|-------------|------|-------------------------|
|  |                     | 2015                                    | 2014<br>(Note 3) | 2013        | 2012        | 2011 |                         |
| Liability provisions                               |                     | 180,049                                 | 186,989          | 178,245     | 169,295     |      | 174,847                 |
| Deferred income tax liabilities                    |                     | 111,197                                 | 111,197          | 35,037      | 119,948     |      | 111,196                 |
| Other liabilities                                  |                     | 193,185                                 | 359,681          | 135,845     | 83,966      |      | 200,798                 |
| Total liabilities                                  | Before distribution | 196,422,645                             | 193,278,526      | 153,105,203 | 152,315,970 |      | 199,191,993             |
|  | After distribution  | (Note 1)                                | 193,278,526      | 153,261,656 | 152,315,970 |      | (Note 1)                |
| Equity attributable to parent company shareholders |                     | 13,241,861                              | 11,602,580       | 9,816,689   | 7,992,869   |      | 13,423,489              |
| Share capital                                      | Before distribution | 12,211,753                              | 11,057,900       | 9,557,900   | 9,557,900   |      | 12,211,753              |
|  | After distribution  | (Note 1)                                | 11,411,753       | 9,557,900   | 9,557,900   |      | (Note 1)                |
| Capital reserves                                   |                     | -                                       | -                | -           | -           |      | -                       |
| Retained earnings                                  | Before distribution | 901,970                                 | 514,611          | 264,267     | (1,621,620) |      | 1,001,779               |
|  | After distribution  | (Note 1)                                | 160,758          | 107,814     | (1,621,620) |      | (Note 1)                |
| Other equity                                       |                     | 128,138                                 | 30,069           | (5,478)     | 56,589      |      | 209,957                 |
| Treasury stock                                     |                     | -                                       | -                | -           | -           |      | -                       |
| Non-controlling shareholders                       |                     | -                                       | -                | -           | -           |      | -                       |
| Total equity                                       | Before distribution | 13,241,861                              | 11,602,580       | 9,816,689   | 7,992,869   |      | 13,423,489              |
|  | After distribution  | (Note 1)                                | 11,602,580       | 9,660,236   | 7,992,869   |      | (Note 1)                |

Note1: The aforementioned data obtained after distribution are based on the resolution of the annual shareholders' meeting.  
Earnings distribution for 2015 has not yet been approved by the shareholders' meeting.

Note2: The above mentioned financial report has been audited by CPA.

Note3: According to Jing-Guan-Ying-Fa No. 10200070270 issued by the FSC on 2013.05.15, the Bank recognized the sale of Floors 1 and 2 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2014 were adjusted.

## 2. Adoption of Taiwan's Financial Accounting Standards

Unit: thousand NTD

| Item   | Year                        | Financial data over the last five years |      |      |      |             | Up to February 29, 2016 |
|--|-----------------------------|---|------|------|------|-------------|-------------------------|
|  |                             | 2015                                    | 2014 | 2013 | 2012 | 2011        |                         |
| Cash and cash equivalents, deposits at CBC and interbank loans                           |                             |   |      |      |      | 37,201,661  |                         |
| Financial assets at fair value through profit or loss                                    |                             |   |      |      |      | 1,009,623   |                         |
| Investment in resale bills and bonds   |                             |   |      |      |      | -           |                         |
| Financial assets available for sale  |                             |   |      |      |      | 4,225,302   |                         |
| Loans and discounts  |                             |   |      |      |      | 102,164,399 |                         |
| Receivables  |                             |   |      |      |      | 1,405,561   |                         |
| Held-to-maturity financial assets  |                             |   |      |      |      | 718,181     |                         |
| Equity-accounted investments   |                             |   |      |      |      | 128,582     |                         |
| Fixed assets   |                             |   |      |      |      | 7,971,193   |                         |
| Intangible assets  |                             |   |      |      |      | 1,543,924   |                         |
| Other financial assets   |                             |   |      |      |      | 348,893     |                         |
| Other assets   |                             |   |      |      |      | 2,274,242   |                         |
| Total assets   |                             |   |      |      |      | 158,991,561 |                         |
| Deposits at the CBC and peer banks   |                             |   |      |      |      | 1,315,248   |                         |
| Deposits and remittances   |                             |   |      |      |      | 142,643,324 |                         |
| Financial liabilities at fair value through profit or loss                               |                             |   |      |      |      | 22,647      |                         |
| Bills and bonds sold under repurchase agreements   |                             |   |      |      |      | -           |                         |
| CBC and interbank loans, financial bond payables   |                             | N/A                                     | N/A  | N/A  | N/A  | 4,339,000   | N/A                     |
| Accrued pension cost representing the minimum liability recognized in the balance sheets |                             |   |      |      |      | 96,899      |                         |
| Other liabilities  |                             |   |      |      |      | 2,706,253   |                         |
| Total liabilities  | Before distribution         |   |      |      |      | 151,123,371 |                         |
|  | After distribution (Note 1) |   |      |      |      | 151,123,371 |                         |
| Share capital  | Before distribution         |   |      |      |      | 9,557,900   |                         |
|  | After distribution (Note 1) |   |      |      |      | 9,557,900   |                         |
| Capital reserves   |                             |   |      |      |      | -           |                         |
| Retained earnings  | Before distribution         |   |      |      |      | (1,760,820) |                         |
|  | After distribution (Note 1) |   |      |      |      | (1,760,820) |                         |
| Unrealized gain or loss on financial instruments   |                             |   |      |      |      | 8,801       |                         |
| Cumulative translation adjustments   |                             |   |      |      |      | -           |                         |
| Other shareholders' equity   |                             |   |      |      |      | 62,309      |                         |
| Total stockholders' equity   | Before distribution         |   |      |      |      | 7,868,190   |                         |
|  | After distribution (Note 1) |   |      |      |      | 7,868,190   |                         |

Note 1 : The aforementioned data obtained after distribution are based on the resolution of the annual shareholders' meeting.

Note 2 : The above mentioned financial report has been audited by CPA.



## (II) Comparative summary of income statement

### 1. Adoption of International Financial Reporting Standards

#### (1) Consolidated

Unit: thousand NTD

| Item   | Year | Financial data over the last five years |                  |           |           |      | Up to<br>February 29,<br>2016 |
|--|------|---|------------------|-----------|-----------|------|-------------------------------|
|  |      | 2015                                    | 2014<br>(Note 3) | 2013      | 2012      | 2011 |                               |
| Interest income  |      | 3,994,187                               | 3,669,634        | 3,139,337 | 3,132,713 | N/A  | 639,707                       |
| Less: Interest expenses  |      | 1,633,541                               | 1,474,956        | 1,268,884 | 1,259,783 |      | 260,796                       |
| Net interest income  |      | 2,360,646                               | 2,194,678        | 1,870,453 | 1,872,930 |      | 378,911                       |
| Non-interest net income  |      | 1,390,963                               | 1,412,589        | 2,161,240 | 767,803   |      | 210,962                       |
| Net operating income   |      | 3,751,609                               | 3,607,267        | 4,031,693 | 2,640,733 |      | 589,873                       |
| Bad loan expenses and provisions for<br>guarantee liabilities                |      | 231,758                                 | 565,891          | 84,606    | 307,766   |      | 7,453                         |
| Operating expenses   |      | 2,640,444                               | 2,362,826        | 1,967,157 | 2,048,578 |      | 455,407                       |
| Pre-tax profit from continuing operations                                    |      | 879,407                                 | 678,550          | 1,979,930 | 284,389   |      | 127,013                       |
| Income tax gains (expenses)  |      | (143,963)                               | (182,346)        | (94,043)  | (137,798) |      | (22,603)                      |
| Current profit from continuing operations                                    |      | 735,444                                 | 496,204          | 1,885,887 | 146,591   |      | 104,410                       |
| Profit and loss from discontinuing<br>operations                             |      | -                                       | -                | -         | -         |      | -                             |
| Net profit (loss) for the current period                                     |      | 735,444                                 | 496,204          | 1,885,887 | 146,591   |      | 104,410                       |
| Other comprehensive income/losses for<br>the current period (net, after-tax) |      | 103,837                                 | 23,051           | (62,067)  | 47,788    |      | 81,820                        |
| Total comprehensive income for the<br>current period                         |      | 839,281                                 | 519,255          | 1,823,820 | 194,379   |      | 186,230                       |
| Net profit attributable to parent company<br>shareholders                    |      | 735,444                                 | 492,493          | 1,885,887 | 146,591   |      | 104,410                       |
| Net profit attributable to non-controlling<br>shareholders                   |      | -                                       | -                | -         | -         |      | -                             |
| Total comprehensive income attributable<br>to parent company shareholders    |      | 839,281                                 | 519,255          | 1,823,820 | 194,379   |      | 186,230                       |
| Total comprehensive income attributable<br>to non-controlling shareholders   |      | -                                       | -                | -         | -         |      | -                             |
| Earnings (loss) per share  |      | 0.64                                    | 0.46             | 1.97      | 0.15      |      | 0.09                          |

Note 1 : The above mentioned financial report has been audited by CPA.

Note 2 : Earnings (loss) per share are based on the weighted average number of shares.

Note 3 : According to Jing-Guan-Ying-Fa No. 10200070270 issued by the FSC on 2013.05.15, the Bank recognized the sale of Floors 1 and 2 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2014 were adjusted.

**(2) Individual**

Unit: thousand NTD

| Item   | Year | Financial data over the last five years |                  |           |           |      | Up to<br>February 29,<br>2016 |
|--|------|---|------------------|-----------|-----------|------|-------------------------------|
|  |      | 2015                                    | 2014<br>(Note 3) | 2013      | 2012      | 2011 |                               |
| Interest income  |      | 3,994,132                               | 3,673,403        | 3,156,900 | 3,155,884 | N/A  | 634,212                       |
| Less: Interest expenses  |      | 1,630,957                               | 1,475,190        | 1,269,061 | 1,260,015 |      | 259,841                       |
| Net interest income  |      | 2,363,175                               | 2,198,213        | 1,887,839 | 1,895,869 |      | 374,371                       |
| Non-interest net income  |      | 1,321,052                               | 858,534          | 2,055,011 | 662,981   |      | 198,855                       |
| Net operating income   |      | 3,684,227                               | 3,056,747        | 3,942,850 | 2,558,850 |      | 573,226                       |
| Bad loan expenses and provisions for<br>guarantee liabilities                |      | 224,126                                 | 69,460           | 47,606    | 307,766   |      | 3,390                         |
| Operating expenses   |      | 2,583,198                               | 2,326,197        | 1,922,990 | 1,995,774 |      | 445,525                       |
| Pre-tax profit from continuing operations                                    |      | 876,903                                 | 661,090          | 1,972,254 | 255,310   |      | 124,310                       |
| Income tax gains (expenses)  |      | (141,459)                               | (164,886)        | (86,367)  | (108,719) |      | (19,900)                      |
| Current profit from continuing operations                                    |      | 735,444                                 | 496,204          | 1,885,887 | 146,591   |      | 104,410                       |
| Profit and loss from discontinuing<br>operations                             |      | -                                       | -                | -         | -         |      | -                             |
| Net profit (loss) for the current period                                     |      | 735,444                                 | 496,204          | 1,885,887 | 146,591   |      | 104,410                       |
| Other comprehensive income/losses for<br>the current period (net, after-tax) |      | 103,837                                 | 23,051           | (62,067)  | 47,788    |      | 81,820                        |
| Total comprehensive income for the<br>current period                         |      | 839,281                                 | 519,255          | 1,823,820 | 194,379   |      | 186,230                       |
| Net profit attributable to parent company<br>shareholders                    |      | 735,444                                 | 496,204          | 1,885,887 | 146,591   |      | 104,410                       |
| Net profit attributable to non-controlling<br>shareholders                   |      | -                                       | -                | -         | -         |      | -                             |
| Total comprehensive income attributable<br>to parent company shareholders    |      | 839,281                                 | 519,255          | 1,823,820 | 194,379   |      | 186,230                       |
| Total comprehensive income attributable<br>to non-controlling shareholders   |      | -                                       | -                | -         | -         |      | -                             |
| Earnings (loss) per share  |      | 0.64                                    | 0.46             | 1.97      | 0.15      |      | 0.09                          |

Note 1 : The above mentioned financial report has been audited by CPA.

Note 2 : Earnings (loss) per share are based on the weighted average number of shares.

Note 3 : According to Jing-Guan-Ying-Fa No. 10200070270 issued by the FSC on 2013.05.15, the Bank recognized the sale of Floors 1 and 2 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2014 were adjusted.

## 2. Adoption of Taiwan's Financial Accounting Standards

Unit: thousand NTD

| Item \ Year   | Financial data over the last five years |      |      |      |           | Up to February 29, 2016 |
|---|---|------|------|------|-----------|-------------------------|
|   | 2015                                    | 2014 | 2013 | 2012 | 2011      |                         |
| Net interest income   | N/A                                     | N/A  | N/A  | N/A  | 1,903,951 | N/A                     |
| Non-interest net revenue                                    |   |      |      |      | 456,504   |                         |
| Bad debt expense  |   |      |      |      | 1,404,338 |                         |
| Operating expenses  |   |      |      |      | 1,955,795 |                         |
| Pre-tax profit or loss of continuing operations             |   |      |      |      | (999,678) |                         |
| After-tax profit or loss of continuing operations           |   |      |      |      | (833,950) |                         |
| Profit or loss of discontinuing operations (net, after-tax) |   |      |      |      | -         |                         |
| Extraordinary gain or loss (net, after-tax)                 |   |      |      |      | -         |                         |
| Accumulated effects of accounting changes (net, after-tax)  |   |      |      |      | -         |                         |
| Profit or loss for the current period                       |   |      |      |      | (833,950) |                         |
| Earnings (loss) per share                                   |   |      |      |      | (0.94)    |                         |

Note 1 : The above mentioned financial report has been audited by CPA.

Note 2 : Earnings (loss) per share are based on the weighted average number of shares.

## II、Five-year financial analysis

### (I)Adoption of International Financial Reporting Standards

#### 1.Consolidated

Unit: thousand NTD

| Item \ Year  |  | Financial analysis for the last five years |                   |           |           |      | Up to February 29, 2016 |
|--|--|--|-------------------|-----------|-----------|------|-------------------------|
|  |  | 2015                                       | 2014<br>(Note 10) | 2013      | 2012      | 2011 |                         |
| Operational Efficiency   | Loans to deposit ratio (%)   | 71   | 71                | 71        | 68        | N/A  | N/A                     |
|  | Overdue loan ratio (%)   | 0.72                                       | 0.88              | 1.20      | 1.21      |      |                         |
|  | Interest expense as a percentage of annual average deposit balance (%) | 0.82                                       | 0.80              | 0.80      | 0.81      |      |                         |
|  | Interest income as a percentage of annual average loan balance (%)     | 2.64                                       | 2.66              | 2.69      | 2.65      |      |                         |
|  | Asset turnover rate (times)  | 0.02                                       | 0.02              | 0.02      | 0.02      |      |                         |
|  | Operating revenue per employee   | 2,629                                      | 2,542             | 3,565     | 2,242     |      |                         |
|  | Profit per employee  | 515  | 350               | 1,667     | 124       |      |                         |
| Profitability  | Tier 1 capital return ratio (%)  | 9  | 8                 | 26        | 4         |      |                         |
|  | Return on assets (%)   | 0.35                                       | 0.27              | 1.17      | 0.09      |      |                         |
|  | Return on equity (%)   | 5.92                                       | 4.63              | 21.18     | 1.86      |      |                         |
|  | Net profit margin (%)  | 19.60                                      | 13.76             | 46.78     | 5.55      |      |                         |
|  | Earnings per share (NT\$)  | 0.64                                       | 0.45              | 1.97      | 0.15      |      |                         |
| Financial structure  | Liabilities to total assets (%)  | 94   | 94                | 94        | 95        |      |                         |
|  | Real estate and equipment as a percentage of total equity (%)          | 51   | 60                | 58        | 74        |      |                         |
| Growth rate  | Asset growth rate (%)  | 3  | 26                | 2         | 1         |      |                         |
|  | Profit growth rate (%)   | 30   | (66)              | 596       | 129       |      |                         |
| Cash Flows   | Operating cash flow ratio (%)  | 157  | (Note 8)          | (Note 8)  | 232       |      |                         |
|  | Cash flow adequacy ratio (%)   | (Note 8)                                   | (Note 8)          | 60        | 244       |      |                         |
|  | Cash flow satisfied ratio (%)  | 665  | (Note 8)          | (Note 8)  | (Note 9)  |      |                         |
| Liquid reserve ratio (%)   |  | 26   | 27                | 25        | 25        |      |                         |
| Total secured credit balance of stakeholders   |  | 3,261,177                                  | 2,436,941         | 1,701,311 | 1,519,923 |      |                         |
| Total secured credit balance of stakeholders as a percentage of total credit balance (%) |  | 2.39                                       | 1.82              | 1.59      | 1.50      |      |                         |
| Operating scale  | Asset market share (%)   | 0.36                                       | 0.37              | 0.32      | 0.34      |      |                         |
|  | Equity market share (%)  | 0.36                                       | 0.34              | 0.32      | 0.28      |      |                         |
|  | Deposit market share (%)   | 0.48                                       | 0.50              | 0.43      | 0.44      |      |                         |
|  | Loan market share (%)  | 0.55                                       | 0.55              | 0.47      | 0.46      |      |                         |

The causes of changes in each financial ratio for the preceding two fiscal years (except when the change is less than 20%)

- 1.Increase in profit per employee, Tier 1 capital return ratio, return on asset, return on equity, net margin, earning per share, and profit growth: Mainly due to recognizing less bad debt expenses in 2015 compared with 2014.
- 2.Decrease in property and equipment as a percentage of total equity, asset growth, and profit growth: Mainly due to a reduction in gain on disposal of property and equipment in 2015.
- 3.Increase in operating cash flow ratio and cash flow adequacy ratio: Mainly due to increase cash inflow from operating activities in 2015.
4. Increase in stakeholders' total secured credit balance and stakeholders' total secured credit balance as a percentage of total credit balance: Mainly due to the actual loans made by stakeholders in 2015.

Note 1 : The above mentioned financial report has been audited by CPA.

Note 2 : Calculation formulas used are as follows:

1. Operational Efficiency
  - (1) Loans to deposit ratio = Total loans / Total deposits
  - (2) Overdue loan ratio = Total overdue loans / Total loans
  - (3) Interest expenses to average deposit balances = Total deposit balance interest expenses / Annual average deposit balances.
  - (4) Interest Income to average loan balances = Total credit interest income / Annual average loan balances.
  - (5) Total assets turnover rate = Net income / Average total assets
  - (6) Operating revenue per employee (Note 6) = Net income / Total number of employees
  - (7) Profit per employee = Net income / Total number of employees
2. Profitability
  - (1) Tier 1 capital return ratio = Income before tax / Average net Tier 1 capital
  - (2) Return on assets = Net income / Average total assets
  - (3) Return on equity = Net income / Average total shareholder equity
  - (4) Net profit margin = Net income / Net revenue
  - (5) Earnings per share = (Profit or loss attributable to parent company shareholders – special stock dividends) / Weighted average outstanding shares (Note 4)
3. Financial structure
  - (1) Liabilities to total assets = Total liabilities / Total assets
  - (2) Property and equipment to equity ratio = net value of property and equipment / net equity value.
4. Growth rate
  - (1) Asset growth rate = (Current total asset – Last year's total asset) / Last year's total asset
  - (2) Profit growth rate = (Current total earnings – Last year's total earnings) / Last year's total earnings
5. Cash flow (Note 8)
  - (1) Cash flow ratio = Cash flows from operating activities / (Due to borrow or draw from overdraft limits by banks and peer banks + commercial bills payable + financial liabilities at fair value through income statement + bills and bonds sold under repurchase agreements + accounts payable in 1 year)
  - (2) Net cash flow adequacy ratio = 5-year net cash flow from operations / (5-year capital expenditures + 5-year cash dividends)
  - (3) Cash flow satisfied ratio = Cash flows from operating activities / Cash flows from investing activities
6. Liquidity Reserve Ratio = Current assets required by the CBC / Liabilities for which the various current reserve shall be provided
7. Operating scale
  - (1) Asset market share = Total assets / Total assets of financial institutes which can operate deposits and loans business (Note 5)
  - (2) Equity market share = Total equities / Total net equities of financial institutes which can operate deposits and loans business
  - (3) Deposit market share = Total deposits / Total deposits of financial institutes which can operate deposits and loans business
  - (4) Loan market share = Total loans / Total loans of financial institutes which can operate deposits and loans business

Note 3 : Total liabilities are net of reserves for losses on guarantees and accidental loss.

Note 4 : When the above formula for calculation of earnings per share is used during measurement, attention should be paid to the following matters :

1. Measurement should be based on the weighted average number of ordinary shares, not the number of issued shares at year end.
2. Where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.
3. In the case of capital increase by earnings or capital reserves, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax.
5. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net profit after tax; if there is loss, and then no adjustment is required.

Note 5 : Financial institutes which can operate deposits and loans business include banks in Taiwan, Chinese branch banks in Taiwan, foreign branch banks in Taiwan, credit cooperatives, and agriculture or fishery associations.

Note 6 : Operating revenue refers to the sum of interest income and non-interest income.

Note 7 : Attention should be paid to the following matters when carrying out cash flow analysis :

1. Net cash flow from operating activities means net cash in-flow amounts from operating activities listed in the statement of cash flows.
2. Capital expenditures means the amounts of cash out-flows for annual capital investment.
3. Cash dividend includes cash dividends from both ordinary shares and preferred shares.
4. Gross property and equipment value means the total value of property and equipment prior to the subtraction of accumulated depreciation.

Note 8 : Cash flow from operating activities is a net outflow and is therefore not expressed.

Note 9 : Cash flow from investment activities is a net inflow and is therefore not expressed.

Note 10 : According to Jing-Guan-Ying-Fa No. 10200070270 issued by the FSC on 2013.05.15, the Bank recognized the sale of Floors 1 and 2 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2014 were adjusted.

## 2. Individual

Unit: thousand NTD

| Item \ Year  |  | Financial analysis for the last five years |                   |           |           |      | Up to February 29, 2016 |
|--|--|--|-------------------|-----------|-----------|------|-------------------------|
|  |  | 2015                                       | 2014<br>(Note 10) | 2013      | 2012      | 2011 |                         |
| Operational Efficiency   | Loans to deposit ratio (%)   | 71   | 71                | 71        | 68        | N/A  | N/A                     |
|  | Overdue loan ratio (%)   | 0.72                                       | 0.88              | 1.20      | 1.21      |      |                         |
|  | Interest expense as a percentage of annual average deposit balance (%) | 0.82                                       | 0.80              | 0.80      | 0.81      |      |                         |
|  | Interest income as a percentage of annual average loan balance (%)     | 2.64                                       | 2.66              | 2.69      | 2.65      |      |                         |
|  | Asset turnover rate (times)  | 0.02                                       | 0.02              | 0.02      | 0.02      |      |                         |
|  | Operating revenue per employee   | 2,582                                      | 2,154             | 3,486     | 2,172     |      |                         |
|  | Profit per employee  | 515  | 350               | 1,667     | 124       |      |                         |
| Profitability  | Tier 1 capital return ratio (%)  | 10   | 8                 | 26        | 4         |      |                         |
|  | Return on assets (%)   | 0.35                                       | 0.27              | 1.17      | 0.09      |      |                         |
|  | Return on equity (%)   | 5.92                                       | 4.63              | 21.18     | 1.86      |      |                         |
|  | Net profit margin (%)  | 19.96                                      | 16.23             | 47.83     | 5.73      |      |                         |
|  | Earnings per share (NT\$)  | 0.64                                       | 0.45              | 1.97      | 0.15      |      |                         |
| Financial structure  | Liabilities to total assets (%)  | 94   | 94                | 94        | 95        |      |                         |
|  | Real estate and equipment as a percentage of total equity (%)          | 51   | 60                | 58        | 74        |      |                         |
| Growth rate  | Asset growth rate (%)  | 2  | 26                | 2         | 1         |      |                         |
|  | Profit growth rate (%)   | 33   | (66)              | 672       | 126       |      |                         |
| Cash Flows   | Operating cash flow ratio (%)  | 166  | (Note 8)          | (Note 8)  | 236       |      |                         |
|  | Cash flow adequacy ratio (%)   | (Note 8)                                   | (Note 8)          | 116       | 259       |      |                         |
|  | Cash flow satisfied ratio (%)  | 866  | (Note 8)          | (Note 8)  | (Note 9)  |      |                         |
| Liquidity Reserve Ratio (%)  |  | 26   | 27                | 25        | 25        |      |                         |
| Total secured credit balance of stakeholders   |  | 3,261,177                                  | 2,436,941         | 1,701,311 | 1,519,923 |      |                         |
| Total secured credit balance of stakeholders as a percentage of total credit balance (%) |  | 2.39                                       | 1.82              | 1.59      | 1.50      |      |                         |
| Operating scale  | Asset market share (%)   | 0.36                                       | 0.37              | 0.32      | 0.34      |      |                         |
|  | Equity market share (%)  | 0.36                                       | 0.34              | 0.32      | 0.28      |      |                         |
|  | Deposit market share (%)   | 0.48                                       | 0.50              | 0.43      | 0.45      |      |                         |
|  | Loan market share (%)  | 0.55                                       | 0.55              | 0.47      | 0.46      |      |                         |

The causes of changes in each financial ratio for the preceding two fiscal years (except when the change is less than 20%)

1. Increase in profit per employee, Tier 1 capital return ratio, return on asset, return on equity, net margin, earning per share, and profit growth: Mainly due to an increase in the profits of equity-accounted affiliated companies in 2015 and an increase in the recognized bad debt expenses compared with those in 2014.
2. Decrease in property and equipment as a percentage of total equity, asset growth, and profit growth: Mainly due to a reduction in gain on disposal of property and equipment in 2015.
3. Increase in operating cash flow ratio and cash flow adequacy ratio: Mainly due to increase cash inflow from operating activities in 2015.
4. Increase in stakeholders' total secured credit balance and stakeholders' total secured credit balance as a percentage of total credit balance: Mainly due to the actual loans made by stakeholders in 2015.

Note 1 : The above mentioned financial report has been audited by CPA.

Note 2 : Calculation formulas used are as follows:

1. Operational Efficiency

- (1) Loans to deposit ratio = Total loans / Total deposits
- (2) Overdue loan ratio = Total overdue loans / Total loans
- (3) Interest expenses to average deposit balances = Total deposit balance interest expenses / Annual average deposit balances.
- (4) Interest Income to average loan balances = Total credit interest income / Annual average loan balances.
- (5) Total asset turnover rate = Net income / Average total assets
- (6) Operating revenue per employee (Note 6) = Net income / Total number of employees
- (7) Profit per employee = Net income / Total number of employees

2. Profitability

- (1) Tier 1 capital return ratio = Income before tax / Average net Tier 1 capital
- (2) Return on assets = Net income / Average total assets
- (3) Return on equity = Net income / Average total shareholder equity
- (4) Net profit margin = Net income / Net revenue
- (5) Earnings per share = (Profit or loss attributable to parent company shareholders – special stock dividends)/ Weighted average outstanding shares (Note 4)

3. Financial structure

- (1) Liabilities to total assets = Total liabilities / Total assets
- (2) Property and equipment to equity ratio = net value of property and equipment / net equity value.

4. Growth rate

- (1) Asset growth rate = (Current total asset – Last year's total asset) / Last year's total asset
- (2) Profit growth rate = (Current total earnings – Last year's total earnings) / Last year's total earnings

5. Cash flow (Note 8)

- (1) Cash flow ratio = Cash flows from operating activities / (Due to borrow or draw from overdraft limits by banks and peer banks + commercial bills payable + financial liabilities at fair value through income statement + bills and bonds sold under repurchase agreements + accounts payable in 1 year)
- (2) Net cash flow adequacy ratio = 5-year net cash flow from operations / (5-year capital expenditures + 5-year cash dividends)
- (3) Cash flow satisfied ratio = Cash flows from operating activities / Cash flows from investing activities

6. Liquidity Reserve Ratio = Current assets required by the CBC / Liabilities for which the various current reserve shall be provided

7. Operating scale

- (5) Asset market share = Total assets / Total assets of financial institutes which can operate deposits and loans business (Note 5)
- (6) Equity market share = Total equities / Total net equities of financial institutes which can operate deposits and loans business
- (7) Deposit market share = Total deposits / Total deposits of financial institutes which can operate deposits and loans business
- (8) Loan market share = Total loans / Total loans of financial institutes which can operate deposits and loans business

Note 3 : Total liabilities are net of reserves for losses on guarantees and accidental loss.

Note 4 : When the above formula for calculation of earnings per share is used during measurement, attention should be paid to the following matters:

1. Measurement should be based on the weighted average number of ordinary shares, not the number of issued shares at year end.
2. Where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.
3. In the case of capital increase by earnings or capital reserves, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax.
5. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net profit after tax; if there is loss, and then no adjustment is required.

Note 5 : Financial institutes which can operate deposits and loans business include banks in Taiwan, Chinese branch banks in Taiwan, foreign branch banks in Taiwan, credit cooperatives, and agriculture or fishery associations.

Note 6 : Operating revenue refers to the sum of interest income and non-interest income.



Note 7 : Attention should be paid to the following matters when carrying out cash flow analysis:

1. Net cash flow from operating activities means net cash in-flow amounts from operating activities listed in the statement of cash flows.
2. Capital expenditures means the amounts of cash out-flows for annual capital investment.
3. Cash dividend includes cash dividends from both ordinary shares and preferred shares.
4. Gross property and equipment value means the total value of property and equipment prior to the subtraction of accumulated depreciation.

Note 8 : Cash flow from operating activities is a net outflow and is therefore not expressed.

Note 9 : Cash flow from investment activities is a net inflow and is therefore not expressed.

Note 10 : According to Jing-Guan-Ying-Fa No. 10200070270 issued by the FSC on 2013.05.15, the Bank recognized the sale of Floors 1 and 2 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2014 were adjusted.

## (II) Adoption of Taiwan's Financial Accounting Standards

Unit: thousand NTD

Unit: thousand NTD

| Item \ Year  |  | Financial analysis for the last five years |      |      |      |         | Up to February 29, 2016 |     |     |     |           |     |
|--|--|--|------|------|------|---------|-------------------------|-----|-----|-----|-----------|-----|
|  |  | 2015                                       | 2014 | 2013 | 2012 | 2011    |                         |     |     |     |           |     |
| Operational Efficiency   | Loans to deposit ratio (%)   | N/A  | N/A  | N/A  | N/A  | 73      | N/A                     |     |     |     |           |     |
|  | Overdue loan ratio (%)   |  |      |      |      | 1.16    |                         |     |     |     |           |     |
|  | Interest expense as a percentage of annual average deposit balance (%) |  |      |      |      | 0.79    |                         |     |     |     |           |     |
|  | Interest income as a percentage of annual average loan balance (%)     |  |      |      |      | 2.66    |                         |     |     |     |           |     |
|  | Asset turnover rate (times)  |  |      |      |      | 0.01    |                         |     |     |     |           |     |
|  | Operating revenue per employee   |  |      |      |      | 1,924   |                         |     |     |     |           |     |
|  | Profit per employee  |  |      |      |      | (680)   |                         |     |     |     |           |     |
| Profitability  | Tier 1 capital return ratio (%)  |  |      |      |      | (14)    |                         |     |     |     |           |     |
|  | Return on assets (%)   |  |      |      |      | (0.53)  |                         |     |     |     |           |     |
|  | Rate of return on shareholders' equity (%)                             |  |      |      |      | (10.13) |                         |     |     |     |           |     |
|  | Net profit margin (%)  |  |      |      |      | (35.33) |                         |     |     |     |           |     |
|  | Earnings per share (NT\$)  |  |      |      |      | (0.94)  |                         |     |     |     |           |     |
| Financial structure  | Liabilities to total assets (%)  |  |      |      |      | N/A     |                         | N/A | N/A | N/A | 95        | N/A |
|  | Fixed asset to shareholders' equity ratio (%)                          |  |      |      |      |         |                         |     |     |     | 101       |     |
| Growth rate  | Asset growth rate (%)  |  |      |      |      |         |                         |     |     |     | 2         |     |
|  | Profit growth rate (%)   |  |      |      |      |         |                         |     |     |     | (417)     |     |
| Cash Flows   | Operating cash flow ratio (%)  |  |      |      |      |         |                         |     |     |     | 46        |     |
|  | Net cash flow adequacy ratio (%)                                       |  |      |      |      |         |                         |     |     |     | 104       |     |
|  | Cash flow satisfied ratio (%)  |  |      |      |      |         |                         |     |     |     | (Note 9)  |     |
| Liquid reserve ratio (%)   |  |  |      |      |      |         |                         |     |     |     | 22        |     |
| Total secured credit balance of stakeholders   |  |  |      |      |      |         |                         |     |     |     | 1,754,535 |     |
| Total secured credit balance of stakeholders as a percentage of total credit balance (%)                                   |  |  |      |      |      |         |                         |     |     |     | 1.65      |     |
| Operating scale  | Asset market share (%)   |  |      |      |      |         |                         |     |     |     | 0.35      |     |
|  | Equity market share (%)  |  |      |      |      |         |                         |     |     |     | 0.30      |     |
|  | Deposit market share (%)   |  |      |      |      |         |                         |     |     |     | 0.45      |     |
|  | Loan market share (%)  |  |      |      |      |         |                         |     |     |     | 0.50      |     |
| The causes of changes in each financial ratio for the preceding two fiscal years (except when the change is less than 20%) |  |  |      |      |      |         |                         |     |     |     |           |     |
| N/A  |  |  |      |      |      |         |                         |     |     |     |           |     |

Note 1 : The above mentioned financial report has been audited by CPA.

Note 2 : Calculation formulas used are as follows :

1. Operational Efficiency
  - (1) Loans to deposit ratio = Total loans / Total deposits
  - (2) Overdue loan ratio = Total overdue loans / Total loans
  - (3) Interest expenses to average deposit balances = Total interest expenses / Annual average deposit balances.
  - (4) Interest Income to average loan balances = Total interest income / Annual average loan balances.
  - (5) Total assets turnover ratio = Net revenue / Total assets
  - (6) Operating revenue per employee (Note 7) = Net income / Total number of employees
  - (7) Profit per employee = Net income / Total number of employees
2. Profitability
  - (1) Return on Tier 1 capital = Income before tax / Average total Tier 1 capital
  - (2) Return on assets = Net income / Average total assets
  - (3) Return on equity = Net income / Net average shareholders' equity
  - (4) Net profit margin = Net income / Net revenue
  - (5) Earnings per share = (Net income – preferred share dividends) / Weighted-average number of outstanding shares (Note 5)
3. Financial structure
  - (1) Liabilities to assets = Total liabilities / Total assets
  - (2) Fixed asset to net value = Net fixed asset value / Net shareholders' equity value
4. Growth rate
  - (1) Asset growth rate = (Current total asset – Last year's total asset) / Last year's total asset
  - (2) Profit growth rate = (Current total earnings – Last year's total earnings) / Last year's total earnings
5. Cash flow (Note 8)
  - (1) Cash flow ratio = Cash flows from operating activities / (Due to borrow or draw from overdraft limits by banks and peer banks + commercial bills payable + financial liabilities at fair value recognized as profit and loss + bills and bonds sold under repurchase agreements + accounts payable in 1 year)
  - (2) Net cash flow adequacy ratio = 5-year net cash flow from operations / (5-year capital expenditures + 5-year cash dividends)
  - (3) Cash flow satisfied ratio = Cash flows from operating activities / Cash flows from investing activities
6. Liquidity Reserve Ratio = Current assets required by the CBC / Liabilities for which the various current reserve shall be provided
7. Operating scale
  - (1) Asset market share = Total assets / Total assets of financial institutes which can operate deposits and loans business (Note 6).
  - (2) Equity market share = Total equities / Total net equities of financial institutes which can operate deposits and loans business
  - (3) Deposit market share = Total deposits / Total deposits of financial institutes which can operate deposits and loans business
  - (4) Loan market share = Total loans / Total loans of financial institutes which can operate deposits and loans business

Note 3 : Total liabilities are net of reserves for losses on guarantees, losses on security trades, losses on breach of contracts, and accidental loss.

Note 4 : When the above formula for calculation of earnings per share is used during measurement, attention should be paid to the following matters :

1. Measurement should be based on the weighted average number of ordinary shares, not the number of issued shares at year end.
2. Where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.
3. In the case of capital increase by earnings or capital reserves, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax.
5. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net profit after tax; if there is loss, and then no adjustment is required.

Note 5 : Financial institutes which can operate deposits and loans business include banks in Taiwan, foreign branch banks in Taiwan, credit cooperatives, agriculture or fishery associations, and trust investment companies.

Note 6 : Operating revenue refers to the sum of interest income and non-interest income.

Note 7 : Attention should be paid to the following matters when carrying out cash flow analysis :

1. Net cash flow from operating activities means net cash in-flow amounts from operating activities listed in the statement of cash flows.
2. Capital expenditures means the amounts of cash out-flows for annual capital investment.

3. Cash dividend includes cash dividends from both ordinary shares and preferred shares.  
 Note 8 : Cash flow from operating activities is a net outflow and is therefore not expressed.  
 Note 9 : Cash flow from investment activities is a net inflow and is therefore not expressed.

### III 、Five-year capital adequacy analysis

#### (I)Adoption of International Financial Reporting Standards

##### 1.Individual

Unit: thousand NTD

| Item \ Year   |   | Five-Year Capital Adequacy Ratio                     |             |             |             |      | Up to February 29, 2016 |
|---|---|--|-------------|-------------|-------------|------|-------------------------|
|   |   | 2015   | 2014        | 2013        | 2012        | 2011 |                         |
| Regulatory Capital  | Ordinary share equity                   |  | 9,762,200   | 8,314,491   | 7,905,757   |      |                         |
|   | Other non-ordinary share Tier 1 capital |  | -           | -           | -           |      |                         |
|   | Tier 2 capital                          |  | 3,374,976   | 3,978,510   | 1,191,685   |      |                         |
|   | Regulatory Capital                      |  | 13,137,176  | 12,293,001  | 9,097,442   |      |                         |
| Total weighted risk asset   | Credit risk                             | Standardized approach                                | 126,324,158 | 122,323,791 | 95,173,479  |      |                         |
|   |   | Internal rating approach                             | -           | -           | -           |      |                         |
|   |   | Asset securitisation                                 | -           | -           | -           |      |                         |
|   | Operational risk                        | Basic indicator approach                             | 5,504,663   | 5,386,188   | 4,381,675   |      |                         |
|   |   | Standardized approach/optional standardized approach | -           | -           | -           | N/A  | N/A                     |
|   |   | Advanced approach                                    | -           | -           | -           |      |                         |
|   | Market Risk                             | Standardized approach                                | 2,620,013   | 3,218,538   | 2,082,288   |      |                         |
|   |   | Internal modeling approach                           | -           | -           | -           |      |                         |
|   | Total weighted risk asset               |  | 134,448,834 | 130,928,517 | 101,637,442 |      |                         |
|   | Capital adequacy ratio (%)              |  | 9.77        | 9.39        | 8.95        |      |                         |
| Tier 1 capital as a percentage of risk assets (%)   |   | 7.26   | 6.35        | 7.78        |             |      |                         |
| Ordinary share equity as a percentage of risk assets (%)  |   | 7.26   | 6.35        | 7.78        |             |      |                         |
| Leverage ratio (%)  |   | 4.50   | 3.16        | 4.33        |             |      |                         |
| Reason of change to capital adequacy ratio for the past two periods: Change is less than 20% and is therefore not analyzed. |   |  |             |             |             |      |                         |

Note 1 : The aforementioned calculations were audited by the CPAs.

Note 2 : The regulatory capital, weighted risk asset, and exposure measurement were calculated in accordance with the Regulations Governing the Capital Adequacy and Capital Category of Banks and Methods for Calculating Bank's Regulatory Capital and Risk Weighted Assets.

Note 3 : Calculation formulas used are as follows:

1. Regulatory capital = Ordinary share equity + other non-ordinary share equity Tier 1 capital + Tier 2 capital
2. Total weighted risk assets = Credit risk weighted risk assets + capital for (Operational risks + Market risks) ×12.5
3. Capital adequacy ratio = Equity capital/Total weighted risk assets
4. Tier 1 capital as a percentage of risk weighted assets = (Ordinary share equity + other non-ordinary share equity Tier 1 capital) / Total weighted risk assets
5. Ordinary share equity as a percentage of risk assets = Ordinary share equity / Total weighted risk assets
6. Leverage ratio = Net Tier 1 capital value / total exposure value.

## 2.Consolidated

Unit: thousand NTD

| Item \ Year  |   | Five-Year Capital Adequacy Ratio                     |             |             |      |      | Up to February 29, 2016 |
|--|---|--|-------------|-------------|------|------|-------------------------|
|  |   | 2015   | 2014        | 2013        | 2012 | 2011 |                         |
| Regulatory Capital                                       | Ordinary share equity                   | 10,025,073   | 8,592,198   | 8,035,661   | N/A  | N/A  | N/A                     |
|  | Other non-ordinary share Tier 1 capital | -  | -           | -           |      |      |                         |
|  | Tier 2 capital                          | 3,637,850  | 4,256,216   | 1,321,589   |      |      |                         |
|  | Regulatory capital                      | 13,662,923   | 12,848,414  | 9,357,250   |      |      |                         |
| Total weighted risk asset                                | Credit risk                             | Standardized approach                                | 127,133,421 | 122,438,320 |      |      |                         |
|  |   | Internal rating approach                             | -           | -           |      |      |                         |
|  |   | Asset securitisation                                 | -           | -           |      |      |                         |
|  | Operating risk                          | Basic indicator approach                             | 5,845,263   | 5,428,538   |      |      |                         |
|  |   | Standardized approach/optional standardized approach | -           | -           |      |      |                         |
|  |   | Advanced approach                                    | -           | -           |      |      |                         |
|  |   |  |             |             |      |      |                         |
|  | Market Risk                             | Standardized approach                                | 2,620,013   | 3,218,538   |      |      |                         |
|  |   | Internal modeling approach                           | -           | -           |      |      |                         |
|  | Total weighted risk asset               |  | 135,598,697 | 131,085,396 |      |      |                         |
| Capital adequacy ratio (%)                               |   | 10.08  | 9.80        | 9.19        |      |      |                         |
| Tier 1 capital as a percentage of risk assets (%)        |   | 7.39   | 6.55        | 7.89        |      |      |                         |
| Ordinary share equity as a percentage of risk assets (%) |   | 7.39   | 6.55        | 7.89        |      |      |                         |
| Leverage ratio (%)                                       |   | 4.61   | 3.25        | 4.40        |      |      |                         |

Reason of change to capital adequacy ratio for the past two periods: Change is less than 20% and is therefore not analyzed.

Note 1 : The aforementioned calculations were audited by the CPAs.

Note 2 : The regulatory capital, weighted risk asset, and exposure measurement were calculated in accordance with the Regulations Governing the Capital Adequacy and Capital Category of Banks and Methods for Calculating Bank's Regulatory Capital and Risk Weighted Assets.

Note 3 : Calculation formulas used are as follows:

1. Regulatory capital = Ordinary share equity + other non-ordinary share equity Tier 1 capital + Tier 2 capital
2. Total weighted risk assets = Credit risk weighted risk assets + capital for (Operating risks + Market risks) × 12.5
3. Capital adequacy ratio = Regulatory capital / Total weighted risk assets
4. Tier 1 capital as a percentage of risk weighted assets = (Ordinary share equity + other non-ordinary share equity Tier 1 capital) / Total weighted risk assets
5. Ordinary share equity as a percentage of risk assets = Ordinary share equity / Total weighted risk assets
6. Leverage ratio = Net Tier 1 capital value / total exposure value.

## (II) Adoption of Taiwan's Financial Accounting Standards

### 1. Individual

Unit: thousand NTD

| Item                         |                    |  | Five-Year Capital Adequacy Ratio |      |      |            |            | Up to February 29, 2016 |
|------------------------------|--------------------|--|----------------------------------|------|------|------------|------------|-------------------------|
|                              |                    |  | 2015                             | 2014 | 2013 | 2012       | 2011       |                         |
| Regulatory Capital           | Tier 1 capital     | Ordinary shares  |                                  |      |      | 9,557,900  | 9,557,900  |                         |
|                              |                    | Non-cumulative perpetual preferred shares  |                                  |      |      | -          | -          |                         |
|                              |                    | Non-cumulative subordinate debt without maturity date  |                                  |      |      | -          | -          |                         |
|                              |                    | Capital collected in advance   |                                  |      |      | -          | -          |                         |
|                              |                    | Capital reserves (except the value appreciation of fixed assets)   |                                  |      |      | -          | -          |                         |
|                              |                    | Legal reserve  |                                  |      |      | -          | -          |                         |
|                              |                    | Special reserve  |                                  |      |      | 5          | 5          |                         |
|                              |                    | Accumulated earnings   |                                  |      |      | -          | -          |                         |
|                              |                    | Minority interests   |                                  |      |      | -          | -          |                         |
|                              |                    | Other shareholders' equity   |                                  |      |      | (54,797)   | (54,763)   |                         |
|                              |                    | Less: Goodwill   |                                  |      |      | 1,316,159  | 1,316,159  |                         |
|                              |                    | Less: Unamortized loss on sale of bad credit   |                                  |      |      | -          | -          |                         |
|                              |                    | Less: Capital deduct item  |                                  |      |      | 961,910    | 988,055    |                         |
|                              |                    | Total Tier 1 capital   |                                  |      |      | 7,225,039  | 7,198,928  |                         |
|                              | Tier 2 capital     | Perpetual cumulative preferred shares  |                                  |      |      | -          | -          |                         |
|                              |                    | Cumulative subordinate debt without maturity date  | N/A                              | N/A  | N/A  | -          | -          | N/A                     |
|                              |                    | Fixed asset appreciation surplus   |                                  |      |      | 113,417    | 114,308    |                         |
|                              |                    | 45% of unrealized gain on available-for-sale financial assets  |                                  |      |      | 26,444     | 5,204      |                         |
|                              |                    | Convertible bonds  |                                  |      |      | -          | -          |                         |
|                              |                    | Business reserve and provision for credit loss   |                                  |      |      | -          | -          |                         |
|                              |                    | Long-term subordinate bonds  |                                  |      |      | 1,811,800  | 1,439,600  |                         |
|                              |                    | Non-perpetual preferred stock  |                                  |      |      | -          | -          |                         |
|                              |                    | Total of perpetual non-cumulative preferred stock and non-cumulative subordinate debt amounting to more than 15% of the Tier 1 capital |                                  |      |      | -          | -          |                         |
|                              |                    | Less: Capital deduct item  |                                  |      |      | 961,910    | 988,055    |                         |
|                              |                    | Total Tier 2 capital   |                                  |      |      | 989,751    | 571,057    |                         |
|                              | Tier 3 capital     | Short-term subordinate bonds   |                                  |      |      | -          | -          |                         |
|                              |                    | Non-perpetual preferred stock  |                                  |      |      | -          | -          |                         |
|                              |                    | Total Tier 3 capital   |                                  |      |      | -          | -          |                         |
|                              | Regulatory Capital |  |                                  |      |      | 8,214,790  | 7,769,985  |                         |
| Weighted average credit risk | Credit risk        | Standardized approach  | N/A                              | N/A  | N/A  | 83,879,425 | 86,188,342 | N/A                     |
|                              |                    | Internal rating approach   |                                  |      |      | -          | -          |                         |

|  |                  |  |  |  |           |           |  |
|--|------------------|--|--|--|-----------|-----------|--|
|  |                  | Asset securitisation                                 |  |  | 34,484    | 331,678   |  |
|  | Operational risk | Basic indicator approach                             |  |  | 3,925,400 | 3,799,288 |  |
|  |                  | Standardized approach/optional standardized approach |  |  | -         | -         |  |
|  |                  | Advanced approach                                    |  |  | -         | -         |  |
|  | Market Risk      | Standardized approach                                |  |  | 4,174,838 | 2,493,700 |  |
|  |                  | Internal modeling approach                           |  |  | -         | -         |  |
| Capital adequacy ratio (%)                         |                  |  |  |  | 8.93      | 8.37      |  |
| Tier 1 capital as a percentage of risk assets (%)  |                  |  |  |  | 7.85      | 7.76      |  |
| Tier 2 capital as a percentage of risk assets (%)  |                  |  |  |  | 1.08      | 0.62      |  |
| Tier 3 capital as a percentage of risk assets (%)  |                  |  |  |  | -         | -         |  |
| Ordinary shares as a percentage of total asset (%) |                  |  |  |  | 5.97      | 6.01      |  |

Note 1 : The aforementioned calculations were audited by the CPAs.

Note 2 : The regulatory capital and weighted risk asset were calculated in accordance with the Regulations Governing the Capital Adequacy and Capital Category of Banks and Methods for Calculating Bank's Regulatory Capital and Risk Weighted Assets.

Note 3 : Calculation formulas used are as follows :

1. Equity capital = Tier 1 capital + Tier 2 capital + Tier 3 capital
2. Total weighted risk assets = Credit risk weighted risk assets + capital for (Operational risks + Market risks) × 12.5
3. Capital adequacy ratio = Regulatory capital / Total weighted risk assets
4. Tier 1 capital ratio as a percentage of weighted risk assets = Tier 1 capital / Total weighted risk assets
5. Tier 2 capital ratio as a percentage of weighted risk assets = Tier 2 capital / Total weighted risk assets
6. Tier 3 capital ratio as a percentage of weighted risk assets = Tier 3 capital / Total weighted risk assets
7. Ordinary shares as a percentage of total asset = Ordinary share equity / total assets

## 2. Consolidated

Unit: thousand NTD

| Item \ Year        |                       |  | Five-Year Capital Adequacy Ratio |      |            |            |           | Up to February 29, 2016 |
|--------------------|-----------------------|--|----------------------------------|------|------------|------------|-----------|-------------------------|
|                    |                       |  | 2015                             | 2014 | 2013       | 2012       | 2011      |                         |
| Regulatory Capital | Tier 1 capital        | Ordinary shares  | N/A                              | N/A  | N/A        | 9,557,900  | 9,557,900 | N/A                     |
|                    |                       | Non-cumulative perpetual preferred shares  |                                  |      |            | -          | -         |                         |
|                    |                       | Non-cumulative subordinate debt without maturity date  |                                  |      |            | -          | -         |                         |
|                    |                       | Capital collected in advance   |                                  |      |            | -          | -         |                         |
|                    |                       | Capital reserves (except the value appreciation of fixed assets)   |                                  |      |            | -          | -         |                         |
|                    |                       | Legal reserve  |                                  |      |            | -          | -         |                         |
|                    |                       | Special reserve  |                                  |      |            | 5          | 5         |                         |
|                    |                       | Accumulated earnings   |                                  |      |            | -          | -         |                         |
|                    |                       | Minority interests   |                                  |      |            | -          | -         |                         |
|                    |                       | Other shareholders' equity   |                                  |      |            | (54,797)   | (54,763)  |                         |
|                    |                       | Less: Goodwill   |                                  |      |            | 1,316,159  | 1,316,159 |                         |
|                    |                       | Less: Unamortized loss on sale of bad credit   |                                  |      |            | -          | -         |                         |
|                    |                       | Less: Capital deduct item  |                                  |      |            | 872,687    | 923,765   |                         |
|                    |                       | Total Tier 1 capital   |                                  |      |            | 7,314,262  | 7,263,218 |                         |
|                    | Tier 2 capital        | Perpetual cumulative preferred shares  |                                  |      |            | -          | -         |                         |
|                    |                       | Cumulative subordinate debt without maturity date  |                                  |      |            | -          | -         |                         |
|                    |                       | Fixed asset appreciation surplus   |                                  |      |            | 113,417    | 114,308   |                         |
|                    |                       | 45% of unrealized gain on available-for-sale financial assets  |                                  |      |            | 26,444     | 5,204     |                         |
|                    |                       | Convertible bonds  |                                  |      |            | -          | -         |                         |
|                    |                       | Business reserve and provision for credit loss   |                                  |      |            | -          | -         |                         |
|                    |                       | Long-term subordinate bonds  |                                  |      |            | 1,811,800  | 1,439,600 |                         |
|                    |                       | Non-perpetual preferred stock  |                                  |      |            | -          | -         |                         |
|                    |                       | Total of perpetual non-cumulative preferred stock and non-cumulative subordinate debt amounting to more than 15% of the Tier 1 capital |                                  |      |            | -          | -         |                         |
|                    |                       | Less: Capital deduct item  |                                  |      |            | 872,688    | 923,765   |                         |
|                    |                       | Total Tier 2 capital   |                                  |      |            | 1,078,973  | 635,347   |                         |
|                    | Tier 3 capital        | Short-term subordinate bonds   |                                  |      |            | -          | -         |                         |
|                    |                       | Non-perpetual preferred stock  |                                  |      |            | -          | -         |                         |
|                    |                       | Total Tier 3 capital   |                                  |      |            | -          | -         |                         |
|                    | Regulatory Capital    |  |                                  |      |            |            |           |                         |
| Weighted average   | Standardized approach | N/A  | N/A                              | N/A  | 83,937,136 | 86,219,196 | N/A       |                         |

|  |   |  |      |      |  |  |           |           |  |  |
|--|---|--|------|------|--|--|-----------|-----------|--|--|
|  | Operational risk                                  | Internal rating approach                             |      |      |  |  | -         | -         |  |  |
|  |   | Asset securitisation                                 |      |      |  |  | 34,484    | 331,678   |  |  |
|  |   | Basic indicator approach                             |      |      |  |  | 3,925,400 | 3,799,288 |  |  |
|  |   | Standardized approach/optional standardized approach |      |      |  |  | -         | -         |  |  |
|  |   | Advanced approach                                    |      |      |  |  | -         | -         |  |  |
|  | Market Risk                                       | Standardized approach                                |      |      |  |  | 4,174,838 | 2,493,700 |  |  |
|  |   | Internal modeling approach                           |      |      |  |  | -         | -         |  |  |
|  | Capital adequacy ratio (%)                        |  |      |      |  |  | 9.12      | 8.51      |  |  |
|  | Tier 1 capital as a percentage of risk assets (%) |  |      |      |  |  | 7.94      | 7.82      |  |  |
| Tier 2 capital as a percentage of risk assets (%)  |   |  | 1.17 | 0.68 |  |  |           |           |  |  |
| Tier 3 capital as a percentage of risk assets (%)  |   |  | -    | -    |  |  |           |           |  |  |
| Ordinary shares as a percentage of total asset (%) |   |  | 5.97 | 6.01 |  |  |           |           |  |  |

Note 1 : The aforementioned calculations were audited by the CPAs.

Note 2 : The regulatory capital and weighted risk asset were calculated in accordance with the Regulations Governing the Capital Adequacy and Capital Category of Banks and Methods for Calculating Bank's Regulatory Capital and Risk Weighted Assets.

Note 3 : Calculation formulas used are as follows :

- 1.Regulatory capital = Tier 1 capital + Tier 2 capital + Tier 3 capital
- 2.Total weighted risk assets = Credit risk weighted risk assets + capital for (Operational risks + Market risks)×12.5
- 3.Capital adequacy ratio = Regulatory capital/Total weighted risk assets
- 4.Tier 1 capital ratio as a percentage of weighted risk assets = Tier 1 capital/Total weighted risk assets
- 5.Tier 2 capital ratio as a percentage of weighted risk assets = Tier 2 capital/Total weighted risk assets
- 6.Tier 3 capital ratio as a percentage of weighted risk assets = Tier 3 capital/Total weighted risk assets
- 7.Ordinary shares as a percentage of total asset = Ordinary share equity / total assets

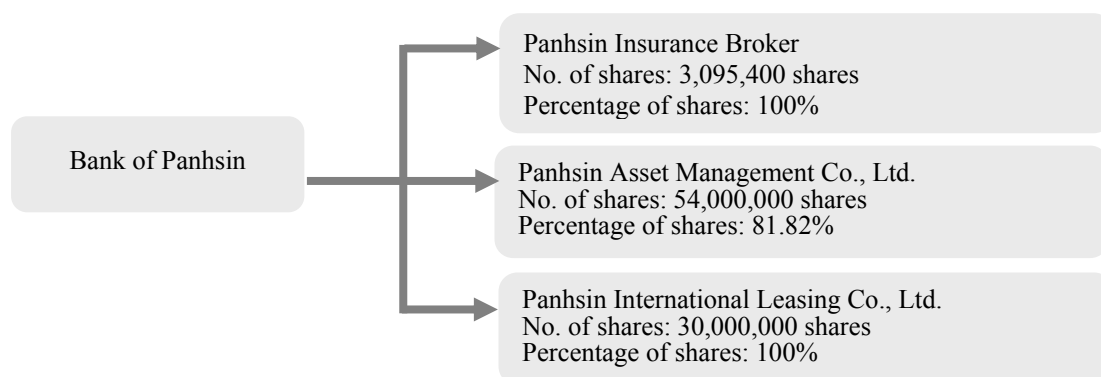


## Special disclosures

### I、Affiliate information

#### (I) Affiliate organizational structure

Baseline date: December 31, 2015



#### (II) Profiles of affiliates

| Company name                            | Date of establishment | Address  | Paid-in capital (NT\$1,000) | Main businesses/products          |
|---|-----------------------|--|-----------------------------|-----------------------------------|
| Panhsin Insurance Broker                | 2004.10.19            | 10F, No. 330, Zhongzheng Rd., Banqiao District, New Taipei City, 220 | 30,954                      | Insurance agent                   |
| Panhsin Asset Management Co., Ltd.      | 2005.06.02            | 9F, No. 330, Zhongzheng Rd., Banqiao District, New Taipei City, 220  | 660,000                     | Purchase of non-performing assets |
| Panhsin International Leasing Co., Ltd. | 2014.11.03            | 6F, No. 66, Chongqing Rd., Banqiao District, New Taipei City, 220    | 300,000                     | Property/Lease                    |

#### (III) Information of common shareholders who are presumed to have a relationship of control and subordination: N/A.

#### (IV) Information of directors, supervisors, and presidents of affiliates

Baseline date: December 31, 2015

| Company name                            | Position   | Name or representative                              | Shares held   |                |
|---|------------|---|---------------|----------------|
|   |            |   | No. of shares | Percentage (%) |
| Panhsin Insurance Broker                | Chairman   | Wan-Te Hsiao (representative of Bank of Panhsin)    | 3,095,400     | 100.00         |
|   | Director   | Tong-Ren Lin (representative of Bank of Panhsin)    |               |                |
|   | Director   | Shih-Chi Wu (representative of Bank of Panhsin)     |               |                |
|   | Supervisor | Shang-Che Chen (representative of Bank of Panhsin)  |               |                |
|   | President  | Chang-Wu Chiao                                      | -             | -              |
| Panhsin Asset Management Co., Ltd.      | Chairman   | Dao-Ming Kuo (representative of Bank of Panhsin)    | 54,000,000    | 81.82          |
|   | Director   | Ming-Hsin Chiu (representative of Bank of Panhsin)  |               |                |
|   | Director   | Lin-Long Chien (representative of Bank of Panhsin)  |               |                |
|   | Director   | Shih-Chi Wu (representative of Bank of Panhsin)     |               |                |
|   | Director   | Ping-Huang Liu (representative of Bank of Panhsin)  |               |                |
|   | Supervisor | Teng-Chung Chen (representative of Bank of Panhsin) |               |                |
|   | President  | Chien-Chong Tsao                                    | -             | -              |
| Panhsin International Leasing Co., Ltd. | Chairman   | Jui-Tsai Chou (representative of Bank of Panhsin)   | 30,000,000    | 100.00         |
|   | Director   | Shih-Ming Lin (representative of Bank of Panhsin)   |               |                |
|   | Director   | Chao-Chun Lin (representative of Bank of Panhsin)   |               |                |
|   | Supervisor | Chung-Chi Huang (representative of Bank of Panhsin) |               |                |

## Directory of Head Office & Branches

| Units                            | Address  | Telephone    | Fax          |
|----------------------------------|--|--------------|--------------|
| Head Office                      | No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City              | (02)29629170 | (02)29572011 |
| International Banking Department | 27F., No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City        | (02)29629170 | (02)89646006 |
| Offshore Banking Branch          | 27F., No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City        | (02)29629170 | (02)89646006 |
| Trust Department                 | 24F., No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City        | (02)29629170 | (02)29623668 |
| Domestic Banking Department      | No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City              | (02)89514488 | (02)29574588 |
| Banciao Branch                   | No.11, Sec.1, Wenhua Rd., Banqiao Dist., New Taipei City                 | (02)29689101 | (02)29665807 |
| Houpu Branch                     | No.18, Chengdu St., Banqiao Dist., New Taipei City                       | (02)29629121 | (02)89538113 |
| Yonghe Branch                    | No.12, Renai Rd., Yonghe Dist., New Taipei City                          | (02)29299481 | (02)29210495 |
| Puqian Branch                    | No.100, Sec. 2, Jhongshan Rd., Banqiao Dist., New Taipei City            | (02)29629106 | (02)29541499 |
| Huajiang Branch                  | No.382, Sec.2, Wenhua Rd., Banqiao Dist., New Taipei City                | (02)22529101 | (02)82537007 |
| Minzu Branch                     | No.339, Hansheng E.Rd., Banqiao Dist., New Taipei City                   | (02)29629111 | (02)29581242 |
| Zhonghe Branch                   | No.232, Zhonghe Rd., Zhonghe Dist., New Taipei City                      | (02)22498756 | (02)22497418 |
| Tucheng Branch                   | No.289, Sec.1, Zhongyang Rd., Tucheng Dist., New Taipei City             | (02)22629119 | (02)22654536 |
| Wenhua Branch                    | No.261, Sec.1, Wenhua Rd., Banqiao Dist., New Taipei City                | (02)22587777 | (02)22593584 |
| Daguan Branch                    | No.155, Sec.2, Daguan Rd., Banqiao Dist., New Taipei City                | (02)22756566 | (02)22752574 |
| Xingnan Branch                   | No.338, Jingxin St., Zhonghe Dist., New Taipei City                      | (02)29459366 | (02)29458495 |
| Xinzhuang Branch                 | No.719, Xingfu Rd., Xinzhuang Dist., New Taipei City                     | (02)29906699 | (02)29900433 |
| Xiulang Branch                   | No.118, Dehe Rd., Yonghe Dist., New Taipei City                          | (02)29417966 | (02)29498035 |
| Sanchong Branch                  | No.35, Sec.4, Chongyang Rd., Sanchong Dist., New Taipei City             | (02)89839966 | (02)29871976 |
| Yuanshan Branch                  | No.753, Zhongzheng Rd., Zhonghe Dist., New Taipei City                   | (02)22259199 | (02)22260657 |
| Shulin Branch                    | No.58, Zhenqian St., Shulin Dist., New Taipei City                       | (02)86755666 | (02)86755656 |
| Jincheng Branch                  | No.91, Sec.3, Jincheng Rd., Tucheng Dist., New Taipei City               | (02)82615666 | (02)22709241 |
| Xindian Branch                   | No.60, Minquan Rd., Xindian Dist., New Taipei City                       | (02)89113377 | (02)89113661 |
| Beixin Branch                    | No.17~21, Sec. 3, Beixin Rd., Xindian Dist., New Taipei City, Taiwan     | (02)29115428 | (02)29124753 |
| Zhongzheng Branch                | No.252, Minquan Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.) | (02)89658998 | (02)89682156 |
| Luchou Branch                    | No.258, Minzu Rd., Luchou Dist., New Taipei City                         | (02)82850666 | (02)82835789 |

| Units             | Address  | Telephone     | Fax           |
|-------------------|--|---------------|---------------|
| Fuhe Branch       | No.45, Yongzhen Rd., Yonghe Dist., New Taipei City                             | (02)89211919  | (02)89213377  |
| Danfeng Branch    | No.706, Zhongzheng Rd., Xinzhuang Dist., New Taipei City                       | (02)29033199  | (02)29033488  |
| Songjiang Branch  | No.122, Songjiang Rd., Zhongshan Dist., Taipei City                            | (02)25429999  | (02)25311707  |
| Xinyi Branch      | No.127, Sec. 2, Keelung Rd., Xinyi Dist., Taipei City                          | (02)27329999  | (02)27334900  |
| Minsheng Branch   | No.133-1, Sec. 3, Minsheng E.Rd., Songshan Dist., Taipei City                  | (02)87129966  | (02)27120222  |
| Bade Branch       | No.360, Sec. 2, Bade Rd., Songshan Dist., Taipei City                          | (02)27528833  | (02)27405959  |
| Neihu Branch      | No.163, Sec. 4, Chenggong Rd., Neihu Dist., Taipei City                        | (02)87919999  | (02)87919899  |
| Ruiguang Branch   | No.633, Ruiguang Rd., Neihu Dist., Taipei City                                 | (02)26560188  | (02)26560166  |
| Mengchia Branch   | No.322, Kunming St., Wanhua Dist., Taipei City , Taiwan (R.O.C.)               | (02)2308-6165 | (02)2308-6452 |
| Hsinglung Branch  | No.185, Sec. 2, Xinglong Rd., Wenshan Dist., Taipei City , Taiwan (R.O.C.)     | (02)2932-0555 | (02)2931-3382 |
| Shuangyuan Branch | No.145, Dongyuan St., Wanhua Dist., Taipei City , Taiwan (R.O.C.)              | (02)2301-1180 | (02)2301-6894 |
| Hsimen Branch     | No.193, Hanzhong St., Wanhua Dist., Taipei City , Taiwan (R.O.C.)              | (02)2312-2155 | (02)2311-6316 |
| Kuting Branch     | No.271, Sec. 3, Roosevelt Rd., Da'an Dist., Taipei City , Taiwan (R.O.C.)      | (02)2362-9211 | (02)2362-0161 |
| Antung Branch     | No.188, Sec. 2, Bade Rd., Songshan Dist., Taipei City , Taiwan (R.O.C.)        | (02)2711-0633 | (02)2741-7381 |
| Sungshan Branch   | No.196, Zhuangjing Rd., Xinyi Dist., Taipei City , Taiwan (R.O.C.)             | (02)2720-8541 | (02)2720-3851 |
| Shinlin Branch    | No.79, Ln. 109, Dexing E. Rd., Shilin Dist., Taipei City 111, Taiwan (R.O.C.)  | (02)2834-9361 | (02)2833-3280 |
| Tunghu Branch     | No.55, Donghu Rd., Neihu Dist., Taipei City , Taiwan (R.O.C.)                  | (02)2631-2411 | (02)2633-3251 |
| Anho Branch       | No.149-49, Sec. 2, Keelung Rd., Xinyi Dist., Taipei City , Taiwan (R.O.C.)     | (02)2738-8788 | (02)2736-0460 |
| Kuangfu Branch    | No.426, Fuxing N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)       | (02)2515-1488 | (02)2518-4088 |
| Shuanglien Branch | No.24, Jinxi St., Zhongshan Dist., Taipei City , Taiwan (R.O.C.)               | (02)2571-7869 | (02)2581-9832 |
| Chungching Branch | No.27, Zhengzhou Rd., Datong Dist., Taipei City , Taiwan (R.O.C.)              | (02)2555-8151 | (02)2559-1831 |
| Mucha Branch      | No.59, Baoyi Rd., Wenshan Dist., Taipei City , Taiwan (R.O.C.)                 | (02)2936-2121 | (02)2936-2883 |
| Huannan Branch    | No.223、225, Sec. 2, Huanhe S. Rd., Wanhua Dist., Taipei City , Taiwan (R.O.C.) | (02)8978-3819 | (02)2302-1336 |
| Tachih Branch     | No.632, Bei'an Rd., Zhongshan Dist., Taipei City , Taiwan (R.O.C.)             | (02)2532-9933 | (02)2532-1086 |
| Wanta Branch      | No.244, Wanda Rd., Wanhua Dist., Taipei City , Taiwan (R.O.C.)                 | (02)2337-7719 | (02)2337-0694 |

| Units                 | Address  | Telephone     | Fax           |
|-----------------------|--|---------------|---------------|
| Yungchun Branch       | No.30, Sec. 6, Xinyi Rd., Xinyi Dist., Taipei City , Taiwan (R.O.C.) | (02)8978-5667 | (02)2728-2808 |
| Taoyuan Branch        | No.360, Yongan Rd., Taoyuan City, Taoyuan County                     | (03)3398777   | (03)3396362   |
| Taoying Branch        | No.102, Taoying Rd., Taoyuan City, Taoyuan County                    | (03)3758999   | (03)3660551   |
| Longgang Branch       | No.78, Longdong Rd., Jhongli City, Taoyuan County                    | (03)4657799   | (03)4655511   |
| Hsinchu Branch        | No.56, Zihciang S.Rd., Jhubei City, Hsinchu County                   | (03)6581588   | (03)6580189   |
| Taichung Branch       | No.556, Sec. 1, Wunsin Rd., Nantun Dist., Taichung City              | (04)23267799  | (04)23266029  |
| North Taichung Branch | No.186, Sec. 4, Wunsin Rd., North Dist., Taichung City               | (04)22961798  | (04)22961885  |
| Chiayi Branch         | No.298, Jhongshan Rd., West Dist., Chiayi City                       | (05)2279045   | (05)2291649   |
| Junhui Branch         | No.360, Wufong S.Rd., East Dist., Chiayi City                        | (05)2300778   | (05)2300780   |
| Tainan Branch         | No.189, Chongming Rd., East Dist., Tainan City                       | (06)3368799   | (06)3361287   |
| Chenggong Branch      | No.457, Chenggong Rd., West Central Dist., Tainan City               | (06)2113999   | (06)2112388   |
| Xiaogang Branch       | No.213, Erling Rd., Siaogang Dist., Kaohsiung City                   | (07)8011161   | (07)8023727   |
| Xinxing Branch        | No.65, Zhongzheng 4th Rd., Xinxing Dist., Kaohsiung City             | (07)2413168   | (07)2514088   |
| Qianzhen Branch       | No.421, Rueilong Rd., Qianzhen Dist., Kaohsiung City                 | (07)7513176   | (07)7513380   |
| Yangming Branch       | No.178, Jyuemin Rd., Sanmin Dist., Kaohsiung City                    | (07)3865111   | (07)3828199   |
| Kaoxinzhuan Branch    | No.485, Xinzhuangzai Rd., Zuoying Dist., Kaohsiung City              | (07)3412621   | (07)3416142   |
| Luodong Branch        | No.119, Gongzheng Rd., Luodong Township, Yilan County                | (03)9568866   | (03)9557199   |

**Individual Financial Statements of Recent Years Which Have Been Certified by CPAs**

**BANK OF PANHSIN**

**Financial Statements**

**December 31, 2015 and 2014**

**(With Independent Auditors' Report Thereon)**

**Address: No. 68, Sec. 2, Xianmin Blvd., Banqiao Distr., New Taipei  
City, Taiwan, R.O.C.**

**Tel: (02)2962-9170**

## **Independent Auditors' Report**

The Board of Directors  
Bank of Panhsin

We have audited the accompanying statements of financial position of Bank of Panhsin as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2015 and 2014. These financial statements are the responsibility of the bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants and the generally accepted auditing standards in the Republic of China. Those standards and regulations 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 in the first paragraph present fairly, in all material respects, the financial position of Bank of Panhsin as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks.

March 16, 2016

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

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 auditors' report and financial statements, the Chinese version shall prevail.

**BANK OF PANHSIN**  
**Statements of Financial Position**

**December 31, 2015 and 2014**

(expressed in thousands of New Taiwan dollars)

| Assets   | December 31,<br>2015         |                   | December 31,<br>2014<br>(restated) |                   | Liabilities and Equity  | December 31,<br>2015         |                   | December 31,<br>2014<br>(restated) |                   |
|--|------------------------------|-------------------|------------------------------------|-------------------|---|------------------------------|-------------------|------------------------------------|-------------------|
|  | Amount                       | %                 | Amount                             | %                 |   | Amount                       | %                 | Amount                             | %                 |
| Cash and cash equivalents (note 6)                             | \$ 4,541,415                 | 2                 | 4,926,728                          | 2                 | Deposits from Central Bank and other banks (note 20)                | \$ 1,320,036                 | 1                 | 1,650,763                          | 1                 |
| Due from Central Bank and call loans to banks (notes 7 and 44) | 33,738,715                   | 16                | 32,260,996                         | 16                | Financial liabilities at fair value through profit or loss (note 8) | 431,388                      | -                 | 962                                | -                 |
| Financial assets at fair value through profit or loss (note 8) | 3,057,697                    | 2                 | 4,679,723                          | 2                 | Payables (note 21)  | 3,209,409                    | 2                 | 3,137,455                          | 1                 |
| Securities purchased under resell agreements (note 11)         | 6,233,031                    | 3                 | 3,926,169                          | 2                 | Deposits and remittances (notes 22 and 43)                          | 186,277,381                  | 89                | 182,411,479                        | 89                |
| Receivable—net (notes 12 and 43)                               | 3,227,327                    | 2                 | 1,501,115                          | 1                 | Financial bonds payable (notes 23 and 43)                           | 4,700,000                    | 2                 | 5,420,000                          | 3                 |
| Current income tax assets                                      | 29,554                       | -                 | 69,614                             | -                 | Provision (notes 25 and 27)   | 180,049                      | -                 | 186,989                            | -                 |
| Loans and discounts, net (notes 13 and 43)                     | 131,236,162                  | 63                | 128,273,163                        | 63                | Provision for deferred tax liabilities (note 28)                    | 111,197                      | -                 | 111,197                            | -                 |
| Available-for-sale financial assets—net (notes 9 and 44)       | 12,728,369                   | 6                 | 14,711,668                         | 7                 | Other liabilities (notes 16 and 26)                                 | 193,185                      | -                 | 359,681                            | -                 |
| Held-to-maturity financial assets—net (notes 10 and 44)        | 750,450                      | -                 | 753,678                            | -                 | <b>Total liabilities</b>  | <u>196,422,645</u>           | <u>94</u>         | <u>193,278,526</u>                 | <u>94</u>         |
| Long-term investments under equity method—net (note 15)        | 525,747                      | -                 | 555,412                            | -                 | <b>Equity:</b>  |                              |                   |                                    |                   |
| Other financial assets—net (note 14)                           | 55,537                       | -                 | 65,537                             | -                 | Capital stock (note 30)   | <u>12,211,753</u>            | <u>6</u>          | <u>11,057,900</u>                  | <u>6</u>          |
| Property and equipment, net (note 16)                          | 6,705,851                    | 3                 | 6,911,428                          | 4                 | Retained earnings:(notes 29 and 31)                                 |                              |                   |                                    |                   |
| Investment property—net (note 17)                              | 2,315,100                    | 1                 | 2,215,464                          | 1                 | Legal reserve   | 219,990                      | -                 | 79,279                             | -                 |
| Intangible assets—net (note 18)                                | 2,418,500                    | 1                 | 2,464,359                          | 1                 | Special reserve   | 5                            | -                 | 5,483                              | -                 |
| Deferred income tax assets—net (note 28)                       | 657,869                      | -                 | 773,941                            | -                 | Unappropriated earnings   | <u>681,975</u>               | <u>-</u>          | <u>429,849</u>                     | <u>-</u>          |
| Other assets (notes 19 and 44)                                 | 1,443,182                    | 1                 | 792,111                            | 1                 |   | <u>901,970</u>               | <u>-</u>          | <u>514,611</u>                     | <u>-</u>          |
|  |                              |                   |                                    |                   | Other equity  | <u>128,138</u>               | <u>-</u>          | <u>30,069</u>                      | <u>-</u>          |
|  |                              |                   |                                    |                   | <b>Total equity</b>   | <u>13,241,861</u>            | <u>6</u>          | <u>11,602,580</u>                  | <u>6</u>          |
| <b>Total assets</b>  | <u><b>\$ 209,664,506</b></u> | <u><b>100</b></u> | <u><b>204,881,106</b></u>          | <u><b>100</b></u> | <b>Total liabilities and equity</b>                                 | <u><b>\$ 209,664,506</b></u> | <u><b>100</b></u> | <u><b>204,881,106</b></u>          | <u><b>100</b></u> |

See accompanying notes to financial statements.

**BANK OF PANHSIN**  
**Statements of Comprehensive Income**  
**For the years ended December 31, 2015 and 2014**  
**(expressed in thousands of New Taiwan dollars)**

|   | <b>2015</b>              |                  | <b>2014</b>           |                  | <b>Variance</b> |
|---|--------------------------|------------------|-----------------------|------------------|-----------------|
|   | <b>Amount</b>            | <b>%</b>         | <b>(restated)</b>     | <b>%</b>         | <b>%</b>        |
|   |                          |                  | <b>Amount</b>         |                  |                 |
| Interest income (notes 33 and 43)   | \$ 3,994,132             | 108              | 3,673,403             | 120              | 9               |
| Less: Interest expense (notes 33 and 43)  | <u>1,630,957</u>         | <u>44</u>        | <u>1,475,190</u>      | <u>48</u>        | 11              |
| Net interest income   | 2,363,175                | 64               | 2,198,213             | 72               | 8               |
| Non-interest income:  |                          |                  |                       |                  |                 |
| Service fees — net (notes 34 and 43)  | 813,232                  | 22               | 712,467               | 23               | 14              |
| Gain on financial asset or liabilities measured at fair value through profit or loss<br>(note 35) | 279,557                  | 8                | 55,116                | 2                | 407             |
| Realized gain on available-for-sale financial assets (note 36)                                    | 80,750                   | 2                | 80,740                | 3                | -               |
| Foreign exchange gain — net   | (100,792)                | (3)              | 114,626               | 4                | (188)           |
| Investment income under the equity method   | 14,335                   | 1                | (424,396)             | (14)             | 103             |
| Other non-interest income — net (notes 14, 17, 37 and 43)   | 80,654                   | 2                | 28,701                | 1                | 181             |
| Gain on property exchange — net (notes 16 and 43)   | <u>153,316</u>           | <u>4</u>         | <u>291,280</u>        | <u>9</u>         | (47)            |
|   | <u>3,684,227</u>         | <u>100</u>       | <u>3,056,747</u>      | <u>100</u>       | 21              |
| <b>Bad debt expense and reserve for guarantees (notes 12,13 and 38)</b>                           | <u>224,126</u>           | <u>6</u>         | <u>69,460</u>         | <u>2</u>         | 223             |
| <b>Operation and expenses:</b>  |                          |                  |                       |                  |                 |
| Employee benefit expenses (notes 27 and 39)   | 1,463,965                | 40               | 1,310,310             | 43               | 12              |
| Depreciation and amortization expenses (notes 16,18 and 40)                                       | 197,876                  | 5                | 166,117               | 6                | 19              |
| Other general and administrative expenses (note 41)   | <u>921,357</u>           | <u>25</u>        | <u>849,770</u>        | <u>28</u>        | 8               |
|   | <u>2,583,198</u>         | <u>70</u>        | <u>2,326,197</u>      | <u>77</u>        | 11              |
| <b>Income from continuing operations before tax</b>   | 876,903                  | 24               | 661,090               | 21               | 33              |
| <b>Less: Income tax expense (note 28)</b>   | <u>(141,459)</u>         | <u>(4)</u>       | <u>(164,886)</u>      | <u>(5)</u>       | 14              |
| <b>Net income</b>   | <u>735,444</u>           | <u>20</u>        | <u>496,204</u>        | <u>16</u>        | 48              |
| <b>Other comprehensive income (loss) (notes 19 and 20):</b>                                       |                          |                  |                       |                  |                 |
| <b>Items that will not be reclassified subsequently to profit or loss</b>                         |                          |                  |                       |                  |                 |
| Remeasurements from defined benefit plans   | 5,768                    | -                | (12,496)              | -                | 146             |
| Income tax related to items that will not be reclassified subsequently to profit or loss          | =                        | =                | =                     | =                | -               |
|   | <u>5,768</u>             | =                | <u>(12,496)</u>       | =                | 146             |
| <b>Items that may be subsequently reclassified into profit or loss</b>                            |                          |                  |                       |                  |                 |
| Foreign currency translation differences for foreign operations                                   | 6,169                    | -                | -                     | -                | -               |
| Unrealized gains on available-for-sale  | 91,900                   | 3                | 35,547                | 1                | 159             |
| Income tax relating to items that may be subsequently reclassified to profit or loss              | =                        | =                | =                     | =                | -               |
|   | <u>98,069</u>            | <u>3</u>         | <u>35,547</u>         | <u>1</u>         | 176             |
| <b>Other comprehensive income (loss), net of tax</b>  | <u>103,837</u>           | <u>3</u>         | <u>23,051</u>         | <u>1</u>         | 350             |
| <b>Total comprehensive income</b>   | <u><u>\$ 839,281</u></u> | <u><u>23</u></u> | <u><u>519,255</u></u> | <u><u>17</u></u> | 62              |
| <b>Earnings per share(expressed in New Taiwan dollars) (note 32):</b>                             |                          |                  |                       |                  |                 |
| Basic earnings per share  | <u>\$ 0.64</u>           |                  | <u>0.46</u>           |                  |                 |
| Diluted earnings per share  | <u>\$ 0.64</u>           |                  | <u>0.46</u>           |                  |                 |

See accompanying notes to financial statements.



**BANK OF PANHSIN**  
**Statements of Changes in Equity**  
**For the years ended December 31, 2015 and 2014**  
**(expressed in thousands of New Taiwan dollars)**

|  | Retained earnings |                  |                    |                      |           | Foreign<br>currency<br>translation<br>differences | Unrealized<br>gains<br>(loss) on |         |              |
|--|-------------------|------------------|--------------------|----------------------|-----------|---|----------------------------------|---------|--------------|
|  | Common<br>stock   | Legal<br>reserve | Special<br>reserve | Retained<br>earnings | Total     | for foreign<br>operations                         | available-for-<br>sale           | Total   | Total equity |
| Balance at January 1, 2014 (restated)      | \$ 9,557,900      | -                | 5                  | 187,351              | 187,356   | -   | (5,478)                          | (5,478) | 9,739,778    |
| Appropriations and distributions (note 21) |                   |                  |                    |                      |           |   |                                  |         |              |
| Legal reserve                              | -                 | 79,279           | -                  | (79,279)             | -         | -   | -                                | -       | -            |
| Special reserve                            | -                 | -                | 5,478              | (5,478)              | -         | -   | -                                | -       | -            |
| Cash dividends of preferred stock          | -                 | -                | -                  | (156,453)            | (156,453) | -   | -                                | -       | (156,453)    |
| Net income for the year                    | -                 | -                | -                  | 496,204              | 496,204   | -   | -                                | -       | 496,204      |
| Other comprehensive income for the year    | -                 | -                | -                  | (12,496)             | (12,496)  | -   | 35,547                           | 35,547  | 23,051       |
| Total comprehensive income for the year    | -                 | -                | -                  | 483,708              | 483,708   | -   | 35,547                           | 35,547  | 519,255      |
| Capital injection by cash (note 21)        | 1,500,000         | -                | -                  | -                    | -         | -   | -                                | -       | 1,500,000    |
| Balance at December 31, 2014 (restated)    | 11,057,900        | 79,279           | 5,483              | 429,849              | 514,611   | -   | 30,069                           | 30,069  | 11,602,580   |
| Appropriations and distributions (note 21) |                   |                  |                    |                      |           |   |                                  |         |              |
| Legal reserve                              | -                 | 140,711          | -                  | (140,711)            | -         | -   | -                                | -       | -            |
| Stock dividend                             | 353,853           | -                | -                  | (353,853)            | (353,853) | -   | -                                | -       | -            |
| Special reserve reverse                    | -                 | -                | (5,478)            | 5,478                | -         | -   | -                                | -       | -            |
| Net income for the year                    | -                 | -                | -                  | 735,444              | 735,444   | -   | -                                | -       | 735,444      |
| Other comprehensive income for the year    | -                 | -                | -                  | 5,768                | 5,768     | 6,169   | 91,900                           | 98,069  | 103,837      |
| Total comprehensive income for the year    | -                 | -                | -                  | 741,212              | 741,212   | 6,169   | 91,900                           | 98,069  | 839,281      |
| Capital injection by cash                  | 800,000           | -                | -                  | -                    | -         | -   | -                                | -       | 800,000      |
| Balance at December 31, 2015               | \$ 12,211,753     | 219,990          | 5                  | 681,975              | 901,970   | 6,169   | 121,969                          | 128,138 | 13,241,861   |

See accompanying notes to financial statements.

**BANK OF PANHSIN**  
**Statements of Cash Flows**  
**For the years ended December 31, 2015 and 2014**  
**(expressed in thousands of New Taiwan dollars)**

|   | <b>2015</b>          | <b>2014</b><br><b>(restated)</b> |
|---|----------------------|----------------------------------|
| <b>Cash flows from (used in) operating activities:</b>  |                      |                                  |
| Income before tax   | \$ 876,903           | 661,090                          |
| <b>Adjustments:</b>   |                      |                                  |
| Adjustments for the effects of non-cash transactions:   |                      |                                  |
| Depreciation expense  | 154,855              | 130,446                          |
| Amortization expense  | 67,088               | 58,958                           |
| Bad debt expenses   | 224,126              | 69,460                           |
| Interest expense  | 1,630,957            | 1,475,190                        |
| Interest income   | (3,994,132)          | (3,673,403)                      |
| Dividend income   | (53,857)             | (54,874)                         |
| Gain on disposal of foreclosed collateral   | -                    | (1,209)                          |
| Investment income under the equity method   | (14,335)             | 424,396                          |
| Gain on disposal of property and equipment  | (138,602)            | (267,710)                        |
| Gain on disposal of investment property   | (1,155)              | (9,843)                          |
| Loss on disposal of other assets  | 110                  | -                                |
| Total adjustments for the effects of non-cash transactions  | (2,124,945)          | (1,848,589)                      |
| Changes in operating assets and liabilities:  |                      |                                  |
| Net changes in operating assets   |                      |                                  |
| Due from Central Bank and call loans to banks   | 2,024,733            | (3,648,103)                      |
| Financial assets at fair value through profit or loss   | 1,622,026            | (4,121,787)                      |
| Receivables   | (1,729,575)          | 439,614                          |
| Loans and discounts—net   | (3,208,332)          | (10,168,904)                     |
| Available-for-sale financial assets   | 2,081,368            | (5,663,429)                      |
| Held-to-maturity financial assets   | 3,228                | 104,262                          |
| Other financial assets  | 10,000               | 4,127                            |
| Net changes in operating liabilities:   |                      |                                  |
| Deposits from Central Bank and other banks  | (330,727)            | 531,912                          |
| Financial liabilities at fair value through profit or loss  | 430,426              | (11,035)                         |
| Payables  | 85,173               | 530,465                          |
| Deposits and remittances  | 3,865,902            | 12,250,745                       |
| Employee benefit liabilities  | 435                  | (112,918)                        |
| Other liabilities   | (50,465)             | 1,104                            |
| Total net changes in operating assets and liabilities   | 4,804,192            | (9,863,947)                      |
| Total adjustments   | 2,679,247            | (11,712,536)                     |
| Cash (outflow) inflow generated from operations   | 3,556,150            | (11,051,446)                     |
| Interests received  | 4,017,095            | 3,595,913                        |
| Dividends received  | 97,857               | 124,874                          |
| Interest paid   | (1,644,176)          | (1,395,714)                      |
| Income taxes paid   | 14,673               | (18,327)                         |
| <b>Net cash flows from (used in) operating activities</b>   | <b>6,041,599</b>     | <b>(8,744,700)</b>               |
| <b>Cash flows from (used in) investing activities:</b>  |                      |                                  |
| Investment under the equity method  | -                    | (790,000)                        |
| Acquisition of property and equipment   | (61,590)             | (51,177)                         |
| Proceeds from disposal of property and equipment  | 89,353               | 950,221                          |
| Proceeds from disposal of investment property   | -                    | 23,651                           |
| Proceeds from disposal of foreclosed assets   | -                    | 35,997                           |
| Acquisition of cash from general assumption—net   | -                    | 5,249,445                        |
| Other financial assets  | (725,361)            | (96,036)                         |
| <b>Net cash flows from (used in) investing activities</b>   | <b>(697,598)</b>     | <b>5,322,101</b>                 |
| <b>Cash flows from (used in) financing activities:</b>  |                      |                                  |
| Issuance of financial bonds   | -                    | 3,000,000                        |
| Repayment of financial bonds  | (720,000)            | (519,000)                        |
| Other financial liabilities   | -                    | (13,928)                         |
| Capital increase by cash  | 800,000              | 1,500,000                        |
| Dividends payment   | -                    | (156,453)                        |
| <b>Net cash flows from financing activities</b>   | <b>80,000</b>        | <b>3,810,619</b>                 |
| <b>Net increase in cash and cash equivalents</b>  | <b>5,424,001</b>     | <b>388,020</b>                   |
| <b>Cash and cash equivalents at beginning of period</b>   | <b>33,074,060</b>    | <b>32,686,040</b>                |
| <b>Cash and cash equivalents at end of period</b>   | <b>\$ 38,498,061</b> | <b>\$ 33,074,060</b>             |
| <b>Components of cash and cash equivalents:</b>   |                      |                                  |
| Cash and cash equivalents reported in the statement of financial position   | \$ 4,541,415         | 4,926,728                        |
| Due from Central Bank and call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 | 27,723,615           | 24,221,163                       |
| Securities purchased under resell agreements qualifying as cash and cash equivalents under the definition of IAS 7  | 6,233,031            | 3,926,169                        |
| <b>Cash and cash equivalents at end of period</b>   | <b>\$ 38,498,061</b> | <b>\$ 33,074,060</b>             |

See accompanying notes to financial statements.

# **BANK OF PANHSIN**

## **Notes to the Financial Statements**

**December 31, 2015 and 2014**

**(expressed in thousands of New Taiwan dollars, unless otherwise stated)**

### **(1) Organization and Business Scope**

Bank of Panhsin (the Bank), formerly named "Pan Chiao Credit Cooperative", was founded on April 25, 1957. Pursuant to an approval granted by the Ministry of Finance, the Bank was re incorporated as a commercial bank on July 8, 1997, and completed the acquisition of "The 5th Credit Cooperative of Kaohsiung" on September 29, 1997. The Bank obtained a banking license authorized by the Ministry of Finance to operate as a commercial bank on September 30, 1997. In October 1999, the Bank received its trust license from the Ministry of Finance and started operations on November 26 of the same year with capital of \$100 million. On November 27, 2002, the Bank was authorized by the Ministry of Finance to establish an International Banking Department, which started operations on July 7, 2003. Furthermore, the Bank completed the acquisition of The 1st Credit Cooperative of Chiayi on March 6, 2005, and completed the acquisition of the Ninth Credit Cooperative of Taipei (NCCT) on July 21, 2014.

The Bank was established pursuant to the Banking Law to engage in:

- 1) all commercial banking operations allowed by the Banking Law;
- 2) savings operations;
- 3) trust operations;
- 4) credit card operations;
- 5) trading in government bonds and other debt securities; and
- 6) other operations as authorized by the relevant central authority.

On November 14, 2006, the Bank was approved by the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan, to offer its shares publicly.

### **(2) Financial statements authorization date and authorization process**

These financial statements were authorized for issuance by the Bank's Board of Directors on March 16, 2016.

### **(3) New standards and interpretations not yet adopted**

- 1) Effects of adopting the International Financial Reporting Standards 2013 (IFRSs 2013) endorsed by the Financial Supervisory Commission ("FSC")

The Consolidated Bank will prepare its annual financial reports according to the IFRSs 2013 endorsed by the FSC from 2015 onward (not including IFRS 9 *Financial Instruments*). A summary of the new announcements, revisions, and amendments of standards and interpretations is as follows:

| <b>New announcements/revisions/amendments of standards and interpretations</b>                     | <b>Effective date per IASB</b> |
|--|--------------------------------|
| Amendment to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters | July 1, 2010                   |
| Amendment to IFRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters      | July 1, 2011                   |
| Amendment to IFRS 1: Government Loans  | January 1, 2013                |

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**BANK OF PANHSIN****Notes to the Financial Statements**

| <b>New announcements/revisions/amendments of standards and interpretations</b>           | <b>Effective date per IASB</b>                                 |
|--|--|
| Amendment to IFRS 7: Disclosures – Transfers of Financial Assets                         | July 1, 2011   |
| Amendment to IFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities | January 1, 2013  |
| IFRS 10: Consolidated Financial Statements   | January 1, 2013<br>(subsidiaries effective 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: Presentation of Items of Other Comprehensive Income                  | July 1, 2012   |
| Amendment to IAS 12: Deferred Tax: Recovery of Underlying Assets                         | January 1, 2012  |
| Revision to IAS 19: Employee Benefits  | January 1, 2013  |
| Revision to IAS 27: Separate Financial Statements  | January 1, 2013  |
| Amendment to IAS 32: 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 items, adopting IFRSs 2013 does not cause any significant change to the consolidated financial statements:

1. IAS 19 : Employee Benefits

Under the amendment of IAS 19, the Bank replaced the finance charge and expected return on plan assets in the previous version by determining the net interest expense on the net defined benefit liability (asset) for the period . In addition, the amendment eliminated the option to defer the recognition of gains and losses, known as the 'corridor approach', changes in the net defined benefit liability (asset) shall be fully recognized when occurred. As a result, the Bank recognized all actuarial gains and losses in other comprehensive income in the reporting period in which they occur and also recognized all past service cost in profit or loss as they occur which had been recognized in profit or loss on a straight line basis over the average period until the benefit became vest in the previous version. Meanwhile, the Bank recognized the termination benefits linked to a restructuring at the earlier of when the related restructuring costs are recognized and when the entity can no longer withdraw an offer of the termination benefit, which had not been recognized when the Bank was demonstrably committed to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy under the previous version.

The Bank recognized the past service costs and actuarial losses, hence eliminating the corridor approach permitted under the prior IAS 19. For the year beginning January 1, 2014, the accrued pension liabilities increased \$92,663, the deferred income tax assets increased \$15,752, and the retained earnings decreased \$76,911; For the year ended December 31, 2014, the accrued pension liabilities increased \$95,624, the prepaid pension decreased \$7,625, the deferred income tax assets increased \$17,553, and the retained earnings decreased \$85,696. For the year ended December 31, 2014, the operation expense decreased \$1,910.

(Continued)

**BANK OF PANHSIN****Notes to the Financial Statements**

## 2. IAS 1 "Presentation of Financial Statement"

The amendments to IAS 1 change the presentation of other comprehensive income. They require the grouping of items of other comprehensive income into (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. In addition, all items under other comprehensive income shall be present in pre-tax amount. The related tax effects shall be disclosed separate statements of comprehensive income in conformity with the amendments.

The Bank will change presentation of comprehensive income on the adoption of the standards.

## 3. IFRS 13 "Fair Value Measurement"

IFRS 13 defines the fair value, establishes a framework for measuring fair value, and requires the disclosure of the fair value measurements. Furthermore, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. After evaluation, adopting IFRS 13 will not have significant impact on financial positions and performance. The Bank will disclose relevant information of fair value measurement on the adoption of the standards.

## 2) New standards and interpretations not yet endorsed by the FSC

A summary of the standards and interpretations issued by the IASB but not yet endorsed by the FSC as of the reporting date is as follows:

| <b>New announcements/revisions/amendments of standards and interpretations</b>                                       | <b>Effective date per IASB</b> |
|--|--------------------------------|
| IFRS 9: Financial Instruments  | January 1, 2018                |
| Amendment to IFRS 10 & IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Yet to be determined           |
| Amendment to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception                  | January 1, 2016                |
| Amendment to IFRS 11: Accounting of Interests in Joint Operation   | January 1, 2016                |
| IFRS 14: Regulatory Deferral Accounts  | January 1, 2016                |
| IFRS 15: Revenue from Contracts with Customers   | January 1, 2018                |
| IFRS 16: Leases  | January 1, 2019                |
| Amendment to IAS 1: Disclosure Initiative  | January 1, 2016                |
| Amendment to IAS 7: Disclosure Initiative  | January 1, 2017                |
| Amendment to IAS 12: Recognition of deferred tax assets for unrealized losses  | January 1, 2017                |
| Amendment to IAS 16 & 38: Clarification of Acceptable Methods of Depreciation and Amortization                       | January 1, 2016                |
| Amendment to IAS 16 & 41: Bearer Plants  | January 1, 2016                |
| Amendment to IAS 19: Defined Benefit Plans: Employee Contributions   | July 1, 2014                   |
| Amendment to IAS 27: Equity Method in Separate Financial Statements  | January 1, 2016                |
| Amendment to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets   | January 1, 2014                |

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**BANK OF PANHSIN**  
**Notes to the Financial Statements**

| New announcements/revisions/amendments of<br>standards and interpretations        | Effective date<br>per IASB |
|---|----------------------------|
| Amendment to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting | January 1, 2014            |
| Annual improvements cycle 2010-2012 and 2011-2013                                 | July 1, 2014               |
| Annual improvements cycle 2012-2014   | January 1, 2016            |
| IFRIC 21: Levies  | January 1, 2014            |

The Bank is still in the process of evaluating the impact on financial position and performance of the adoption of the standards and interpretations mentioned above, and the Bank will disclose relevant impacts when the evaluation is completed.

**(4) Summary of significant accounting policies**

Significant accounting policies adopted in the financial reports are summarized as below. Unless stated otherwise, they have been applied consistently to all periods in the financial reports.

1) Statement of compliance

The financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks.

2) Basis of preparation

1. Basis of measurement

The financial statements have been mainly prepared on a historical cost basis unless otherwise specified (refer to each accounting policies).

2. Functional currency and presentation currency

The Bank's financial statements are presented in New Taiwan dollars, which is the Bank's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

3) Foreign currency transactions and translation of foreign currency financial statements

Transactions in foreign currencies are translated to the respective functional currency of the Bank at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

4) Cash and cash equivalents

Cash and cash equivalents include cash on hand, due from banks, demand deposits, and highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of change in value.

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**BANK OF PANHSIN****Notes to the Financial Statements**

## 5) Transactions under repurchase/resell agreements

Securities sold/purchased with a commitment to repurchase/resell at a predetermined price are treated as financing transactions. The difference between the cost and the repurchase/resell price is treated as interest expense/revenue and recognized over the term of the agreement. On the selling/purchasing date, these agreements are recognized as securities sold under repurchase agreements or securities purchased under resell agreements.

## 6) Financial instruments

The Bank classifies financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, financial assets carried at cost, and loans and receivables. The purchase and disposal of financial assets are recognized using trade-date accounting.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. Derivatives held by the Bank are classified in this category. Such assets are initially recognized at fair value, with transaction costs expensed as incurred, and are re-measured at fair value subsequently, with changes in fair value recognized in earnings.

The Bank designates financial assets, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

## 1. Financial assets and liabilities at fair value through profit or loss (FVTPL)

- (A) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- (B) Performance of the financial asset is evaluated on a fair value basis;
- (C) A hybrid instrument contains one or more embedded derivatives.

The hybrid instruments with embedded derivatives held by the Bank are designated as at FVTPL.

Financial assets measured at fair value through profit or loss and designated as such at the time of initial recognition are classified as "financial assets measured at fair value through profit or loss" in the statement of financial position. Changes in fair value are recognized in profit or loss as "gain or loss on financial assets and liabilities measured at fair value through profit or loss".

## 2. Available-for-sale 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, other than impairment losses, dividend income, and foreign currency gains or losses which are recognized as current earnings, are recognized in other comprehensive income and presented in the unrealized gain/loss from available-for-sale financial assets in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in other gains and losses under non-operating income and expenses.

## Notes to the Financial Statements

For available-for-sale debt securities, the difference between the initially recognized amount and the maturity amount is amortized using the effective interest method, while the straight-line method is used if the difference is insignificant. Interest receivables are recognized on an accrual basis. If there is objective evidence of impairment, impairment loss is recognized. When the impairment amount decreases in a subsequent period, the reduced impairment amount of available-for-sale equity securities is recognized as adjustments to stockholders' equity, while the reduced impairment amount of available-for-sale debt securities is reversed and recognized as profit in the period, if the reduced impairment is deemed to be in connection with events occurring after recognition of impairment. The book value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized.

3. Held-to-maturity financial assets

Held-to-maturity financial assets are recorded at amortized cost. Impairment loss is recognized when there is objective evidence of impairment. If the impairment loss subsequently decreases and the decrease is objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit and loss. The carrying value after the reversal should not exceed the amortized balance of the assets assuming no impairment loss was recognized.

4. Financial assets carried at cost

Equity instruments with no quoted market price and whose fair value cannot be reliably measured are stated at cost. If there is objective evidence that financial assets carried at cost are impaired, the carrying amount of the assets is reduced, and impairment loss is recognized.

5. Loans and receivables

Loans and receivables include those originated by the Bank and those not originated by the Bank. Those originated by the Bank are created by the Bank by providing money, goods, or services directly to a debtor, and those not originated by the Bank are loans and receivables other than those originated by the Bank.

Loans and receivables are initially recognized at fair value plus incremental direct transaction costs, services fees, and discount or premium, and subsequently measured at their amortized cost using the effective interest method. When the discounted effect is insignificant, loans and receivables can be measured at original cost.

The Bank considers evidence of impairment for loans and receivables at both a specific asset and collective level. The Bank first assesses whether objective evidence of impairment for loans and receivables that are individually significant. Individually significant loans and receivables without objective evidence of impairment are grouped together with similar risk characteristics and are collectively assessed for impairment. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

If objective evidence of impairment exists, an impairment loss should be recognized. An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Collateral and proceeds from insurance should also be considered when determining the estimated future cash flows.



**BANK OF PANHSIN**  
**Notes to the Financial Statements**

The aforesaid objective evidence includes:

- (A) Significant financial difficulty of the issuer or obligor;
- (B) A breach of contract, such as a default or delinquency in interest or principal payments;
- (C) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (D) It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (E) The disappearance of an active market for that financial asset because of the issuer's financial difficulties;
- (F) Adverse changes in the payment status of the borrowers; and
- (G) Changes in national or local economic conditions that correlate with defaults on the assets.

6. Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire, or when all the risks and rewards of ownership of the financial asset are substantially transferred.

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled, or have expired.

If the Bank provides bonds or stocks as security for repo transactions, the financial assets are not derecognized since all risks and rewards of ownership are still retained by the Bank.

7. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position if, and only if, the Bank has the legally enforceable right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

7) Long-term investments under equity method – net

In the preparation of the individual financial statements, if the Bank has control of an investee company, it is accounted for under the equity method. Under the equity method, the net income and total comprehensive income in the individual financial statements are consistent with the net income and total comprehensive income attributed to the parent company in the consolidated financial report.

Changes in the Bank's ownership interest in a subsidiary that do not result in the Bank losing control of the subsidiary are treated as transactions between owners.

8) Property and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Major improvements and renewals are capitalized, while repairs and maintenance are charged to current expenses.

**BANK OF PANHSIN****Notes to the Financial Statements**

When an item of property, plant and equipment consists of different components and the cost of a component is significant relative to the total cost of the item of property, plant and equipment, the component will be depreciated separately.

Depreciation is computed using the straight-line method over service lives estimated as follows: buildings, 3 to 70 years; machinery and equipment, 3 to 6 years; transportation equipment, 3 to 11 years; other equipment, 3 to 16 years; and leasehold improvements, 1 to 10 years.

The depreciation method, useful life, and residual value of an asset shall be reviewed at each financial year-end and adequately adjusted when necessary.

Upon retirement or disposal of property and equipment, the related cost and accumulated depreciation are deducted from the respective accounts, and the related gain or loss is recognized as other noninterest income or loss.

9) Leases

A lease contract is classified as an operating lease or a finance lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the Bank. At initial recognition, the leased asset is recognized at an amount equal to the lower of the fair value of the leased asset or the present value of the minimum lease payments. The subsequent treatment follows the accounting policies for property, plant and equipment.

Lease payments, including payments in advance, under an operating lease shall be recognized in profit or loss on a straight-line basis over the lease term.

10) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, or to use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently measured under the cost model, and the depreciation expense is calculated using the depreciable amount. The depreciation method, useful life, and residual amount are the same as those adopted for property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property and any other cost and capitalized borrowing costs that can be directly attributed.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

11) Intangible assets

1. Goodwill is measured as an excess of the cost of acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired on the acquisition date. It is subsequently measured at cost, less, any accumulated impairment losses. To test for impairment, goodwill is allocated to each of the acquirer's cash-generating units, or groups of cash-generating units. If the carrying amount of the unit exceeds the recoverable amount of the unit, the Bank shall recognize the impairment loss. Impairment losses in respect of goodwill are irreversible.

**BANK OF PANHSIN****Notes to the Financial Statements**

2. Core deposits obtained from acquisition is measured on the fair value of the acquisition date and recorded separately from goodwill. Core deposits are stated at cost, less, accumulated amortization consequently. Amortization is computed using the straight-line method over 19 to 20 years

3. Computer software

Computer software is recorded on the basis of the actual cost of acquisition and amortized using the straight-line method over 3 to 5 years.

- 12) Other assets — foreclosed assets

Foreclosed assets are stated at their net realizable value. Any difference from the original value of the loans is recognized as bad debts. Losses or gains on the disposal of foreclosed assets are recorded as other non-interest expense or income, net.

- 13) Non-financial asset impairment

The Bank estimates the recoverable amount (the lower of net fair value and value in use) for assets that have an indication of impairment (individual assets except for goodwill or a cash-generating unit) on the statement of financial position date. An impairment loss is recognized if the carrying amount is higher than the recoverable 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. Regardless whether there exists an indication of impairment, goodwill is tested for impairment every year.

- 14) Provisions

A provision shall be recognized when a present obligation results from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. A provision is determined by discounting the expected future cash flow, using a pre-tax discount rate that reflects current market assessments of the time value of money and those risks specific to the liability.

- 15) Revenue and expense

Except for financial assets and liabilities reported at fair value through profit or loss, all interest-bearing financial assets and interest-bearing financial liabilities are accrued using the effective interest rate method and are accounted for as interest revenue and interest expense in profit or loss.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest revenue is recognized using the interest rate to discount the future cash flows for the purpose of assessing impairment.

Commission fee revenue and expense are recognized when loans or other services are provided. Commission fee revenue and expense on significant projects are recognized when the projects are completed.

Commission revenue and fees relating to loan services are amortized over the service periods or included in the effective interest rate for loans and receivables.

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**BANK OF PANHSIN**  
**Notes to the Financial Statements**

16) Employee benefits

1. Short-term employee benefits

For short-term employee benefits that are expected to be paid in the near future, the Bank recognized the non-discounted amount as current expenses.

2. Termination benefits

Termination benefits are incurred when the Bank terminates employment prior to employees qualifying for retirement, or the employees accepted voluntary redundancy to get termination benefits in return. If termination benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

3. Post-employment benefit plans

Post-employment benefit plans of the Bank are a defined contribution plan and a defined benefit plan.

A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

A defined benefit plan is a post-employment benefit plan under which a benefit is paid to an employee on the basis of their age, service period, and salary at the date of retirement.

Costs, including service cost, net interest, and remeasurement, which comprise of the defined benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefit expenses in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets, excluding the amount included in net interest on the net defined liability (asset), are recognized in other comprehensive income in the period occurred. Remeasurement recognized in other comprehensive income is classified under retained earnings and will not be reclassified subsequently to profit or loss.

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

4. Preferential interest deposits

The Bank provides its employees preferential interest on deposits, including current and retired employees. The difference between the preferential interest rate and the market rate is recorded as an employee benefit.

In accordance with the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks, if the preferential interest rate for retired employees exceeds the market rate, when the employees retire, the Bank shall calculate the excess interest using an actuarial method by adopting IAS 19. However the actuarial assumptions shall follow the government's related regulations.

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**BANK OF PANHSIN**  
**Notes to the Financial Statements**

17) Financial guarantee contracts

Guarantee services are recognized at the fair value when the guarantee services are rendered. The aforementioned fair value is the service charges received when the contracts are signed, since the charges are set at arm's length. Unearned bank charges are recorded as deferred income and recognized as income on a straight-line basis in the contract period.

18) Income taxes

Income tax expenses include both taxes and deferred taxes. Except for expenses 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.

When measuring the deferred tax asset and deferred tax liability, the Bank shall use the enacted tax rate for the periods in which deferred tax asset or deferred tax liability is expected to be settled or realized.

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

1. The entity has the legal right to settle tax assets and liabilities on a net basis; and
2. The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:
  - (A) levied by the same taxing authority; or
  - (B) levied by different taxing authorities, but where each such authority intends to settle tax assets and 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 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 they can be utilized. Such deferred tax assets shall also be reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

19) Business Combinations

The Business Combinations use the acquisition method. The relevant cost of acquisition is recognized as expense during the period year when expense occurred or services provided.

The Bank measures goodwill by the fair value of the transfer consideration, including any amount belonging to non-controlling interests of the acquire, less, net amount of the identifiable assets and undertaking liabilities (used to be identified as fair value). If there is any negative after deduction, the Bank will reassess whether the acquired assets and undertaking liabilities are correctly identified, then will recognize the amount as bargain purchase benefit.

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**BANK OF PANHSIN**  
**Notes to the Financial Statements**

The Bank will recognize the tentative amounts on the reporting date if the evaluation of the identifiable assets and undertaking liabilities has not yet been completed. To reflect the new information or the existing facts on the acquisition date, the Bank will make retroactive adjustment or recognize the additional assets and liability in the measurement period. The measurement period shall not exceed one year after the acquisition date.

20) Earnings (loss) per share of common stock

Earnings (loss) per share are computed by dividing net income (loss) divided by the weighted-average number of issued shares of common stock outstanding during the year. The increase in issuance of stock dividends from retained earnings or capital surplus or the decrease in stock by offsetting accumulated deficits is adjusted retroactively. Furthermore, if the designated date of record for a stock dividend is proposed before publishing the financial statements, the earnings per common share are adjusted retroactively. If there is cumulative preferred stock outstanding, preferred stock dividends shall be deducted from net income whether or not dividends are declared.

Stock-based employee bonuses not yet approved by the shareholders' meeting are regarded as potential common stock. The Bank has to disclose basic earnings per share and diluted earnings per share if the increase in potential common stock would dilute earnings per share; otherwise, the Bank only needs to disclose basic earnings per share. The calculation of diluted earnings per share should consider the effect on net income and outstanding potential common stock.

21) 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 resources to the segment and to assess its performance for which discrete financial information is available.

The Bank discloses the operating segment information in the consolidated financial statements and does not disclose the information in the individual financial statements.

**(5) Primary sources of significant accounting assumptions, judgments, and estimation uncertainty**

The Bank has used necessary assumptions and estimates to measure, evaluate, and disclose the assets, liabilities, income, expenses and contingencies of the financial statements when preparing the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks. Actual results could differ from these estimates.

Management will continually review the estimates and basic assumptions. Changes in accounting estimates will be recognized in the period of change and the future period of their impact.

Accounting policies for impairment loss on loans and management judgments have significant impacts on the amounts recognized in this financial report. When the Bank decides whether to recognize impairment loss, it determines whether there is any observable evidence indicating possible impairment. The evidence may include observable information indicating unfavorable changes in debtor payment status. When analyzing expected cash flow, the estimates by the management are based on past loss experience with assets having similar credit risk characteristics. The Bank periodically reviews the methods and assumptions behind the amounts and the timing of expected cash flow, to reduce the difference between expected and actual loss.

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**BANK OF PANHSIN**  
**Notes to the Financial Statements**

**(6) Cash and cash equivalents**

|                                     | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|-------------------------------------|------------------------------|------------------------------|
| Cash                                | \$ 1,589,775                 | 1,771,767                    |
| Negotiable instruments for clearing | 546,078                      | 825,964                      |
| Deposits with other banks           | 2,405,562                    | 2,328,997                    |
| Total                               | <u><u>\$ 4,541,415</u></u>   | <u><u>4,926,728</u></u>      |

Components of cash and cash equivalents are as follows:

|  | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|--|------------------------------|------------------------------|
| Cash and cash equivalents reported in the statements of financial position   | \$ 4,541,415                 | 4,926,728                    |
| Due from Central Bank and call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 (note 7) | 27,723,615                   | 24,221,163                   |
| Securities purchased under resell agreements qualifying as cash and cash equivalents under the definition of IAS 7 (note 10) | 6,233,031                    | 3,926,169                    |
| Cash and cash equivalents at end of period   | <u><u>\$ 38,498,061</u></u>  | <u><u>33,074,060</u></u>     |

Analysis of interest rate risk and sensitivity for financial assets and liabilities is disclosed in note 42.

**(7) Due from Central Bank and call loans to banks**

|   | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|---|------------------------------|------------------------------|
| Deposit reserves — checking accounts (including foreign currency) | \$ 1,505,394                 | 1,754,647                    |
| Deposit reserves — demand account                                 | 4,914,480                    | 5,036,558                    |
| Deposits in Central Bank  | 23,700,000                   | 23,200,000                   |
| Call loans to banks   | 3,318,221                    | 1,966,516                    |
| Checking and settlement account                                   | 300,620                      | 303,275                      |
| Total   | <u><u>\$ 33,738,715</u></u>  | <u><u>32,260,996</u></u>     |

Deposit reserves — checking accounts 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). Deposit reserves — demand accounts are interest-free and can be withdrawn at any time; Deposit reserves — checking accounts are interest-bearing and cannot be withdrawn except for the monthly adjustment to the required reserves permitted by relevant regulations.

Part of the use of deposits in Central Bank were restricted, please refer to note 44.

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**BANK OF PANHSIN**  
**Notes to the Financial Statements**

Deposit reserves — checking accounts, deposits in Central Bank, call loans to banks, and highly liquid investments that are readily convertible into known amount of cash and that are subject to insignificant risk of change in value are defined as cash and cash equivalents under IAS 7. The details were as follows:

|                                      | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|--------------------------------------|------------------------------|------------------------------|
| Deposit reserves — checking accounts | \$ 1,505,394                 | 1,754,647                    |
| Deposits in Central Bank             | 22,900,000                   | 20,500,000                   |
| Call loans to banks                  | 3,318,221                    | 1,966,516                    |
|                                      | <u><b>\$ 27,723,615</b></u>  | <u><b>24,221,163</b></u>     |

**(8) Financial assets at fair value through profit or loss**

As of December 31, 2015 and 2014, the financial assets held for trading were as follows:

|  | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|--|------------------------------|------------------------------|
| Financial assets held for trading:                                   |                              |                              |
| Equity securities  | \$ 2,283,434                 | 4,225,029                    |
| Interest rate-related instruments                                    | 71,265                       | 62,829                       |
| Beneficiary certificates   | 124,834                      | 246,228                      |
| Derivatives  | 443,925                      | 6,679                        |
| Total  | <u>2,923,458</u>             | <u>4,540,765</u>             |
| Financial assets designated as at fair value through profit or loss: |                              |                              |
| Credit-linked notes  | <u>134,239</u>               | <u>138,958</u>               |
|  | <u><b>\$ 3,057,697</b></u>   | <u><b>4,679,723</b></u>      |

As of December 31, 2015 and 2014, the financial liabilities measured at fair value through profit or loss were as follows:

|  | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|--|------------------------------|------------------------------|
| Financial liabilities held for trading |                              |                              |
| Derivatives                            | <u><b>\$ 431,388</b></u>     | <u><b>962</b></u>            |

There were no financial liabilities designated as at fair value through profit or loss.

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BANK OF PANHSIN  
Notes to the Financial Statements

(9) Available-for-sale financial assets

|                          | December 31,<br>2015 | December 31,<br>2014 |
|--------------------------|----------------------|----------------------|
| Government bonds         | \$ 9,991,747         | 12,092,094           |
| Corporate bonds          | 1,707,477            | 1,706,954            |
| Equity securities        | 721,677              | 726,828              |
| Beneficiary certificates | 307,468              | 185,792              |
| Total                    | <u>\$ 12,728,369</u> | <u>14,711,668</u>    |

Please refer to note 44 for the available-for-sale financial assets under pledge.

(10) Held-to-maturity financial assets

| December 31, 2015 |                            |                   |                |
|-------------------|----------------------------|-------------------|----------------|
|                   | Percentage<br>of ownership | Investment cost   | Amount         |
| Government bonds  | -                          | \$ 100,000        | 100,618        |
| Corporate bonds   | -                          | 500,000           | 499,832        |
| Financial bonds   | -                          | 150,000           | 150,000        |
|                   |                            | <u>\$ 750,000</u> | <u>750,450</u> |

| December 31, 2014 |                            |                   |                |
|-------------------|----------------------------|-------------------|----------------|
|                   | Percentage<br>of ownership | Investment cost   | Amount         |
| Government bonds  | -                          | \$ 100,000        | 104,090        |
| Corporate bonds   | -                          | 500,000           | 499,588        |
| Financial bonds   | -                          | 150,000           | 150,000        |
|                   |                            | <u>\$ 750,000</u> | <u>753,678</u> |

Please refer to note 44 for the held-to-maturity financial assets under pledge.

(11) Securities purchased under resell agreements

| December 31, 2015                            |                     |   |   |                                   |
|--|---------------------|---|---|-----------------------------------|
|  | Amount              | Contractual<br>repurchase or<br>resell period | Contractual<br>interest rate<br>range (%) | Amount of<br>resell<br>agreements |
| Securities purchased under resell agreements | <u>\$ 6,233,031</u> | 105.1.4~105.1.15                              | 0.35~0.45                                 | <u>6,233,833</u>                  |

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**BANK OF PANHSIN**  
**Notes to the Financial Statements**

|  |                     | December 31, 2014                             |   |                                   |
|--|---------------------|---|---|-----------------------------------|
|  | Amount              | Contractual<br>repurchase or<br>resell period | Contractual<br>interest rate<br>range (%) | Amount of<br>resell<br>agreements |
| Securities purchased under resell agreements | <u>\$ 3,926,169</u> | 104.1.5~104.1.16                              | 0.57~0.70                                 | <u>3,927,191</u>                  |

**(12) Receivables — net**

As of December 31, 2015 and 2014, accounts receivable — net were as follows:

|   | December 31,<br>2015 | December 31,<br>2014 |
|---|----------------------|----------------------|
| Interest receivable                           | \$ 272,933           | 295,896              |
| Accounts receivable                           | 34,925               | 35,478               |
| Spot exchange receivable                      | 1,578,701            | 769,031              |
| Acceptance receivable                         | 217,428              | 301,351              |
| Accrued revenue                               | 658                  | 1,176                |
| Other receivable                              | 1,113,586            | 118,828              |
| Other receivable — Panhsin Insurance Broker   | <u>14,847</u>        | <u>5,858</u>         |
| Total   | 3,233,078            | 1,527,618            |
| Less: allowance for bad and doubtful accounts |                      |                      |
| — acceptance receivable                       | (3,483)              | (3,483)              |
| — other receivable                            | <u>(2,268)</u>       | <u>(23,020)</u>      |
|   | <u>\$ 3,227,327</u>  | <u>1,501,115</u>     |

Changes in allowance for doubtful accounts were as follows:

|  | 2015            | 2014          |
|--|-----------------|---------------|
| Beginning balance                                    | \$ 26,503       | 514,976       |
| Provision for doubtful accounts                      | -               | 1,671         |
| Reversal for doubtful                                | (19,600)        | (490,301)     |
| Current charge-off                                   | (1,152)         | -             |
| Transfer from the Ninth Credit Cooperative of Taipei | <u>-</u>        | <u>157</u>    |
| Ending balance                                       | <u>\$ 5,751</u> | <u>26,503</u> |

The Bank reversed allowance for bad and doubtful accounts — note receivable for \$490,301 because note receivable — Panhsin AMC was collected during 2014.

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**Notes to the Financial Statements**

Receivables assessed for impairment to determine the allowance for bad debts were as follows:

| Items                                    |                       | Receivables       |                   | Allowance for bad debts |                   |
|--|-----------------------|-------------------|-------------------|-------------------------|-------------------|
|  |                       | December 31, 2015 | December 31, 2014 | December 31, 2015       | December 31, 2014 |
| With objective evidence of impairment    | Individual assessment | 2,268             | 23,020            | 2,268                   | 23,020            |
|  | Collective assessment | -                 | -                 | -                       | -                 |
| Without objective evidence of impairment | Collective assessment | 3,230,810         | 1,504,598         | 3,483                   | 3,483             |
| Total                                    |                       | 3,233,078         | 1,527,618         | 5,751                   | 26,503            |

**(13) Loans and discounts, net**

As of December 31, 2015 and 2014, details of loans and discounts were as follows:

|   | December 31,<br>2015         | December 31,<br>2014      |
|---|------------------------------|---------------------------|
| Remittance and discounts for exports          | \$ 21,815                    | 22,139                    |
| Short-term loans and overdrafts               | 19,381,053                   | 16,235,916                |
| Short-term secured loans and overdrafts       | 20,986,627                   | 15,147,803                |
| Medium-term loans                             | 14,954,431                   | 12,673,193                |
| Medium-term secured loans                     | 39,678,345                   | 42,404,769                |
| Long-term loans                               | 760,428                      | 723,535                   |
| Long-term secured loans                       | 36,193,313                   | 41,570,374                |
| Non-performing loans                          | 909,548                      | 1,122,928                 |
| Subtotal                                      | 132,885,560                  | 129,900,657               |
| Less: allowance for bad and doubtful accounts | (1,649,398)                  | (1,627,494)               |
|   | <b><u>\$ 131,236,162</u></b> | <b><u>128,273,163</u></b> |

Please refer to note 42 for the industry information.

For the years ended December 31, 2015 and 2014, suspended accrual of interest for all of non-performing loans amounted to \$60,407 and \$87,451, respectively.

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**BANK OF PANHSIN**  
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Changes in allowance for bad debts (including loans and discounts, and guarantee liability) were as follows:

|                       | <b>Loans and discounts</b> | <b>2015<br/>Guarantee liability</b> | <b>Total</b>     |
|-----------------------|----------------------------|-------------------------------------|------------------|
| Beginning balance     | \$ 1,627,494               | 41,000                              | 1,668,494        |
| Current provision     | 245,333                    | -                                   | 245,333          |
| Current reversal      | -                          | (1,607)                             | (1,607)          |
| Current charge-off    | (344,704)                  | -                                   | (344,704)        |
| Recovery of bad debts | 121,275                    | -                                   | 121,275          |
| Ending balance        | <b>\$ 1,649,398</b>        | <b>39,393</b>                       | <b>1,688,791</b> |

|                       | <b>Loans and discounts</b> | <b>2014<br/>Guarantee liability</b> | <b>Total</b>     |
|-----------------------|----------------------------|-------------------------------------|------------------|
| Beginning balance     | \$ 1,282,941               | 16,872                              | 1,299,813        |
| Current provision     | 533,962                    | 24,128                              | 558,090          |
| Current reversal      | (523,859)                  | -                                   | (523,859)        |
| Recovery of bad debts | 187,773                    | -                                   | 187,773          |
| Acquisition of NCCT   | 146,677                    | -                                   | 146,677          |
| Ending balance        | <b>\$ 1,627,494</b>        | <b>41,000</b>                       | <b>1,668,494</b> |

Loans and discounts to be assessed for impairment to determine their allowance for bad debts were as follows:

| Item                                     |                       | Loans and discounts |                   | Allowance for bad debts |                   |
|--|-----------------------|---------------------|-------------------|-------------------------|-------------------|
|  |                       | December 31, 2015   | December 31, 2014 | December 31, 2015       | December 31, 2014 |
| With objective evidence of impairment    | Individual assessment | 3,256,226           | 1,993,796         | 274,070                 | 373,407           |
|  | Collective assessment | 297,787             | 225,411           | 126,103                 | 68,834            |
| Without objective evidence of impairment | Collective assessment | 129,331,547         | 127,681,450       | 1,249,225               | 1,185,253         |
| Total                                    |                       | 132,885,560         | 129,900,657       | 1,649,398               | 1,627,494         |

**(14) Other financial assets — net**

|  | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|--|--------------------------|--------------------------|
| Financial assets carried at cost — net | <b>\$ 55,537</b>         | <b>65,537</b>            |

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**Notes to the Financial Statements**

Details of financial asset carried at cost were as follows:

|   | December 31,<br>2015    | December 31,<br>2014 |
|---|-------------------------|----------------------|
| Xin-Rui-Du Development Co., Ltd.                    | \$ 4,940                | 4,940                |
| Tsai-Jin Information Co., Ltd.                      | 45,500                  | 45,500               |
| Taiwan Depository & Clearing Corporation            | 6,345                   | 6,345                |
| Taiwan High Speed Rail Corporation—preferred shares | -                       | 10,000               |
| Yang Guang Asset Management Company                 | 692                     | 692                  |
| Taiwan Mobile Payment Corporation                   | 3,000                   | 3,000                |
|   | 60,477                  | 70,477               |
| Less: accumulated impairment loss                   | (4,940)                 | (4,940)              |
|   | <u><u>\$ 55,537</u></u> | <u><u>65,537</u></u> |

Financial assets carried at cost include equity investments held by the Bank. Since such assets have no quoted market price and their fair value cannot be reliably measured, the assets are carried at cost.

**(15) Long-term investments under equity method—net**

As of December 31, 2015 and 2014, details of long-term investments under the equity method were as follows:

|   |                            | December 31, 2015        |                       |
|---|----------------------------|--------------------------|-----------------------|
|   | Percentage of<br>ownership | Investment<br>Cost       | Amount                |
| Subsidiaries                            |                            |                          |                       |
| Panhsin Insurance Broker Co., Ltd.      | 100.00                     | \$ 3,000                 | 78,073                |
| Panhsin Asset Management Co., Ltd.      | 81.82                      | 540,000                  | 153,633               |
| Panhsin International Leasing Co., Ltd. | 100.00                     | 300,000                  | 294,041               |
|   |                            | <u><u>\$ 843,000</u></u> | <u><u>525,747</u></u> |

|                                    |                            | December 31, 2014        |                       |
|------------------------------------|----------------------------|--------------------------|-----------------------|
|                                    | Percentage of<br>ownership | Investment<br>Cost       | Amount                |
| Panhsin Insurance Broker Co., Ltd. | 100.00                     | \$ 3,000                 | 110,493               |
| Panhsin Asset Management Co., Ltd. | 81.82                      | 540,000                  | 147,053               |
|                                    | 100.00                     | 300,000                  | 297,866               |
|                                    |                            | <u><u>\$ 843,000</u></u> | <u><u>555,412</u></u> |

The Bank acquired the shares of Panhsin Asset Management Co., Ltd. by \$490,000 of cash in Sept. 2014, so the shareholding percentage was increased from 29.41% to 81.82% Furthermore, the Bank acquired 100% outstanding shares of Panhsin International Leasing Co., Ltd. in Nov. 2014.

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**BANK OF PANHSIN**  
**Notes to the Financial Statements**

**(16) Property and equipment—net**

| <b>December 31, 2015</b> | <b>Cost</b>                | <b>Accumulated depreciation</b> | <b>Net</b>              |
|--------------------------|----------------------------|---------------------------------|-------------------------|
| Land                     | \$ 3,946,128               | -                               | 3,946,128               |
| Buildings                | 2,489,865                  | (237,207)                       | 2,252,658               |
| Machinery and equipment  | 323,674                    | (226,800)                       | 96,874                  |
| Transportation equipment | 115,154                    | (83,865)                        | 31,289                  |
| Other equipment          | 672,592                    | (357,594)                       | 314,998                 |
| Leasehold improvement    | 196,045                    | (157,947)                       | 38,098                  |
| Construction in progress | 25,806                     | -                               | 25,806                  |
| <b>Total</b>             | <b><u>\$ 7,769,264</u></b> | <b><u>(1,063,413)</u></b>       | <b><u>6,705,851</u></b> |

| <b>December 31, 2014</b> | <b>Cost</b>                | <b>Accumulated depreciation</b> | <b>Net</b>              |
|--------------------------|----------------------------|---------------------------------|-------------------------|
| Land                     | \$ 4,029,740               | -                               | 4,029,740               |
| Buildings                | 2,587,649                  | (204,503)                       | 2,383,146               |
| Machinery and equipment  | 350,980                    | (257,283)                       | 93,697                  |
| Transportation equipment | 118,235                    | (88,725)                        | 29,510                  |
| Other equipment          | 657,362                    | (314,267)                       | 343,095                 |
| Leasehold improvement    | 171,741                    | (145,408)                       | 26,333                  |
| Construction in progress | 5,907                      | -                               | 5,907                   |
| <b>Total</b>             | <b><u>\$ 7,921,614</u></b> | <b><u>(1,010,186)</u></b>       | <b><u>6,911,428</u></b> |

Movements of cost were as below:

|                          | <b>January 1, 2015</b>     | <b>Current increase</b> | <b>Current decrease</b> | <b>Other (note 1)</b>  | <b>December 31, 2015</b> |
|--------------------------|----------------------------|-------------------------|-------------------------|------------------------|--------------------------|
| Land                     | \$ 4,029,740               | -                       | (41,339)                | (42,273)               | 3,946,128                |
| Buildings                | 2,587,649                  | -                       | (12,814)                | (84,970)               | 2,489,865                |
| Machinery and equipment  | 350,980                    | -                       | (59,426)                | 32,120                 | 323,674                  |
| Transportation equipment | 118,235                    | -                       | (15,543)                | 12,462                 | 115,154                  |
| Other equipment          | 657,362                    | 13,529                  | (10,526)                | 12,227                 | 672,592                  |
| Leasehold improvement    | 171,741                    | 22,825                  | -                       | 1,479                  | 196,045                  |
| Construction in progress | 5,907                      | 25,236                  | -                       | (5,337)                | 25,806                   |
| <b>Total</b>             | <b><u>\$ 7,921,614</u></b> | <b><u>61,590</u></b>    | <b><u>(139,648)</u></b> | <b><u>(74,292)</u></b> | <b><u>7,769,264</u></b>  |

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## Notes to the Financial Statements

|                          | January<br>1, 2014  | Current<br>increase<br>(note 2) | Current<br>decrease | Other<br>(note 3) | December<br>31, 2014 |
|--------------------------|---------------------|---------------------------------|---------------------|-------------------|----------------------|
| Land                     | \$ 2,387,168        | 1,999,733                       | (211,582)           | (145,579)         | 4,029,740            |
| Buildings                | 3,046,760           | 49,161                          | (255,033)           | (253,239)         | 2,587,649            |
| Machinery and equipment  | 389,234             | 4,954                           | (67,709)            | 24,501            | 350,980              |
| Transportation equipment | 114,462             | 1,772                           | (2,878)             | 4,879             | 118,235              |
| Other equipment          | 363,335             | 67,008                          | (3,546)             | 230,565           | 657,362              |
| Leasehold improvement    | 159,369             | 11,927                          | -                   | 445               | 171,741              |
| Construction in progress | 242,098             | 17,948                          | -                   | (254,139)         | 5,907                |
| Total                    | <u>\$ 6,702,426</u> | <u>2,152,503</u>                | <u>(540,748)</u>    | <u>(392,567)</u>  | <u>7,921,614</u>     |

Note: 1) Reclassification from other assets—prepayment amounting to \$52,951 and to land and buildings under property and equipment amounting to \$42,273 and \$84,970, respectively.

2) Current increase of \$2,152,503 in 2014 includes the cost of property and equipment from general assumption of the Ninth Credit Cooperative of Taipei amounting to \$2,101,326.

3) Reclassification from other assets—prepayments, \$42,278 and to investment property—land and investment property—building amounting to \$144,465 and \$290,380, respectively.

Movements of accumulated depreciation were as below:

|                          | January 1,<br>2015  | Current<br>increase | Current<br>decrease | Other<br>(note 1) | December<br>31, 2015 |
|--------------------------|---------------------|---------------------|---------------------|-------------------|----------------------|
| Buildings                | \$ 204,503          | 39,987              | (3,743)             | (3,540)           | 237,207              |
| Machinery and equipment  | 257,283             | 18,615              | (49,098)            | -                 | 226,800              |
| Transportation equipment | 88,725              | 7,211               | (12,071)            | -                 | 83,865               |
| Other equipment          | 314,267             | 52,436              | (9,109)             | -                 | 357,594              |
| Leasehold improvement    | 145,408             | 12,539              | -                   | -                 | 157,947              |
| Total                    | <u>\$ 1,010,186</u> | <u>130,788</u>      | <u>(74,021)</u>     | <u>(3,540)</u>    | <u>1,063,413</u>     |

|                          | January 1,<br>2014  | Current<br>increase<br>(note 2) | Current<br>decrease | Other<br>(note 3) | December<br>31, 2014 |
|--------------------------|---------------------|---------------------------------|---------------------|-------------------|----------------------|
| Buildings                | \$ 231,800          | 40,584                          | (61,313)            | (6,568)           | 204,503              |
| Machinery and equipment  | 289,340             | 22,967                          | (55,024)            | -                 | 257,283              |
| Transportation equipment | 83,336              | 7,621                           | (2,232)             | -                 | 88,725               |
| Other equipment          | 266,528             | 50,704                          | (2,965)             | -                 | 314,267              |
| Leasehold improvement    | 130,643             | 14,765                          | -                   | -                 | 145,408              |
| Total                    | <u>\$ 1,001,647</u> | <u>136,641</u>                  | <u>(121,534)</u>    | <u>(6,568)</u>    | <u>1,010,186</u>     |

Note: 1) Reclassification to investment property of \$3,540.

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## BANK OF PANHSIN

## Notes to the Financial Statements

- 2) The increase in \$136,641 in 2014 includes the accumulated depreciation and depreciation expense of property and equipment from general assumption of the Ninth Credit Cooperative of Taipei amounting to \$29,482 (please refer to note 46(1)) and \$107,159, respectively.
- 3) Reclassification to investment property of \$6,568.

As of March 28, 2014, the Bank sold the self-owned building, located at No. 330 Zhongzheng Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.) with the price of \$950,000. Gain on disposal of the building amounting to \$495,714 was recognized after deducting the related expenses of \$37,615 thousands and carrying value. According to the Banking Bureau's letter dated May 15, 2013 (Ref. No. 10200070270), while banks sale and lease back real estates, the gain on property exchange shall be deferred. The gain deferred by the Bank on property exchange for sale and lease back as of December 31, 2015 and 2014, was \$101,066 and \$213,141, respectively, which was recognized as other liabilities-deferred revenue. The realized gain on property exchange for the years ended December 31, 2015 and 2014, was \$112,075 and \$282,573, respectively, which was recognized as gain on property exchange and other non-interest income-investment property.

**(17) Investment property – net**

| <b>December 31, 2015</b> | <b>Cost</b>                | <b>Accumulated depreciation</b> | <b>Net</b>              |
|--------------------------|----------------------------|---------------------------------|-------------------------|
| Land                     | \$ 691,306                 | -                               | 691,306                 |
| Building                 | <u>1,712,711</u>           | <u>(88,917)</u>                 | <u>1,623,794</u>        |
| Total                    | <u><b>\$ 2,404,017</b></u> | <u><b>(88,917)</b></u>          | <u><b>2,315,100</b></u> |

| <b>December 31, 2014</b> | <b>Cost</b>                | <b>Accumulated depreciation</b> | <b>Net</b>              |
|--------------------------|----------------------------|---------------------------------|-------------------------|
| Land                     | \$ 649,033                 | -                               | 649,033                 |
| Building                 | <u>1,627,741</u>           | <u>(61,310)</u>                 | <u>1,566,431</u>        |
| Total                    | <u><b>\$ 2,276,774</b></u> | <u><b>(61,310)</b></u>          | <u><b>2,215,464</b></u> |

Movements of cost were as below:

|          | <b>January 1, 2015</b>     | <b>Current increase</b> | <b>Current decrease</b> | <b>Reclassification (note 1)</b> | <b>December 31, 2015</b> |
|----------|----------------------------|-------------------------|-------------------------|----------------------------------|--------------------------|
| Land     | \$ 649,033                 | -                       | -                       | 42,273                           | 691,306                  |
| Building | <u>1,627,741</u>           | <u>-</u>                | <u>-</u>                | <u>84,970</u>                    | <u>1,712,711</u>         |
| Total    | <u><b>\$ 2,276,774</b></u> | <u><b>-</b></u>         | <u><b>-</b></u>         | <u><b>127,243</b></u>            | <u><b>2,404,017</b></u>  |

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**Notes to the Financial Statements**

|          | January 1,<br>2014  | Current<br>increase | Current<br>decrease | Reclassificat<br>ion (note 2) | December<br>31, 2014 |
|----------|---------------------|---------------------|---------------------|-------------------------------|----------------------|
| Land     | \$ 510,662          | -                   | (6,094)             | 144,465                       | 649,033              |
| Building | 1,344,396           | -                   | (7,035)             | 290,380                       | 1,627,741            |
| Total    | <u>\$ 1,855,058</u> | <u>-</u>            | <u>(13,129)</u>     | <u>434,845</u>                | <u>2,276,774</u>     |

Note: 1) Reclassification from land and buildings under property and equipment amounting to \$42,273 and \$84,970, respectively.

2) Reclassification to land and buildings under property and equipment amounting to \$144,465 and \$290,380, respectively.

Movements of accumulated depreciation were as follows:

|          | January 1,<br>2015 | Current<br>increase | Current<br>decrease | Reclassificat<br>ion (note 1) | December<br>31, 2015 |
|----------|--------------------|---------------------|---------------------|-------------------------------|----------------------|
| Building | <u>\$ 61,310</u>   | <u>24,067</u>       | <u>-</u>            | <u>3,540</u>                  | <u>88,917</u>        |
|          | January 1,<br>2014 | Current<br>increase | Current<br>decrease | Reclassificat<br>ion (note 2) | December<br>31, 2014 |
| Building | <u>\$ 33,215</u>   | <u>23,287</u>       | <u>(1,760)</u>      | <u>6,568</u>                  | <u>61,310</u>        |

Note: 1) Reclassification from buildings under property and equipment of \$3,540.

2) Reclassification to buildings under property and equipment of \$6,568.

For the disclosure of significant disposals of investment property, please refer to notes 16.

According to the evaluation of investment property by external and internal appraisers, the fair value of the investment property held by the Bank as of December 31, 2015 and 2014, was \$4,882,913 and \$3,797,283, respectively.

The investment properties held by the Bank included commercial real estate leasing to others. Every leasing contract contained originally nonrenewable leasing period. The subsequent leasing periods were negotiated with lessees and there were no contingent rents. Please refer to note 42.

As of December 31, 2014, the investment properties owned by the Bank were not under pledge.

**(18) Intangible assets — net**

|                   | December 31,<br>2015 | December 31,<br>2014 |
|-------------------|----------------------|----------------------|
| Goodwill          | \$ 2,197,921         | 2,197,921            |
| Computer software | 93,010               | 131,647              |
| Core deposits     | 127,569              | 134,791              |
| Total             | <u>\$ 2,418,500</u>  | <u>2,464,359</u>     |

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## BANK OF PANHSIN

## Notes to the Financial Statements

Goodwill of the Bank arose from acquisition of the outstanding assets and liabilities of The Ninth Credit Cooperative of Taipei, The Kaohsiung Fifth Credit Cooperative and The First Credit Cooperative of Chiayi and the guarantee by both.

When performing the test of impairment, the Bank estimated its future operating cash flow on the basis of its operating results or objective information from its business cycle.

After performing the assessment above, the Bank did not recognize goodwill impairment loss for the years ended December 31, 2015 and 2014.

Movements of intangible assets were as follows:

|                   | January<br>1, 2015  | Current<br>increase | Current<br>decrease | Other<br>(note 1) | December<br>31, 2015 |
|-------------------|---------------------|---------------------|---------------------|-------------------|----------------------|
| Goodwill          | \$ 2,197,921        | -                   | -                   | -                 | 2,197,921            |
| Computer software | 131,647             | -                   | (59,866)            | 21,229            | 93,010               |
| Core deposits     | 134,791             | -                   | (7,222)             | -                 | 127,569              |
| Total             | <u>\$ 2,464,359</u> | <u>-</u>            | <u>(67,088)</u>     | <u>21,229</u>     | <u>2,418,500</u>     |

|                   | January<br>1, 2014  | Current<br>increase<br>(note 2) | Current<br>decrease | Other<br>(note 3) | December<br>31, 2014 |
|-------------------|---------------------|---------------------------------|---------------------|-------------------|----------------------|
| Goodwill          | \$ 1,316,159        | 881,762                         | -                   | -                 | 2,197,921            |
| Computer software | 147,516             | 558                             | (55,949)            | 39,522            | 131,647              |
| Core deposits     | -                   | 137,800                         | (3,009)             | -                 | 134,791              |
| Total             | <u>\$ 1,463,675</u> | <u>1,020,120</u>                | <u>(58,958)</u>     | <u>39,522</u>     | <u>2,464,359</u>     |

Note: 1) Reclassification from other assets—prepayment and disposal of the assets amounting to 21,229.

2) The increase in 1,020,120 in 2014 transferred from intangible assets of the Ninth Credit Cooperative of Taipei. Please refer to note 46(1).

3) Reclassification from other assets—prepayment amounting to 39,522.

**(19) Other assets**

|                       | December 31,<br>2015 | December 31,<br>2014 |
|-----------------------|----------------------|----------------------|
| Prepayments           | \$ 317,813           | 60,529               |
| Refundable deposits   | 474,394              | 69,538               |
| Foreclosed collateral | 650,970              | 658,049              |
| Other                 | 5                    | 3,995                |
| Total                 | <u>\$ 1,443,182</u>  | <u>792,111</u>       |

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**BANK OF PANHSIN**  
**Notes to the Financial Statements**

Movements of the foreclosed collateral were as follows:

|                              | January 1, 2014   | Current<br>increase | Current<br>decrease | Reclassification | December 31,<br>2014 |
|------------------------------|-------------------|---------------------|---------------------|------------------|----------------------|
| Cost                         | \$ 667,710        | -                   | (7,079)             | -                | 660,631              |
| Less: Accumulated impairment | 9,661             | -                   | -                   | -                | 9,661                |
| Total                        | <u>\$ 658,049</u> | <u>-</u>            | <u>(7,079)</u>      | <u>-</u>         | <u>650,970</u>       |
|                              | January 1, 2015   | Current<br>increase | Current<br>decrease | Reclassification | December 31,<br>2015 |
| Cost                         | \$ 709,894        | -                   | (42,184)            | -                | 667,710              |
| Less: Accumulated impairment | 17,057            | -                   | (7,396)             | -                | 9,661                |
| Total                        | <u>\$ 692,837</u> | <u>-</u>            | <u>(34,788)</u>     | <u>-</u>         | <u>658,049</u>       |

As of December 31, 2015 and 2014, the foreclosed assets related to Xin Rui Du amounted to \$632,994. Actions taken by the Bank were as follows:

- 1) The Bank took over the loans which were guaranteed by Xin Rui Du Development Co., Ltd. (Xin Rui Du) from Kaohsiung 5th Credit Cooperative. Xin Rui Du provided 75 pieces of land, located at Plot No. 73, Tie Fu Section, Hu Nei District, Kaohsiung City, as collateral. These pieces of land had been rezoned as industrial and commercial land. Because the majority owner of Xin Rui Du, Su Huei Jen, was involved in a political scandal, Xin Rui Du was not able to repay the loan. However, due to illegal sand mining done by other debtors of Xin Rui Du, the court auctions failed several times. To prevent huge losses, the Bank took these pieces of land as repayment of the loan. The Bank now owns these pieces of land and employs 24-hour security and has set up fences to protect the land.
- 2) The foreclosed land was classified as industrial and commercial land. The Bank owns the property, but the rights of the property were separated from the ownership and were granted to Xin Rui Du. Through legal action, the Bank was appointed as the liquidator of Xin Rui Du, and the Bank publicly auctioned the development rights. Panhsin Asset Management Co., Ltd. acquired the development rights from the auction, expecting to combine the Bank's ownership and Panhsin Asset Management Co., Ltd.'s development rights to continue land development, so as to simplify the legal relationship in order to search for potential investors. The Bank has appointed a consultant to apply to the Ministry of Economic Affairs for continuing the development plan with Panhsin Asset Management Co., Ltd. as the developer for the plan. The Ministry has announced Panhsin Asset Management Co., Ltd. to take over the plan on April 8, 2014.
- 3) The land would have changed to "agricultural area" from "industrial and commercial land" due to the urban development of Kaohsiung City Government. To protect the rights, the Bank visited Urban Development Bureau, Kaohsiung City Government on May 26, 2014 and submitted the petition. The Bank also attended to the first meeting held by the ad hoc group of the Urban Development Bureau, Kaohsiung City Government. In the meeting, the Bank emphasized the efforts made to the land after taking over the development, and reinforced the statement of keeping the land as industrial and commercial land.

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- 4) The Bank received a formal letter from the Urban Development Bureau, Kaohsiung City Government on September 5, 2014 after the first meeting. The Bureau asked the Bank to provide the performance of the original development, tax filing of previous years, and the plan and schedule of its future development plan within one month. During the month, the Bank assigned a consulting team to reconsider the product positioning in the market in compliance with the regulation to optimize the use of \_\_\_\_\_ the \_\_\_\_\_ land. The Bank submitted the revised petition with supplements to the Bureau on October 17, 2014.
- 5) After re-discussing with the Urban Development Bureau, Kaohsiung City Government, the Bank preferred to continue its previous development plan without changing the zoning ordinance in its previous development plan. The Bank submitted the supplementary documents for the revised 3rd vision petition to the ad hoc group of the Urban Development Bureau, Kaohsiung City Government for further check. Since the members of the group are reshuffled yearly, the scheme of meetings will be decided after new members of the ad hoc group are assigned.
- 6) Panhsin Asset Management Co., Ltd., has been assigned as the developer of the land. The company will take over the communication with the Urban Development Bureau, Kaohsiung City Government, to keep the land as industrial and commercial area, and further application for change of the urban development plan and environmental impact assessment of the Kaohsiung City Government. When the land continues to develop, the value for the area will increase together with the profit of the Bank.
- 7) The land is being appraised regularly by an external appraisal organization to determine whether any impairment existed. For the year ended December 31, 2015, no impairment loss was recognized.

**(20) Deposits from Central Bank and other banks**

|   | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|---|------------------------------|------------------------------|
| Deposits by other banks                   | \$ 620,396                   | 633,943                      |
| Call loans from bank—credit               | -                            | 317,180                      |
| Deposits transferred from the Post Office | 699,640                      | 699,640                      |
| Total                                     | <u><b>\$ 1,320,036</b></u>   | <u><b>1,650,763</b></u>      |

**(21) Payable**

|                       | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|-----------------------|------------------------------|------------------------------|
| Accounts payable      | \$ 31,603                    | 38,384                       |
| Accrued expense       | 347,972                      | 317,411                      |
| Interest payable      | 221,173                      | 234,392                      |
| Acceptance payable    | 217,428                      | 301,351                      |
| Collection payable    | 56,503                       | 90,053                       |
| Spot exchange payable | 1,578,613                    | 769,263                      |
| Other payable         | 756,117                      | 1,386,601                    |
| Total                 | <u><b>\$ 3,209,409</b></u>   | <u><b>3,137,455</b></u>      |

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**Notes to the Financial Statements**

**(22) Deposits and remittances**

|  | December 31,<br>2015  | December 31,<br>2014 |
|--|-----------------------|----------------------|
| Checking account                           | \$ 1,626,723          | 1,956,452            |
| Demand deposits                            |                       |                      |
| Demand deposits                            | 27,992,971            | 27,877,246           |
| Demand savings deposits                    | 45,755,045            | 44,504,135           |
| Subtotal of demand deposits                | 73,748,016            | 72,381,381           |
| Time deposits                              |                       |                      |
| Time deposits                              | 21,672,930            | 23,282,096           |
| Negotiable certificates of deposit         | 580,200               | 779,300              |
| Subtotal of demand deposits                | 22,253,130            | 24,061,396           |
| Time savings deposits                      |                       |                      |
| Staff deposits                             | 1,122,365             | 1,125,371            |
| Installment savings deposits               | 126,767               | 119,116              |
| Non-interest-drawing time savings deposits | 9,279,306             | 9,712,495            |
| Interest-drawing savings deposits          | 67,421,226            | 65,441,816           |
| Subtotal of time savings deposits          | 77,949,664            | 76,398,798           |
| Foreign currency time deposits             | 10,666,607            | 7,604,299            |
| Remittances                                | 33,241                | 9,153                |
| Deposits and remittances total             | <u>\$ 186,277,381</u> | <u>182,411,479</u>   |

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**BANK OF PANHSIN**  
**Notes to the Financial Statements**

**(23) Financial bonds payable**

| Name of bond   | During                    | Interest rate                         | December 31, 2015   | December 31, 2014 |
|--|---------------------------|---------------------------------------|---------------------|-------------------|
| The first series of the subordinate financial debenture in 2009  | 2009.06.26~<br>2015.06.26 | Fixed 3.00% or floating rate (note 1) | \$ -                | 370,000           |
| The second series of the subordinate financial debenture in 2009 | 2009.10.22~<br>2015.10.22 | Fixed 3.00% or floating rate (note 1) | -                   | 350,000           |
| The first series of the subordinate financial debenture in 2010  | 2010.11.05~<br>2016.11.05 | Fixed 3.25%                           | 500,000             | 500,000           |
| The first series of the subordinate financial debenture in 2011  | 2011.12.02~<br>2017.12.02 | Fixed 3.00%                           | 400,000             | 400,000           |
| The first series of the subordinate financial debenture in 2012  | 2012.03.21~<br>2018.03.21 | Fixed 3.00%                           | 100,000             | 100,000           |
| The second series of the subordinate financial debenture in 2012 | 2012.11.12~<br>2018.11.12 | Fixed 3.00%                           | 700,000             | 700,000           |
| The second series of the subordinate financial debenture in 2014 | 2014.06.06~<br>2020.06.06 | Fixed 3.00% or floating rate (note 2) | 3,000,000           | 3,000,000         |
|  |                           |                                       | <u>\$ 4,700,000</u> | <u>5,420,000</u>  |

Note 1: Floating interest rate is 1.70% plus Chunghwa Post Co., Ltd.'s stated one-year time deposit rate. The interest rate is reset two working days before the effective date every six months.

Note 2: Floating interest rate is 1.50% plus Chunghwa Post Co., Ltd.'s stated one-year time deposit rate. The interest rate is reset two working days before the effective date every year.

**(24) Provision**

|  | December 31, 2015 | December 31, 2014 |
|--|-------------------|-------------------|
| Employee benefit obligation—pension  | \$ 107,036        | 113,784           |
| Employee benefit obligation—retired employee preferential interest rate deposits | 29,682            | 28,267            |
| Guarantee reserve  | 39,393            | 41,000            |
| Unexpected losses reserve  | 3,938             | 3,938             |
| Total  | <u>\$ 180,049</u> | <u>186,989</u>    |

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**BANK OF PANHSIN**  
**Notes to the Financial Statements**

**(25) Other liabilities**

|  | December 31,<br>2015     | December 31,<br>2014  |
|--|--------------------------|-----------------------|
| Unearned revenue                         | \$ 14,416                | 19,970                |
| Advance interest receipts                | 13                       | 80                    |
| Temporary receipts and suspense accounts | 10,300                   | 12,396                |
| Guarantee deposits received              | 44,115                   | 50,432                |
| Deferred revenue                         | 101,066                  | 217,097               |
| Other advance receipts                   | 23,275                   | 59,706                |
| Total                                    | <u><u>\$ 193,185</u></u> | <u><u>359,681</u></u> |

**(26) Employee benefits**

1) Defined benefits plan-pension

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

|   | December 31,<br>2015     | December 31,<br>2014  |
|---|--------------------------|-----------------------|
| Present value of the defined benefit                                  | \$ 681,657               | 684,943               |
| Fair value of plan assets obligations                                 | <u>(574,621)</u>         | <u>(571,159)</u>      |
|   | 107,036                  | 113,784               |
| Effect of Asset Ceiling   | <u>-</u>                 | <u>-</u>              |
| Net defined benefit liability (provision-employee benefit obligation) | <u><u>\$ 107,036</u></u> | <u><u>113,784</u></u> |

1. Composition of plan assets

The Bank maintains funds for its retirement plan covering all regular employees and recognizing the pension expense based on the actuarial report.

In accordance with the retirement plan, payments of pension benefits are calculated based on the employees' average monthly salary for the last six months prior to their approved retirement and base point (b.p.) entitlement. The b.p. earned by each employee is 2 b.p. for one year of service, and 1 b.p. for the 15th year and thereafter where the maximum b.p. is 45 b.p. The b.p. for employees who rendered services for less than one year and over half year will be 0.5 b.p. and 1 b.p., respectively.

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## Notes to the Financial Statements

Under the Labor Standards Act, the Bank makes monthly contributions of no less than 2% of the gross salary to the employees' pension fund, which is deposited into a designated depository account with Bank of Taiwan. As well, the Bank contributes pension fund at the rate of 3.5% (previously at 4.7% until February 2001) of the monthly payroll to the employees' pension fund administration committee, which is being deposited in the committee's name in the Bank's Operating Department for interest bearing. This pension fund is not reflected in the financial statements.

2. Movements in present value of the defined benefit obligations

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

|  | 2015              | 2014           |
|--|-------------------|----------------|
| Defined benefit obligation at January 1                                    | \$ 684,943        | 655,087        |
| Current service costs and interest   | 22,963            | 23,071         |
| Remeasurements of a net defined benefit (liability) assets                 |                   |                |
| — Actuarial (losses) gains arising from changes in demographic assumptions | (34,953)          | 14,010         |
| — Actuarial (losses) gains arising from changes in financial assumptions   | 5,065             | -              |
| — Actuarial (losses) gains arising from experience adjustments             | 25,326            | -              |
| Benefits paid by the plan  | (21,687)          | (7,225)        |
| Defined benefit obligation at December 31                                  | <u>\$ 681,657</u> | <u>684,943</u> |

3. Movements of the defined benefit plan assets

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

|  | 2015              | 2014           |
|--|-------------------|----------------|
| Fair value of plan assets at January 1                         | \$ 571,159        | 430,038        |
| Current interest   | 10,969            | 8,379          |
| Remeasurements of the net defined benefit (liabilities) assets | 1,206             | 1,515          |
| Return on plan assets (excluding current interest)             | 12,974            | 138,452        |
| Benefits paid by the plan                                      | (21,687)          | (7,225)        |
| Fair value of plan assets at December 31                       | <u>\$ 574,621</u> | <u>571,159</u> |

4. Movements of the effect of the asset ceiling

There were no movements in the effect of the asset ceiling for the Bank in 2015 and 2014.

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**Notes to the Financial Statements**

5. Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Bank were as follows:

|  | <b>2015</b>             | <b>2014</b>          |
|--|-------------------------|----------------------|
| Current service costs                            | \$ 9,898                | 10,491               |
| Net interests on net defined benefit liabilities | 2,096                   | 4,201                |
|  | <u><b>\$ 11,994</b></u> | <u><b>14,692</b></u> |

6. Net remeasurement of the defined benefits liability recognized in other comprehensive income

The Bank's net remeasurement of the defined benefits liability recognized in other comprehensive income as 2015 and 2014 were as follows:

|                                   | <b>2015</b>            | <b>2014</b>          |
|-----------------------------------|------------------------|----------------------|
| Cumulative amounts at January 1   | \$ 12,496              | -                    |
| Recognized during the period      | (5,768)                | 12,496               |
| Cumulative amounts at December 31 | <u><b>\$ 6,728</b></u> | <u><b>12,496</b></u> |

7. Actuarial assumptions

The following are the Bank's principal actuarial assumptions:

|                        | <b>December 31, 2015</b> |                          | <b>December 31, 2014</b> |                          |
|------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                        | <b>Managers</b>          | <b>Regular employees</b> | <b>Managers</b>          | <b>Regular employees</b> |
| Discount rate          | 1.75%                    | 1.75%                    | 1.75%                    | 2.00%                    |
| Future salary increase | 2.13%                    | 2.13%                    | 2.00%                    | 2.00%                    |

The Bank expected the contributions of \$26,451 to be paid to its benefit plans within a year after the reporting date in 2015.

The weighted average durations for managers and regular employees based on the defined benefit plan were 9 and 17 years, respectively.

8. Sensitivity analysis for actuarial assumption

When calculating the present value of the defined benefit obligations, the Bank uses judgments and estimations to determine the actuarial assumptions, including discount rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

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**BANK OF PANHSIN**  
**Notes to the Financial Statements**

As of December 31, 2015 and 2014, the effect of changes in actuarial assumption on the present value of the defined benefit obligation was as follows:

|  | <b>The effect of defined benefit obligation</b> |                  |
|--|---|------------------|
|  | <b>Increase%</b>                                | <b>Decrease%</b> |
| At December 31, 2015                   |   |                  |
| Discount rate (changes 0.25%)          | (2.80)%   | 2.92%            |
| Future salary increase (changes 0.25%) | 2.83%   | (2.73)%          |
| At December 31, 2014                   |   |                  |
| Discount rate (changes 0.25%)          | (2.44)%   | 2.53%            |
| Future salary increase (changes 0.25%) | 2.44%   | (2.51)%          |

The above sensitivity analysis is analyzed based on the effect of changes in a single assumption under the condition that other assumptions remain constant. In practice, many changes in assumptions may be correlative. The method used for sensitivity analysis and the calculation of the net pension liability are the same.

The method used for measurement and the assumption used for sensitivity analysis are the same with those of the previous years.

2) Defined benefit plans—retired employee preferential interest rate deposits

The present value of the defined benefit obligations and the fair value of the plan assets of the Bank were as follows:

|   | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|---|------------------------------|------------------------------|
| Present value of the defined benefit                                      | \$ 29,682                    | 28,267                       |
| Fair value of plan asset obligations                                      | -                            | -                            |
|   | <u>29,682</u>                | <u>28,267</u>                |
| Effect of Asset Ceiling   | -                            | -                            |
| Net defined benefit liabilities (provisions-employee benefit obligations) | <u><b>\$ 29,682</b></u>      | <u><b>28,267</b></u>         |

1. Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Bank were as follows:

|  | <b>2015</b>            | <b>2014</b>          |
|--|------------------------|----------------------|
| Current service costs  | \$ 1,416               | 1,252                |
| Actuarial profit or loss   | -                      | 12,536               |
| Past service costs   | -                      | 552                  |
| Costs recognized for the preferential interest rate deposit plan | <u><b>\$ 1,416</b></u> | <u><b>14,340</b></u> |

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**BANK OF PANHSIN**  
**Notes to the Financial Statements**

2. Actuarial assumptions

Actuarial assumptions used for the preferential interest rate deposit plan of the Bank were as follows:

|   | 2015   | 2014   |
|---|--------|--------|
| Discount rates  | 4.00%  | 4.00%  |
| Returns on fund deposits                                | 2.00%  | 2.00%  |
| Withdrawal rates  | 1.00%  | 1.00%  |
| Possibility of changes in the preferential deposit plan | 50.00% | 50.00% |
| Preferential interests                                  | 3.00%  | 3.00%  |

3) Defined contribution plans

The Bank allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Bank allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Bank's pension costs under the defined contribution method were \$46,811 and \$38,673 for the years ended December 31, 2015 and 2014, respectively. Payment was made to the Bureau of Labor Insurance.

**(27) Income tax**

1) The income tax expenses for the years ended December 31, 2015 and 2014 were as follows:

|                             | 2015              | 2014           |
|-----------------------------|-------------------|----------------|
| Income tax expense          | \$ 25,387         | 43,078         |
| Deferred income tax expense | 116,072           | 121,808        |
| Income tax expense          | <u>\$ 141,459</u> | <u>164,886</u> |

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Reconciliation of income tax and profit before tax for the years ended December 31, 2015 and 2014 was follows:

|  | 2015              | 2014           |
|--|-------------------|----------------|
| Profit before tax  | <u>\$ 876,903</u> | <u>661,090</u> |
| Income tax at statutory rate                                 | \$ 149,074        | 112,385        |
| Income of OBU exempt from tax                                | (29,030)          | (30,677)       |
| Investment income under the equity method                    | (2,436)           | 72,147         |
| Dealing gain from securities trading, net                    | (12,415)          | (8,137)        |
| Dividend income  | (8,633)           | (8,703)        |
| Gain on sale of land, net                                    | (22,766)          | (53,769)       |
| Changes in other temporary difference                        | 20                | 14             |
| Adjustment and expiration of prior year's loss carryforwards | 42,228            | 39,856         |
| Adjustment of prior year's tax                               | (4,148)           | 13,883         |
| Unappropriated earnings of tax                               | 341               | 2,305          |
| Basic income tax   | 29,195            | 26,891         |
| Recognition (reversal) of previously unrecognized tax loss   | -                 | 932            |
| Other  | 29                | (2,241)        |
| investment tax credit  |                   |                |
| Income tax expense   | <u>\$ 141,459</u> | <u>164,886</u> |

2) Deferred tax assets and liabilities

1. Unrecognized deferred tax assets

Unrecognized deferred tax assets were as follows:

|          | December 31, 2015 | December 31, 2014 |
|----------|-------------------|-------------------|
| Tax loss | <u>\$ 59,000</u>  | <u>42,000</u>     |

The ROC Income Tax Act states that net losses can be carried forward for ten consecutive years to reduce taxable income. However, the losses were not recognized as deferred tax assets since the Bank has little possibility of utilizing the loss carry forward in the future.

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As of December 31, 2015, the amounts, of unutilized losses and the years of expiry were as follows:

| <b>Year of loss</b> | <b>2015</b>                | <b>Year of expiry</b> |
|---------------------|----------------------------|-----------------------|
| 2009                | \$ 1,191,081               | 2019                  |
| 2010                | 1,620,378                  | 2020                  |
| 2011                | 252,418                    | 2021                  |
| 2012                | 71,463                     | 2022                  |
|                     | <u><b>\$ 3,135,340</b></u> |                       |

In 2014, the Bank recognized the previously unrecognized tax loss of \$59,000 as a deferred tax asset based on the change in future operating performance estimates. Since the profit growth trend is not yet stable, based on current estimates, the remaining tax loss of \$59,000 was not recognized as a deferred tax asset. However, once the operating income can continue to grow next year, it is expected that the unrecognized tax loss mentioned above will be recognized, and additional taxable profit of \$59,000 will occur.

2. Recognized deferred tax assets and liabilities

The movements of deferred tax assets and liabilities for the years ended December 31, 2014 and 2013, were as follows:

Deferred Tax Liabilities:

|  | <b>Capital<br/>leases</b> | <b>Land<br/>incremental<br/>tax</b> | <b>Total</b>   |
|--|---------------------------|-------------------------------------|----------------|
| <b>January 1, 2014 (As of December 31, 2015)</b>     | <b>\$ 3,007</b>           | <b>108,190</b>                      | <b>111,197</b> |
| <b>January 1, 2014</b>                               | \$ 3,007                  | 32,030                              | 35,037         |
| Transfer from the Ninth Credit Cooperative of Taipei | -                         | 76,160                              | 76,160         |
| <b>December 31, 2014</b>                             | <b>\$ 3,007</b>           | <b>108,190</b>                      | <b>111,197</b> |

Deferred Tax Assets:

|                              | <b>Defined<br/>benefit plan</b> | <b>Allowance<br/>for bad<br/>debts in<br/>excess of<br/>limit</b> | <b>Income<br/>loss</b> | <b>Others</b> | <b>Total</b>   |
|------------------------------|---------------------------------|---|------------------------|---------------|----------------|
| <b>January 1, 2015</b>       | \$ 35,157                       | 141,118   | 591,819                | 5,847         | 773,941        |
| Recognized in profit or loss | (167)                           | -   | (117,812)              | 1,907         | (116,072)      |
| <b>December 31, 2015</b>     | <b>\$ 34,990</b>                | <b>141,118</b>  | <b>474,007</b>         | <b>7,754</b>  | <b>657,869</b> |
| <b>January 1, 2014</b>       | \$ 54,071                       | 141,118   | 697,067                | 3,493         | 895,749        |
| Recognized in profit or loss | (18,914)                        | -   | (105,248)              | 2,354         | (121,808)      |
| <b>December 31, 2014</b>     | <b>\$ 35,157</b>                | <b>141,118</b>  | <b>591,819</b>         | <b>5,847</b>  | <b>773,941</b> |

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The Banks' tax returns were examined by the tax authorities for all years through 2013.

**(28) Imputation tax information**

Imputation tax information was as follows:

|   | December 31, 2015 | December 31, 2014 |
|---|-------------------|-------------------|
| Unappropriated earnings of 1998 and after                                     | <u>\$ 681,975</u> | <u>429,849</u>    |
| Balance of imputation credit account  | <u>\$ 80,892</u>  | <u>128,256</u>    |
|   | 2015 (estimated)  | 2014 (actual)     |
| Imputation tax credit ratio of earnings to be distributed to R.O.C. residents | <u>11.86%</u>     | <u>21.11%</u>     |

Effective January 1, 2015, the creditable ratio for distribution of earnings to R.O.C. residents will be half of the original creditable ratio mentioned above in accordance with the amended Income Tax Act. In case that the gross dividends or the gross earnings received by such individual or profit-seeking enterprise contain any income subject to a 10% surcharge of profit-seeking income tax which was actually paid under the provisions, half of the amount of the surcharged profit-seeking income tax may offset the amount of income tax which should be withheld from the payment of the net amount of such dividends or earnings.

**(29) Equity**

1) Capital stock and capital surplus

As of December 31, 2015 and 2014, the Bank's authorized capital and issued capital were \$15,000,000, and paid-in capital for common stock was \$12,211,753 and \$11,057,900, respectively.

A resolution was passed during the board meeting held on March 19, 2014, for the issuance of 150,000 thousand new common stocks, amounting to \$1,500,000 thousands with par value of 10 dollars. The issuance date was May 27, 2014 and the Bank has completed the registration on June 6, 2014.

Following the resolution of the shareholders' meeting held on June 25, 2015, the Bank decided a capital increase of 35,385 thousand common stocks to be issued at NT\$10 per share from the retained earnings amounting to \$353,853, with August 28, 2015 as its issuance date for capital increase. The Bank has completed the registration.

A resolution was passed during the board meeting held on September 16, 2015 for the issuance of 80,000 thousand new common stocks amounting to 800,000 thousands, with par value of \$10 per share. The issuance date was December 3, 2015, and the Bank has completed the registration on December 28, 2015.

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Pursuant to the Company Act, realized capital surplus shall be used initially to cover a deficit (or a loss), and the balance, if any, can be transferred to capital or distributed as cash dividends. Also, realized capital surplus includes the premium income derived from the issuance of new shares and endowments received by the Bank. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus used to increase capital shall not exceed 10% of the total paid-in capital.

- 2) Changes in the Bank's other equity interest were as below:

|   | Exchange<br>differences of<br>overseas<br>subsidiaries'<br>financial<br>reports<br>translation | Unrealized<br>(losses) gains<br>on<br>available-for-<br>sale financial<br>assets | Total          |
|---|--|--|----------------|
| January 1, 2015                         | \$ -   | 30,069   | 30,069         |
| Available-for-sale financial assets     |  |  |                |
| — Valuation adjustment                  | -  | 48,133   | 48,133         |
| — Realized amount                       | -  | 43,767   | 43,767         |
| Foreign currency translation difference | 6,169  | -  | 6,169          |
| December 31, 2015                       | <u>\$ 6,169</u>  | <u>121,969</u>   | <u>128,138</u> |
| January 1, 2014                         | \$ -   | (5,478)  | (5,478)        |
| Available-for-sale financial assets     |  |  |                |
| — Valuation adjustment                  | -  | (8,777)  | (8,777)        |
| — Realized amount                       | -  | 44,324   | 44,324         |
| December 31, 2014                       | <u>\$ -</u>  | <u>30,069</u>  | <u>30,069</u>  |

**(30) Restrictions on legal reserve and appropriation of retained earnings**

The ROC Company Act stipulates that when a company incurs no loss, it may, pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares or distributing cash. Only the portion of legal reserve which exceeds 25% of the issued share capital may be distributed. However, according to the Bank Act of the Republic of China, unless and until the accumulated legal reserve equals the bank's paid-in capital, the maximum cash profit which may be distributed shall not exceed 15% of the bank's paid-in capital.

According to the Bank's Articles of Incorporation, any annual earnings of the Bank shall first be used to pay income tax and offset any deficits, after which, 30% of the remaining earnings, as well as the special reserve, shall be provided as legal reserve. Afterwards, dividends on preferred stock shall be distributed. Distribution of the remaining earnings shall then be as follows:

- 1) Stockholders' dividends proposed by the board of directors shall be decided in the stockholders' meeting;
- 2) 5% as directors' and supervisors' remuneration; and
- 3) 5% as employee remuneration.

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As of June 25, 2015, the Bank revised its articles of incorporation on the distribution of its remaining earnings as follows:

- 1) Stockholders' dividends proposed by the board of directors shall be decided in the stockholders' meeting;
- 2) 1.5% as directors' and supervisors' remuneration; and
- 3) 3% as employee remuneration.

The differences between the amounts approved in the shareholders' meeting and those recognized in the financial statements, if any, are accounted for as changes in accounting estimate, and are recognized as profit or loss in the year of earnings distribution. If the employee remuneration are paid using the Bank's stock, the closing price of the day before the shareholders' meeting would be used to calculate the number of shares to be distributed.

On June 25, 2015, the shareholder's meeting resolved to distribute a stock dividend of NT\$0.32(dollars) per share, amounting to \$353,853 thousand, as well as the remuneration to directors and supervisors of \$17,843 and \$17,843, respectively. There were no distribution of remuneration to employee, directors and supervisors in 2014.

The Bank decided to distribute a cash dividend for preferred stocks amounting to 156,453 thousands after covering its accumulated deficits of 1,621,625 thousands based on the resolution of the shareholder's meeting held on June 17, 2014. There were no distribution for of remuneration to employee, directors and supervisors in 2013.

The related information on earnings distribution approved at the shareholders' meeting and board meeting is available on the Market Observation Post System Website.

In accordance with the Company Act amended in May 2015, earning distributions are limited to shareholders and should not include employees, directors or supervisors. the Bank plans to make amendments to the Company's Articles of Incorporation within the required time frame to reflect the amended regulation.

**(31) Earnings per share**

The basic earnings per share of the Bank for the years ended December 31, 2015 and 2014, were as follows:

|  | 2015              | 2014             |
|--|-------------------|------------------|
| <b>Basic earnings per share</b>                            |                   |                  |
| Net income attributable to common stockholders of the Bank | \$ <u>735,444</u> | <u>496,204</u>   |
| Weighted-average number of common shares                   | <u>1,147,531</u>  | <u>1,079,255</u> |
| Basic earnings per share (in New Taiwan dollars)           | \$ <u>0.64</u>    | <u>0.46</u>      |

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|   | 2015                    | 2014                    |
|---|-------------------------|-------------------------|
| <b>Diluted EPS</b>  |                         |                         |
| Net income for calculating diluted EPS  | <u>\$ 735,444</u>       | <u>496,204</u>          |
| Weighted-average number of common shares outstanding<br>(thousand shares)           | 1,147,531               | 1,079,255               |
| Influence of potentially dilutives shares – employees' bonus                        |                         |                         |
| Conversion of convertible bonds   | 818                     | 1,706                   |
| Conversion of convertible compensation  | <u>1,566</u>            | <u>-</u>                |
| Weighted-average number of common shares outstanding –<br>diluted (thousand shares) | <u><u>1,149,915</u></u> | <u><u>1,080,961</u></u> |
| Diluted EPS (in New Taiwan dollars)   | <u>\$ 0.64</u>          | <u>0.46</u>             |

The Bank had no potentially dilutive effect of common shares in 2014.

**(32) Net interest income**

|  | 2015                | 2014             |
|--|---------------------|------------------|
| Interest income                        |                     |                  |
| Loans and advances to customers        | \$ 3,476,379        | 3,194,573        |
| Due from Central Bank                  | 31,551              | 29,550           |
| Loans and advances to Central Bank     | 200,457             | 199,857          |
| Due from banks and call loans to banks | 21,744              | 40,812           |
| Investment in securities               | 189,144             | 166,179          |
| Other                                  | <u>74,857</u>       | <u>42,432</u>    |
| Subtotal                               | <u>3,994,132</u>    | <u>3,673,403</u> |
| Interest expense                       |                     |                  |
| Deposits from customers                | 1,349,544           | 1,229,863        |
| Deposits and placements of banks       | 126,338             | 107,812          |
| Debt securities issued                 | -                   | 243              |
| Financial bonds                        | 154,701             | 136,737          |
| Other                                  | <u>374</u>          | <u>535</u>       |
| Subtotal                               | <u>1,630,957</u>    | <u>1,475,190</u> |
|  | <u>\$ 2,363,175</u> | <u>2,198,213</u> |

The interest above did not include interest from financial assets or liabilities at fair value through profit or loss.

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**(33) Service fees—net**

|                                 | <b>2015</b>              | <b>2014</b>           |
|---------------------------------|--------------------------|-----------------------|
| Service fee income              |                          |                       |
| Agency service charge revenue   | \$ 366,943               | 199,696               |
| Agency insurance charge revenue | 140,228                  | 156,246               |
| Loan service fee income         | 171,658                  | 190,560               |
| Trust service fee income        | 67,157                   | 103,605               |
| Foreign exchange service income | 25,615                   | 24,241                |
| Interbank service               | 25,204                   | 23,340                |
| Guarantee service income        | 52,369                   | 40,873                |
| Other service income            | 4,167                    | 6,549                 |
| Service fee income total        | <u>853,341</u>           | <u>745,110</u>        |
| Service fee expense             |                          |                       |
| Remittance fee                  | 2,260                    | 1,711                 |
| Custodian fee                   | 2,284                    | 2,059                 |
| Agency fee                      | 2,239                    | 2,168                 |
| Other service fee               | 12,533                   | 7,358                 |
| Trust service fee               | 5,594                    | 4,243                 |
| Interbank service fee           | 15,199                   | 15,104                |
| Service fee expense total       | <u>40,109</u>            | <u>32,643</u>         |
|                                 | <u><b>\$ 813,232</b></u> | <u><b>712,467</b></u> |

**(34) Gain (loss) on financial assets or liabilities measured at fair value through profit or loss**

|   | <b>2015</b>    | <b>2014</b>   |
|---|----------------|---------------|
| Gain (loss) on disposal of financial assets or liabilities<br>measured at fair value through profit or loss |                |               |
| Government bonds  | \$ 9,025       | (160)         |
| Negotiable certificates of deposit  | 15,426         | 11,368        |
| Equity securities   | 5,959          | 5,272         |
| Commercial paper  | 7,797          | (4,411)       |
| Derivatives   | 200,963        | 9,836         |
| Credit-linked notes   | 874            | 1,347         |
|   | <u>240,044</u> | <u>23,252</u> |

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|  | <b>2015</b>              | <b>2014</b>          |
|--|--------------------------|----------------------|
| Gain (loss) on financial assets or liabilities measured at fair value through profit or loss— evaluation |                          |                      |
| Government bonds   | \$ 3,177                 | (290)                |
| Negotiable certificates of deposit   | (2,953)                  | 2,690                |
| Securities   | 41                       | (105)                |
| Beneficiary securities   | (3,195)                  | (1,394)              |
| Equity securities  | 1,947                    | (820)                |
| Derivatives  | 20,539                   | 1,761                |
| Credit-linked notes  | 5,178                    | 19,205               |
|  | <u>24,734</u>            | <u>21,047</u>        |
| Dividend income and interest income  | 14,779                   | 10,817               |
|  | <u><b>\$ 279,557</b></u> | <u><b>55,116</b></u> |

**(35) Realized gain on available-for-sale financial assets**

|                        | <b>2015</b>             | <b>2014</b>          |
|------------------------|-------------------------|----------------------|
| Government bonds       | \$ 34,145               | 11,751               |
| Corporate bonds        | 15,466                  | 23,477               |
| Equity securities      | 1,345                   | 9,096                |
| Beneficiary securities | 29,794                  | 36,416               |
| Total                  | <u><b>\$ 80,750</b></u> | <u><b>80,740</b></u> |

**(36) Other non-interest income (expense)**

|   | <b>2015</b>             | <b>2014</b>          |
|---|-------------------------|----------------------|
| Rental income                             | \$ 84,112               | 68,969               |
| Gain on equity investment carried at cost | 13,802                  | 14,779               |
| Loss on disposal of assets                | (13,559)                | (13,727)             |
| Gain on disposal of foreclosed assets     | 167                     | 1,209                |
| Loss on disposal of other assets          | (110)                   | -                    |
| Other revenue (loss)                      | 20,311                  | (19,242)             |
| Investment property depreciation          | (24,069)                | (23,287)             |
| Total                                     | <u><b>\$ 80,654</b></u> | <u><b>28,701</b></u> |

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**(37) Bad debt expense and reserve for guarantees**

|   | 2015                     | 2014                 |
|---|--------------------------|----------------------|
| Loans and discounts                             | \$ 245,333               | 533,962              |
| Accounts receivable                             | (19,600)                 | (488,630)            |
| Reserve for (reversal of) guarantee liabilities | (1,607)                  | 24,128               |
| Total   | <u><u>\$ 224,126</u></u> | <u><u>69,460</u></u> |

**(38) Employee benefits expense**

|                            | 2015                       | 2014                    |
|----------------------------|----------------------------|-------------------------|
| Salary                     | \$ 1,274,950               | 1,146,194               |
| Labor and health insurance | 97,229                     | 85,520                  |
| Pension                    | 58,805                     | 53,365                  |
| Others                     | 32,981                     | 25,231                  |
| Total                      | <u><u>\$ 1,463,965</u></u> | <u><u>1,310,310</u></u> |

**(39) Remuneration to employees and directors**

For the year ended December 31, 2015, the Bank estimated its remuneration to employees and directors to be \$16,978 and \$8,489, respectively. The remuneration to employee and directors is based on a percentage of net income before income tax. The percentage rates which used to estimate the remuneration to employees and directors are 2% and 1%, respectively. The remuneration to employee and directors should be reported as operating expenses of the current year. The differences between actual distribution amounts in the following year and the amounts estimated, if any, are accounted as changes in accounting estimates and recognized as profit or loss in the year of earnings distribution. The related information about earnings distribution approved at the shareholders' meeting and board meeting is available on the Market Observation Post System Website.

**(40) Depreciation and amortization expenses**

|                                | 2015                     | 2014                  |
|--------------------------------|--------------------------|-----------------------|
| Building                       | \$ 39,987                | 40,584                |
| Machinery and equipment        | 18,615                   | 22,026                |
| Transportation equipment       | 7,211                    | 7,300                 |
| Other equipment                | 52,436                   | 26,481                |
| Leasehold improvement          | 12,539                   | 10,768                |
| Depreciation subtotal          | <u>130,788</u>           | <u>107,159</u>        |
| Computer software amortization | 59,866                   | 55,949                |
| Core deposit                   | 7,222                    | 3,009                 |
| Amortization subtotal          | <u>67,088</u>            | <u>58,958</u>         |
| Total                          | <u><u>\$ 197,876</u></u> | <u><u>166,117</u></u> |

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**(41) Other general and administrative expenses**

|                             | <b>2015</b>              | <b>2014</b>           |
|-----------------------------|--------------------------|-----------------------|
| Rental and facility expense | \$ 162,713               | 140,796               |
| Administrative expense      | 301,576                  | 329,888               |
| Marketing expense           | 18,319                   | 22,515                |
| Value-added tax expense     | 294,306                  | 215,796               |
| Other expense               | 144,443                  | 140,775               |
| Total                       | <u><u>\$ 921,357</u></u> | <u><u>849,770</u></u> |

**(42) Financial instruments**

1) Information on fair value of financial instruments

| Financial Assets                                      | December 31, 2015 |             | December 31, 2014 |             |
|---|-------------------|-------------|-------------------|-------------|
|   | Book value        | Book value  | Book value        | Book value  |
| <b>Non-derivative</b>                                 |                   |             |                   |             |
| Cash and cash equivalents                             | \$ 4,541,415      | 4,541,415   | 4,926,728         | 4,926,728   |
| Due from Central Bank and call loans to banks         | 33,738,715        | 33,738,715  | 32,260,996        | 32,260,996  |
| Financial assets at fair value through profit or loss | 2,613,772         | 2,613,772   | 4,673,044         | 4,673,044   |
| Available for sale financial assets                   | 12,728,369        | 12,728,369  | 14,711,668        | 14,711,668  |
| Securities purchased under resell agreements          | 6,233,031         | 6,233,031   | 3,926,169         | 3,926,169   |
| Receivables—net                                       | 3,227,327         | 3,227,327   | 1,501,115         | 1,501,115   |
| Long-term investment under equity method              | 525,747           | 525,747     | 555,412           | 555,412     |
| Discounts and loans                                   | 131,326,162       | 131,326,162 | 128,273,163       | 128,273,163 |
| Held-to-maturity financial assets—net                 | 750,450           | 750,450     | 753,678           | 753,678     |
| Other financial assets—net                            | 55,537            | 55,537      | 65,537            | 65,537      |
| <b>Derivative financial instruments</b>               |                   |             |                   |             |
| Trading purpose                                       |                   |             |                   |             |
| Futures   | \$ 33,421         | 33,421      | 4                 | 4           |
| Forwards  | 20,985            | 20,985      | 6,675             | 6,675       |
| Credit default swaps                                  | 389,519           | 389,519     | -                 | -           |

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## Notes to the Financial Statements

| Financial Liabilities                      | December 31, 2015 |             | December 31, 2014 |             |
|--|-------------------|-------------|-------------------|-------------|
|  | Book value        | Book value  | Book value        | Book value  |
| Non-derivative financial instruments       |                   |             |                   |             |
| Deposits from Central Bank and other banks | \$ 1,320,036      | 1,320,036   | 1,650,763         | 1,650,763   |
| Payables                                   | 3,209,409         | 3,209,409   | 3,137,455         | 3,137,455   |
| Deposits and remittances                   | 186,277,381       | 186,277,381 | 182,411,479       | 182,411,479 |
| Financial debentures                       | 4,700,000         | 4,700,000   | 5,420,000         | 5,420,000   |
| Derivative financial instruments           |                   |             |                   |             |
| Trading purpose                            |                   |             |                   |             |
| Forwards                                   | \$ 22,739         | 22,739      | 21                | 21          |
| Futures                                    | 16,494            | 16,494      | 941               | 941         |
| Credit default swaps                       | 392,155           | 392,155     | -                 | -           |

The Bank enters into forwards to satisfy its clients' transaction needs, to offset the Bank's funding gap between local currency and foreign currency, and to avoid the market price risk arising from rising interest rates.

- 2) Methods and assumptions applied to estimate the fair value of financial instruments are summarized as follows:
1. Fair value of short-term financial instruments is estimated by their book value on the statement of financial position date. Since these instruments have short maturities, the book value is adopted as a reasonable basis for estimating the fair value. This method is applied to cash, due from Central Bank and call loans to banks, securities purchased under resell agreements, receivables, other financial assets, guarantee deposits paid, deposits from Central Bank and other banks, payables, current tax liabilities, securities sold under repurchase agreements, and other financial liabilities.
  2. For financial instruments designated as at FVTPL, available-for-sale financial assets, and financial assets carried at cost, the quoted price is regarded as its fair value. If there is no quoted price for the financial asset, its fair value is estimated on the basis of a valuation technique that refers to quoted prices provided by financial institutions. Estimates and assumptions for a valuation technique used by the Bank are consistent with the information adopted by market participants when pricing the financial instruments when such information is available to the Bank.
  3. Loans and discounts, and deposits are interest-bearing assets or liabilities; therefore, the book value of both financial assets and liabilities is equivalent to their fair value. The net book value of non-performing accounts, after deducting provision for bad debts, is adopted as the fair value.
  4. Please refer to note 17 for further information of valuation of investment property.
  5. For valuation of financial debentures, the fair value is the discounted present value of future cash flow. The discount rate is based on the interest rate for loans with similar terms (e.g. the same maturity date).

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6. For valuation of derivative instruments with no quoted market prices, the fair value is determined on the basis of the discounted cash flow method.
7. The Bank estimated the fair value of each forward contract on the basis of exchange rates quoted by Reuters. The fair value of interest rate swap contracts and cross-currency swap contracts is estimated on the basis of market quotations by Reuters.
8. The Bank would calculate its Credit Valuation Adjustment (CVA) by assessing the Probability of Default (PD) and Loss Given Default (LGD) of the counterparty before multiplying the Exposure At Default (EAD) of the counterparty. On the contrary, DVA is computed by applying the PD of the Bank and considering the LGD of the Bank before being multiplied by the amount of the EAD of the Bank.

The Bank adopts IFRSs No. 39 or considers the obtainable information to evaluate the possibility of bad debt occurrence and loss rate, which are the basis of its estimation for the PD and LGD. The Bank also uses the Mark To Market (MTM) of the derivation traded in Over- the- Counter as a basis of its estimation for EAD.

- 3) Information on fair value hierarchy of financial instruments and movement of financial assets measured at fair value classified in Level 3

1. The levels of the fair value hierarchy are described below:

(A) Level 1

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.

(B) Level 2

Fair value measurement for a financial instrument classified in Level 2 is determined as the observable price other than the 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 an observable price are as follows:

- A) 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 the 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.
- B) The quoted market price of the same or identical financial instruments in an inactive market.

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- C) 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 are used in evaluating the prices of financial instruments).
- D) A majority of inputs are derived from observable market data, or the input correlation can be tested based on observable market data.

## (C) Level 3

Input for a fair value measurement for a financial instrument classified in Level 3 is not based on obtainable data from market but is based on the assumption in making appropriate estimates and adjustments. If it is not possible to develop a valuation model, quoted price from the counterparty is used as fair value. Certain derivative instruments, and debts investment without an active market of the Bank and its subsidiary's investment, belong to such category.

## 2. Fair value hierarchy of financial instruments

| Fair value measurement for a financial instrument                   | December 31, 2015 |           |           |         |            |
|---|-------------------|-----------|-----------|---------|------------|
|   | Book value        | Level 1   | Level 2   | Level 3 | Total      |
| <b><u>Instruments measured at fair value</u></b>                    |                   |           |           |         |            |
| <b><u>Non-Derivative Financial Instruments</u></b>                  |                   |           |           |         |            |
| <b>Assets</b>   |                   |           |           |         |            |
| Financial assets measured at fair value through profit or loss      |                   |           |           |         |            |
| Financial assets held for trading                                   |                   |           |           |         |            |
| Investment in stocks  | \$ 71,265         | 71,265    | -         | -       | 71,265     |
| Investment in debentures  | 874,767           | 152,668   | 722,099   | -       | 874,767    |
| Investment in bonds   | 1,408,667         | 1,408,667 | -         | -       | 1,408,667  |
| Investment in beneficiary certificates                              | 124,834           | 124,834   | -         | -       | 124,834    |
| Financial assets designated as at fair value through profit or loss | 134,239           | -         | -         | 134,239 | 134,239    |
| Available-for-sale financial assets                                 |                   |           |           |         |            |
| Investment in stocks  | 721,677           | 721,677   | -         | -       | 721,677    |
| Investment in debentures  | 11,699,224        | 8,464,463 | 3,234,761 | -       | 11,699,224 |
| Other   | 307,468           | 307,468   | -         | -       | 307,468    |
| <b><u>Derivative Financial Instruments</u></b>                      |                   |           |           |         |            |
| <b>Assets</b>   |                   |           |           |         |            |
| Financial assets measured at fair value through profit or loss      | \$ 443,925        | -         | 443,925   | -       | 443,925    |
| <b>Liabilities</b>  |                   |           |           |         |            |
| Financial liabilities measured at fair value through profit or loss | 431,388           | -         | 431,388   | -       | 431,388    |
| <b><u>Instruments not measured at fair value</u></b>                |                   |           |           |         |            |
| Held-to-maturity financial assets—net                               | 750,450           | 750,450   | -         | -       | 750,450    |
| Investment property   | 2,315,100         | -         | 4,882,913 | -       | 4,882,913  |

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| Fair value measurement for a financial instrument                   | December 31, 2014 |            |           |         |            |
|---|-------------------|------------|-----------|---------|------------|
|   | Book value        | Level 1    | Level 2   | Level 3 | Total      |
| <b><u>Instruments measured at fair value</u></b>                    |                   |            |           |         |            |
| <b><u>Non-Derivative Financial Instruments</u></b>                  |                   |            |           |         |            |
| <b>Assets</b>   |                   |            |           |         |            |
| Financial assets measured at fair value through profit or loss      |                   |            |           |         |            |
| Financial assets held for trading                                   |                   |            |           |         |            |
| Investment in stocks  | \$ 62,829         | 6,289      | -         | -       | 6,289      |
| Investment in debentures  | 1,261,366         | 200,414    | 1,060,952 | -       | 1,261,366  |
| Investment in bonds   | 2,963,663         | 2,963,663  | -         | -       | 2,963,663  |
| Investment in beneficiary certificates                              | 246,228           | 246,228    | -         | -       | 246,228    |
| Financial assets designated as at fair value through profit or loss | 138,958           | -          | -         | 138,958 | 138,958    |
| Available-for-sale financial assets                                 |                   |            |           |         |            |
| Investment in stocks  | 726,828           | 726,828    | -         | -       | 726,828    |
| Investment in debentures  | 13,799,048        | 10,641,699 | 3,157,349 | -       | 13,799,048 |
| Beneficiary certificates  | 185,792           | 185,792    | -         | -       | 185,792    |
| <b><u>Derivative Financial Instruments</u></b>                      |                   |            |           |         |            |
| <b>Assets</b>   |                   |            |           |         |            |
| Financial assets measured at fair value through profit or loss      | \$ 6,679          | -          | 6,679     | -       | 6,679      |
| <b>Liabilities</b>  |                   |            |           |         |            |
| Financial liabilities measured at fair value through profit or loss | 962               | -          | 962       | -       | 962        |
| <b><u>Instruments not measured at fair value</u></b>                |                   |            |           |         |            |
| Held-to-maturity financial assets — net                             | 753,678           | 753,678    | -         | -       | 753,678    |
| Investment property   | 2,215,464         | -          | 3,797,283 | -       | 3,797,283  |

3. Movement of financial assets measured at fair value classified in Level 3

| 2015                              |                   |   |   |                   |                       |   |                               |                         |   |                |
|-----------------------------------|-------------------|---|---|-------------------|-----------------------|---|-------------------------------|-------------------------|---|----------------|
| Items                             | Beginning balance | The amount recognized in current net income | The amount recognized in other comprehensive income | Purchase or issue | Current increase      |   | Current decrease              |                         |   | Ending balance |
|                                   |                   |   |   |                   | Transfer into Level 3 | Transfer of financial liabilities in Level 3 to financial assets in Level 3 | Sale, disposal, or settlement | Transfer out of Level 3 | Transfer of financial assets in Level 3 to financial liabilities in Level 3 |                |
| Financial assets at FVTPL         |                   |   |   |                   |                       |   |                               |                         |   |                |
| Financial assets held for trading | \$ 138,958        | (4,719)                                     | -   | -                 | -                     | -   | -                             | -                       | -   | 134,239        |
|                                   |                   |   |   |                   |                       |   |                               |                         |   |                |
| 2014                              |                   |   |   |                   |                       |   |                               |                         |   |                |
| Items                             | Beginning balance | The amount recognized in current net income | The amount recognized in other comprehensive income | Purchase or issue | Current increase      |   | Current decrease              |                         |   | Ending balance |
|                                   |                   |   |   |                   | Transfer into Level 3 | Transfer of financial liabilities in Level 3 to financial assets in Level 3 | Sale, disposal, or settlement | Transfer out of Level 3 | Transfer of financial assets in Level 3 to financial liabilities in Level 3 |                |
| Financial assets at FVTPL         |                   |   |   |                   |                       |   |                               |                         |   |                |
| Financial assets held for trading | \$ 131,855        | 7,103                                       | -   | -                 | -                     | -   | -                             | -                       | -   | 138,958        |

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4. There is no transfer between level 1 and level 2 financial instrument measured at fair value.

5. Quantitative information on significant unobservable inputs (Level 3) used in fair value measurement

Classified under Level 3 were credit-linked notes. The positions belonging to a third-party source (including quotes from bonds in foreign currency) and the "Sensitivity Analysis of Fair Value If Reasonably Possible Alternative Assumptions Are Used" are not adopted because the relationship between the significant unobservable inputs and the fair value is difficult to obtain.

6. Valuation processes for Level 3 fair value measurements

The Bank's Financial Division (the "Division") is responsible for independently verifying fair value, confirming the reasonableness of price provided by third parties.

7. Sensitivity analysis of Level 3 fair value if reasonably possible alternative assumptions are used

The Bank does not establish its valuation models. The fair value is based on the quoted price of the counterparty. Therefore, the Sensitivity analysis of Level 3 fair value is not applicable.

4) For the years ended December 31, 2015 and 2014, gains (losses) recognized by the Bank from the fair value evaluation of financial instruments by using valuation techniques amounted to \$227,554 and \$32,149, respectively.

5) Offsetting financial assets and financial liabilities

IAS 32 section 42 on "Offsetting financial instruments transaction" is not applicable to the Bank, and the transactions related to financial assets and financial liabilities are not expressed as net value on the balance sheet.

The Bank has an exercisable master netting arrangement or similar agreements (such as repurchase agreement, reverse repurchase and derivatives transaction)

6) Financial risk management

The Bank uses risk management with effective risk diversification to meet its business operating targets, to increase its value, and to ensure benefit to its shareholders. The risk management is based on the needs of customers, business development, overall risk tolerance, and regulatory requirements.

The major risks that the Bank might possibly face are credit risk, market risk, and liquidity risk of items on and off the statements of financial position.

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**BANK OF PANHSIN****Notes to the Financial Statements**

The Bank has established and documented various risk management policies and procedures which have been approved by the board of directors. The board of directors of the Bank has ultimate responsibility for risk management and is responsible for the establishment and effectiveness of operation of risk management. There are a business development committee, credit committee, asset and liability management committee, risk management committee, trust property management committee, human recruitment committee, employee training committee, and information development committee to take charge of business development, business operation, risk controls, etc. The risk management committee is responsible for the principles, policies and targets of the Bank's overall risk control and is also responsible for coordination among committees. Internal control is in charge of the independent check of the risk controls.

1. Credit risk

(A) Description of credit risk

Credit risk refers to the risk of financial loss of the Bank and its subsidiaries resulting from a borrower failing to meet its contractual obligations due to credit deterioration or other factors (such as an argument between the borrower and a counter-party).

(B) Credit risk management policy

The Bank's target is to develop a sound system of credit risk management mechanisms by using effective identification, measurement, communication and reporting, monitoring and management of the various credit risks to control possible credit risk at a tolerable level, to maintain adequate capital, to increase the return on assets after adjustments, to connect the risk level and business strategies, and to achieve the business and operation goals by gradually making transparent, systematizing, and professional the credit risk management.

(C) Credit risk management scope

The Bank is engaged in activities on and off the statement of financial position, which would cause (occurred or not yet occurred) credit risk. The activities are the overall credit business, overdue loan business, and use of credit risk mitigation tools (such as the provision of collateral guarantees and hedging) as well as other operations related to the product or parts of the credit risk associated with the activities aforementioned included in the scope of credit risk management mechanisms.

(D) Credit risk management procedures

The credit risk management procedures include risk identification, measurement, communication, monitoring, and reporting. To maintain the standard of credit business at a safe and moderate level, to monitor the credit risk, to evaluate new business opportunities, and to identify and manage problems in credit cases, the business department must follow all the procedures of the Bank when conducting business. To ensure credit risk at a tolerable level, each credit case must be authorized by decentralized procedures which include a serious review process to improve the quality of assets, reassessment and an early alarm system after authorizing loans to fully grasp the operating and financial information of the client and the status of the economy, and continuous evaluation and monitoring of changes in credibility to early discover any information which has not been announced publicly and to detect any indication of default risk. Thus, the Bank could control the quality of assets at a tolerable level, balance the risks and profitability, and also improve the business performance and benefit the investors.

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(E) Credit risk hedging policy

A) Strengthening security

Besides strengthening the reviews process, setting risk limits, adjusting credit amounts and conditions, and monitoring loans, the Bank is also increasing the pledged amount and the quality of guarantee to reduce credit risk. Also, the Bank has established standards and measurement, management, and disposal procedures for pledged assets.

B) Managing credit concentration risk limits and risk management

To avoid the risk of business concentration, the Bank sets limits to its main business by country, by industry, by group, and by individual client each year. The limits are reviewed and updated yearly according to the overall economic environment and industrial development prospects. Transactions are kept within prescribed limits to control the risk of business concentration. In addition, for credit for individual companies and groups, the Bank also sets limits for industries, individuals, related parties, and related companies of the same group. Monthly reporting of changes in circumstances and the credit limits is required to implement the principle of spreading risk to ensure stable operation.

(F) Policy of Mitigation of Credit Risk

A) Collateral

The Bank adopts different policies and measures to reduce credit risk. For those events with lower possibility of default and having large amounts, the Bank requires the borrower to provide collateral and guarantor, or uses the on-balance sheet netting methods to mitigate or transfer credit risk. However, the Bank will take the risk for those events with relatively low possibility of default and having small amounts.

B) Credit extension limit and credit risk concentration control

To bear and control concentration risk, the Bank set up its concentration limits to individuals, related parties, groups of companies, industries and their respective locations, as well as by classifying different types of collaterals.

C) General conventions of net settlement

Most of the transactions are settled on a gross basis. However, to lower the credit risk, the Bank will deal with certain counterparties on a master netting arrangement basis. Also, when default of counterparties occurs, the Bank will cease all of the transactions and deal on net basis with the defaulting counterparties

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(G) Maximum exposure to credit risk

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

|  | December 31,<br>2015       | December 31,<br>2014    |
|--|----------------------------|-------------------------|
| Unused amounts of irrevocable loan commitments | \$ 2,443,489               | 2,509,632               |
| Unused amount of irrevocable letter of credit  | 1,098,055                  | 1,052,209               |
| Various guarantee proceeds                     | 3,761,168                  | 4,059,433               |
| Total  | <u><u>\$ 7,302,712</u></u> | <u><u>7,621,274</u></u> |

|  | December 31, 2015            | Collateral      | Master<br>netting<br>arrangement | Other credit<br>enhancement | Total |
|--|------------------------------|-----------------|----------------------------------|-----------------------------|-------|
| <b><u>Items on statement of financial positions</u></b>  |                              |                 |                                  |                             |       |
| Loans and discounts                                      | \$ 99,212,318                | -               | 33,673,242                       | 132,885,560                 |       |
| Acceptance receivables                                   | 9,054                        | -               | 208,374                          | 217,428                     |       |
| <b><u>Items off statement of financial positions</u></b> |                              |                 |                                  |                             |       |
| Various guarantee proceeds                               | 2,093,498                    | -               | 1,667,670                        | 3,761,168                   |       |
| Total  | <u><u>\$ 101,314,870</u></u> | <u><u>-</u></u> | <u><u>35,549,286</u></u>         | <u><u>136,864,156</u></u>   |       |

|  | December 31, 2014            | Collateral      | Master<br>netting<br>arrangement | Other credit<br>enhancement | Total |
|--|------------------------------|-----------------|----------------------------------|-----------------------------|-------|
| <b><u>Items on statement of financial positions</u></b>  |                              |                 |                                  |                             |       |
| Loans and discounts                                      | \$ 101,241,387               | -               | 28,659,270                       | 129,900,657                 |       |
| Acceptance receivables                                   | 1,157                        | -               | 300,194                          | 301,351                     |       |
| <b><u>Items off statement of financial positions</u></b> |                              |                 |                                  |                             |       |
| Various guarantee proceeds                               | 1,916,297                    | -               | 2,143,136                        | 4,059,433                   |       |
| Total  | <u><u>\$ 103,158,841</u></u> | <u><u>-</u></u> | <u><u>31,102,600</u></u>         | <u><u>134,261,441</u></u>   |       |

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## Notes to the Financial Statements

## (H) The Bank's credit risk concentration

The Bank attaches importance to the principles of credit risk diversification. For extension of credit and investment as a whole, the Bank has no concentration of credit risk on a single customer or counterparty. The Bank's credit exposure arises mainly from business loans based in Taiwan. Thus, there is no breakdown of credit risk by area. Concentration of credit risk by industry and collateral was as follows:

## Industry

| Industry type      | December 31, 2015     |               | December 31, 2014  |               |
|--------------------|-----------------------|---------------|--------------------|---------------|
|                    | Amount                | %             | Amount             | %             |
| Manufacturing      | \$ 13,336,811         | 10.04         | 14,403,842         | 11.09         |
| General businesses | 43,265,941            | 32.55         | 39,753,433         | 30.60         |
| Constructions      | 3,780,855             | 2.85          | 3,539,264          | 2.72          |
| Individuals        | 64,204,357            | 48.32         | 64,853,264         | 49.93         |
| Others             | 8,297,596             | 6.24          | 7,350,854          | 5.66          |
|                    | <b>\$ 132,885,560</b> | <b>100.00</b> | <b>129,900,657</b> | <b>100.00</b> |

## Collaterals

| Types of collateral  | December 31, 2015     |               | December 31, 2014  |               |
|----------------------|-----------------------|---------------|--------------------|---------------|
|                      | Amount                | %             | Amount             | %             |
| Non-secured          | \$ 33,673,242         | 25.34         | 28,659,270         | 22.06         |
| Secured              | 99,212,318            | 74.66         | 101,241,387        | 77.94         |
| Financial collateral | 2,251,418             | 1.69          | 1,940,360          | 1.49          |
| Real estate          | 88,202,707            | 66.38         | 91,324,591         | 70.30         |
| Guarantee            | 7,258,484             | 5.46          | 6,935,780          | 5.34          |
| Others               | 1,499,709             | 1.13          | 1,040,656          | 0.80          |
|                      | <b>\$ 132,885,560</b> | <b>100.00</b> | <b>129,900,657</b> | <b>100.00</b> |

## (I) Credit quality and impairment analysis of overdue credit

Due to the high credibility of counterparties, the Bank has assessed the credit risk of the financial assets owned, for example, cash and cash equivalents, due from Central Bank and call loans to other banks, financial assets at fair value through profit or loss, securities purchased under resell agreements, loans, refundable deposits, operating deposits and settlement funds, to be low.

Though the financial assets may be overdue when the borrower has temporarily delayed its payment, no impairment has occurred. According to the Bank's policy, no impairment has occurred if the financial assets were less than 90 days overdue, unless, other objective evidence appears.

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Additional credit quality analysis of financial assets was as follows:

A) Credit quality analysis for loans and discounts, and receivables

| Name                                      | Non-overdue and non-impaired amount |                  |                |                    | December 31, 2015                   |                |                    | Allowance for impairment loss (D)     |                                     |                     |
|---|-------------------------------------|------------------|----------------|--------------------|-------------------------------------|----------------|--------------------|---------------------------------------|-------------------------------------|---------------------|
|   | Low risk                            | Medium risk      | High risk      | Subtotal (A)       | Overdue but not impaired amount (B) | Impairment (C) | Total (A)+(B)+(C)  | With objective evidence of impairment | No objective evidence of impairment | Net (A)+(B)+(C)-(D) |
| Items on statement of financial position  |                                     |                  |                |                    |                                     |                |                    |                                       |                                     |                     |
| Receivables                               |                                     |                  |                |                    |                                     |                |                    |                                       |                                     |                     |
| Acceptance receivables                    | \$ 217,428                          | -                | -              | 217,428            | -                                   | -              | 217,428            | -                                     | 3,483                               | 213,945             |
| Other receivables                         | 1,123,720                           | 89               | 122            | 1,123,931          | 4,147                               | 355            | 1,128,433          | 2,268                                 | -                                   | 1,126,165           |
| Others                                    | 1,887,217                           | -                | -              | 1,887,217          | -                                   | -              | 1,887,217          | -                                     | -                                   | 1,887,217           |
| Loans and discounts                       | 128,355,544                         | 1,810,602        | 229,445        | 130,395,591        | 1,580,421                           | 909,548        | 132,885,560        | 400,173                               | 1,249,225                           | 131,236,162         |
|   | <b>\$ 131,583,909</b>               | <b>1,810,691</b> | <b>229,567</b> | <b>133,624,167</b> | <b>1,584,568</b>                    | <b>909,903</b> | <b>136,118,638</b> | <b>402,441</b>                        | <b>1,252,708</b>                    | <b>134,463,489</b>  |
| Items off statement of financial position |                                     |                  |                |                    |                                     |                |                    |                                       |                                     |                     |
| Commitments and guarantees                | \$ 3,761,168                        | -                | -              | 3,761,168          | -                                   | -              | 3,761,168          | -                                     | -                                   | 3,761,168           |
| Credit                                    | 1,086,885                           | 9,923            | 1,247          | 1,098,055          | -                                   | -              | 1,098,055          | -                                     | -                                   | 1,098,055           |

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## Notes to the Financial Statements

| December 31, 2014                         |                                     |                |                |                    |                                     |                  |                    |                                       |                                     |                     |
|---|-------------------------------------|----------------|----------------|--------------------|-------------------------------------|------------------|--------------------|---------------------------------------|-------------------------------------|---------------------|
| Name                                      | Non-overdue and non-impaired amount |                |                |                    | Overdue but not impaired amount (B) | Impairment (C)   | Total (A)+(B)+(C)  | Allowance for impairment loss (D)     |                                     | Net (A)+(B)+(C)-(D) |
|   | Low risk                            | Medium risk    | High risk      | Subtotal (A)       |                                     |                  |                    | With objective evidence of impairment | No objective evidence of impairment |                     |
| Items on statement of financial position  |                                     |                |                |                    |                                     |                  |                    |                                       |                                     |                     |
| Receivables                               |                                     |                |                |                    |                                     |                  |                    |                                       |                                     |                     |
| Acceptance receivables                    | \$ 301,351                          | -              | -              | 301,351            | -                                   | -                | 301,351            | -                                     | 3,483                               | 297,868             |
| Other receivables                         | 120,257                             | 45             | 58             | 120,360            | 2,463                               | 1,863            | 124,686            | 23,020                                | -                                   | 101,666             |
| Others                                    | 1,101,581                           | -              | -              | 1,101,581          | -                                   | -                | 1,101,581          | -                                     | -                                   | 1,101,581           |
| Loans and discounts                       | 126,799,527                         | 866,293        | 125,416        | 127,791,236        | 986,493                             | 1,122,928        | 129,900,657        | 442,241                               | 1,185,253                           | 128,273,163         |
|   | <u>\$ 128,322,716</u>               | <u>866,338</u> | <u>125,474</u> | <u>129,314,528</u> | <u>988,956</u>                      | <u>1,124,791</u> | <u>131,428,275</u> | <u>465,261</u>                        | <u>1,188,736</u>                    | <u>129,774,278</u>  |
| Items off statement of financial position |                                     |                |                |                    |                                     |                  |                    |                                       |                                     |                     |
| Commitments and guarantees                | \$ 4,059,433                        | -              | -              | 4,059,433          | -                                   | -                | 4,059,433          | -                                     | -                                   | 4,059,433           |
| Credit                                    | 1,039,378                           | 1,274          | 11,557         | 1,052,209          | -                                   | -                | 1,052,209          | -                                     | -                                   | 1,052,209           |



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## Notes to the Financial Statements

- B) Credit analysis for neither overdue nor impaired loans and discounts according to the Bank's internal rating standard was as follows:

| December 31, 2015 | Non-overdue and non-impaired amount |                  |                | Total              |
|-------------------|-------------------------------------|------------------|----------------|--------------------|
|                   | Low risk                            | Medium risk      | High risk      |                    |
| Corporate         | \$ 68,220,726                       | 1,235,374        | 14,253         | 69,470,353         |
| Consumer          | 60,134,817                          | 575,228          | 215,193        | 60,925,238         |
| Total             | <u>\$ 128,355,543</u>               | <u>1,810,602</u> | <u>229,446</u> | <u>130,395,591</u> |

| December 31, 2014 | Non-overdue and non-impaired amount |                |                | Total              |
|-------------------|-------------------------------------|----------------|----------------|--------------------|
|                   | Low risk                            | Medium risk    | High risk      |                    |
| Corporate         | \$ 66,702,780                       | 154,064        | 6,529          | 66,863,373         |
| Consumer          | 60,096,747                          | 712,229        | 118,887        | 60,927,863         |
| Total             | <u>\$ 126,799,527</u>               | <u>866,293</u> | <u>125,416</u> | <u>127,791,236</u> |

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C) Credit analysis for marketable securities

|                                     |                  |                      |                   | December 31, 2015 |                                     |                     |                   |                                |                           |
|-------------------------------------|------------------|----------------------|-------------------|-------------------|-------------------------------------|---------------------|-------------------|--------------------------------|---------------------------|
| Non-overdue and non-impaired amount |                  |                      |                   |                   |                                     |                     |                   |                                |                           |
| Name                                | Investment grade | Non-investment grade | No credit ratings | Subtotal (A)      | Overdue but non-impaired amount (B) | Impaired amount (C) | Total (A)+(B)+(C) | Impairment loss recognized (D) | Net total (A)+(B)+(C)-(D) |
| Available-for-sale financial assets |                  |                      |                   |                   |                                     |                     |                   |                                |                           |
| Bond investment                     | \$ 11,699,224    | -                    | -                 | 11,699,224        | -                                   | -                   | 11,699,224        | -                              | 11,699,224                |
| Stock investment                    | 721,677          | -                    | -                 | 721,677           | -                                   | -                   | 721,677           | -                              | 721,677                   |
| Others                              | 307,468          | -                    | -                 | 307,468           | -                                   | -                   | 307,468           | -                              | 307,468                   |
| Held-to-maturity financial assets   |                  |                      |                   |                   |                                     |                     |                   |                                |                           |
| Bond investment                     | 750,450          | -                    | -                 | 750,450           | -                                   | -                   | 750,450           | -                              | 750,450                   |
| Other financial assets              |                  |                      |                   |                   |                                     |                     |                   |                                |                           |
| Stock investment                    | 55,537           | -                    | -                 | 55,537            | -                                   | 4,940               | 60,477            | 4,940                          | 55,537                    |

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| Non-overdue and non-impaired amount |                  |                      |                   | December 31, 2014 |                                     |                     |                   |                                |                           |
|-------------------------------------|------------------|----------------------|-------------------|-------------------|-------------------------------------|---------------------|-------------------|--------------------------------|---------------------------|
| Name                                | Investment grade | Non-investment grade | No credit ratings | Subtotal (A)      | Overdue but non-impaired amount (B) | Impaired amount (C) | Total (A)+(B)+(C) | Impairment loss recognized (D) | Net total (A)+(B)+(C)-(D) |
| Available-for-sale financial assets |                  |                      |                   |                   |                                     |                     |                   |                                |                           |
| Bond investment                     | \$ 13,799,048    | -                    | -                 | 13,799,048        | -                                   | -                   | 13,799,048        | -                              | 13,799,048                |
| Stock investment                    | 726,828          | -                    | -                 | 726,828           | -                                   | -                   | 726,828           | -                              | 726,828                   |
| Others                              | 185,792          | -                    | -                 | 185,792           | -                                   | -                   | 185,792           | -                              | 185,792                   |
| Held-to-maturity financial assets   |                  |                      |                   |                   |                                     |                     |                   |                                |                           |
| Bond investment                     | 753,678          | -                    | -                 | 753,678           | -                                   | -                   | 753,678           | -                              | 753,678                   |
| Other financial assets              |                  |                      |                   |                   |                                     |                     |                   |                                |                           |
| Stock investment                    | 65,537           | -                    | -                 | 65,537            | -                                   | 4,940               | 70,477            | 4,940                          | 65,537                    |

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**Notes to the Financial Statements**

D) Ageing analysis on past due but not impaired financial assets

Delays in processing payments by borrowers and other administrative reasons could result in unimpaired financial assets becoming overdue. According to the internal credit risk assets impairment evaluation guideline, unless there are other objective evidence that shows a potential loss, a less than 90-day past due loan is typically not treated as impairment.

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

| <b>December 31, 2015</b> |                                       |   |                         |
|--------------------------|---------------------------------------|---|-------------------------|
|                          | <b>Overdue<br/>within 1<br/>month</b> | <b>Overdue<br/>between 1<br/>and 3<br/>months</b> | <b>Total</b>            |
| Receivables              | \$ -                                  | 4,147   | 4,147                   |
| Discount and loans       | -                                     | 1,580,421   | 1,580,421               |
| Corporate banking        | -                                     | 1,342,468   | 1,342,468               |
| Retail banking           | -                                     | 237,953   | 237,953                 |
| Total                    | <u><u>\$ -</u></u>                    | <u><u>1,584,568</u></u>                           | <u><u>1,584,568</u></u> |

| <b>December 31, 2014</b> |                                       |   |                       |
|--------------------------|---------------------------------------|---|-----------------------|
|                          | <b>Overdue<br/>within 1<br/>month</b> | <b>Overdue<br/>between 1<br/>and 3<br/>months</b> | <b>Total</b>          |
| Receivables              | \$ -                                  | 2,463   | 2,463                 |
| Discount and loans       | -                                     | 986,493   | 986,493               |
| Corporate banking        | -                                     | 929,709   | 929,709               |
| Retail banking           | -                                     | 56,784  | 56,784                |
| Total                    | <u><u>\$ -</u></u>                    | <u><u>988,956</u></u>                             | <u><u>988,956</u></u> |

2. Market risk, liquidity risk, and interest rate risk

(A) Risk management framework

Market risk, liquidity risk, interest rate risk, and other risks related to daily operations are managed by the Bank.

A) Market risk

This is the risk that market prices of assets go against the position of the Bank. Market prices refer to interest rates, stock prices, foreign exchange rates, and commodity prices.

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B) Liquidity risk

This is the risk that a given security or asset has difficulty in being sold in the market to fulfill financial obligations. This may cause a loss or a capital decrease for the Bank.

C) Interest risk

This is the risk that an investment's value changes due to a change in interest rates. A change in interest rates can affect net interest income and income from other interest-sensitive assets, and inversely affect the Bank's earnings. Simultaneously, it can also affect the valuation gain or loss on and off the statement of financial position the statement of financial position.

(B) Risk management process

The Bank's risk management process includes risk identification, measurement, assessment, and reporting. The risks relate to the Bank's trading activities and process, commodity trading, and system. All such risks are managed on a daily basis.

A) Risk identification

A. Market risk

The Bank's sales department and risk management department must understand the sources of market risk, market risk factors, and the aftermath of a market downturn. In addition to understanding the risks mentioned above, the Bank also must know the impacts on the business.

B. Liquidity risk

The Bank's sales department and risk management department must understand that liquidity risk comes from mismatch between assets and liabilities either on or off the statement of financial position.

C. Interest rate risk

The Bank's sales department and risk management department must understand that interest rate risk comes from changes in interest rates due to pricing risk, yield curve risk, and basis risk that will have an impact on the Bank's earnings.

B) Risk assessment and measurement

A. Market risk

The Bank measures market risk, including the level of risk acceptance and the level of concentration. In addition, it follows the capital adequacy rules under the Basel Accords and risk indicators issued by the authority. The Bank does not evaluate the risk with a model due to the simplicity of its business. The Bank evaluates its investment position by the following methods: (1) market prices, (2) other assets with similar prices, or (3) other adequate evaluation methods, which have to be used consistently.

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**BANK OF PANHSIN****Notes to the Financial Statements****B. Liquidity risk**

The Bank assesses for measures liquidity risk by using all liquidity risk indicators, balance sheet mismatch, source of funds, use of funds, line of credit level, and plans for funding in the market.

**C. Interest rate risk**

The Bank's interest rate risk includes reprising risk, yield curve risk, and basis risk. Methods to assess and measure risk are analyzing (1) the interest sensitivity gap; (2) the capital adequacy ratio; (3) interest rate caps and floors; and (4) the structure of the position concentration ratio.

**C) Risk monitoring and control**

The Bank has used several techniques such as credit limitation management, a stop-loss system, transaction quotas, the capital liquidity gap, and the interest sensitivity gap in order to monitor market risk, liquidity risk, and interest rate risk, and has a clear reporting process. Things monitored are the trading unit, financial instruments traded in whole or in part, the liquid reserve ratio, the core deposit ratio, and the ratio of the Bank's interest-rate-sensitive assets to its interest-rate-sensitive liabilities (gap ratio).

**D) Risk reporting**

The Bank has required departments involved in defined market risk, liquidity risk, and interest rate risk in the banking book to submit immediate, daily, or periodic transaction information to the business units. In cases where an overrun or an exception occurs, immediate notification is necessary. The risk management unit is responsible for providing information regarding risk position, the profit and loss situation, usage limits, etc., to the board, Risk Management Committee, and Asset and Liability Management Committee and for providing other appropriate reports and recommendations of the Committees.

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(C) Maturity analysis of financial assets and financial liabilities

The management policy of the Bank is to match to the contractual maturity profile with the interest rate risk exposures of assets and liabilities and to manage unexpected cash outflow. Because of uncertainty, the maturities did not fully match the interest rates, resulting in gaps that may potentially give rise to gain or loss. The maturity analysis of assets and liabilities was as follows:

| December 31, 2015                             |               |            |            |             |                     |                |             |
|---|---------------|------------|------------|-------------|---------------------|----------------|-------------|
| Items   | 0~10 Days     | 11~30 Days | 31~90 Days | 91~180 Days | 181 Days~<br>1 Year | Over 1<br>Year | Total       |
| Assets  |               |            |            |             |                     |                |             |
| Cash  | \$ 15,000,986 | 13,191,429 | 1,353,219  | 805,975     | 1,703,850           | 1,549,752      | 33,605,211  |
| Financial assets at FVTPL                     | 1,704,468     | 704,784    | 350,599    | -           | 1,963,254           | 11,018,608     | 15,741,713  |
| Securities sold under<br>resell agreements    | 4,022,979     | 2,210,052  | -          | -           | -                   | -              | 6,233,031   |
| Loans and discounts                           | 6,058,308     | 3,916,520  | 11,171,218 | 12,675,303  | 22,505,703          | 66,349,765     | 122,676,817 |
| Interest receivables                          | 50,481        | 114,944    | 37,074     | 3,290       | 35,243              | 246            | 241,278     |
| Property and equipment                        | -             | -          | -          | -           | -                   | 6,481,841      | 6,481,841   |
| Others  | 1,479,595     | 79,168     | 84,634     | 79,333      | 632,994             | 3,176,052      | 5,531,776   |
| Liabilities                                   |               |            |            |             |                     |                |             |
| Deposits from Central<br>Bank and other banks | 49,316        | 280        | 703,950    | 373,550     | 192,940             | -              | 1,320,036   |
| Checking account                              | 945,088       | 1,890,177  | 5,670,531  | 8,505,796   | 17,011,593          | 37,719,065     | 71,742,250  |
| Demand deposits                               | 2,538,874     | 8,233,028  | 20,854,163 | 19,502,858  | 42,222,989          | 5,728,517      | 99,080,429  |
| Borrowing                                     | -             | -          | -          | -           | 500,000             | 4,200,000      | 4,700,000   |
| Interest payables                             | 65,169        | 26,181     | 41,304     | 48,725      | 18,456              | 3,244          | 203,079     |
| Negotiable certificates of<br>deposit         | 865,086       | 1,730,171  | 5,190,514  | 7,785,771   | 15,571,542          | 16,129,357     | 47,272,441  |
| Net value                                     | -             | -          | -          | -           | -                   | 13,054,475     | 13,054,475  |
| Others  | 1,721,346     | 918,098    | 69,338     | 49,384      | 207,380             | 312,900        | 3,278,446   |
| December 31, 2014                             |               |            |            |             |                     |                |             |
| Items   | 0~10 Days     | 11~30 Days | 31~90 Days | 91~180 Days | 181 Days~<br>1 Year | Over 1<br>Year | Total       |
| Assets  |               |            |            |             |                     |                |             |
| Cash  | \$ 14,773,910 | 13,722,843 | 1,526,069  | 918,441     | 1,740,131           | 1,228,920      | 33,910,314  |
| Financial assets at FVTPL                     | 2,649,038     | 2,028,982  | -          | -           | -                   | 15,530,883     | 20,208,903  |
| Securities sold under<br>resell agreements    | 2,525,622     | 1,400,548  | -          | -           | -                   | -              | 3,926,170   |
| Loans and discounts                           | 4,295,011     | 3,775,901  | 8,788,893  | 11,328,923  | 16,930,054          | 75,286,454     | 120,405,236 |
| Interest receivables                          | 52,893        | 126,796    | 42,065     | 3,741       | 42,577              | 96             | 268,168     |
| Property and equipment                        | -             | -          | -          | -           | -                   | 6,650,525      | 6,650,525   |
| Others  | 370,474       | 37,143     | 37,320     | 116,612     | 639,001             | 2,865,121      | 4,065,671   |
| Liabilities                                   |               |            |            |             |                     |                |             |
| Deposits from Central<br>Bank and other banks | 62,863        | 280        | 708,840    | 368,660     | 192,940             | -              | 1,333,583   |
| Checking account                              | 991,340       | 1,982,679  | 5,948,038  | 8,922,056   | 17,844,113          | 35,872,583     | 71,560,809  |
| Demand deposits                               | 2,064,788     | 8,978,261  | 22,424,587 | 18,851,226  | 41,191,939          | 5,824,022      | 99,334,823  |
| Borrowing                                     | -             | -          | -          | 370,000     | 350,000             | 4,700,000      | 5,420,000   |
| Interest payables                             | 71,722        | 27,752     | 43,832     | 50,957      | 18,717              | 5,518          | 218,498     |
| Negotiable certificates of<br>deposit         | 644,152       | 1,288,304  | 3,864,913  | 5,797,369   | 11,594,738          | 12,138,793     | 35,328,269  |
| Net value                                     | -             | -          | -          | -           | -                   | 11,483,202     | 11,483,202  |
| Others  | 1,043,875     | 706,408    | 66,388     | 51,289      | 200,231             | 213,821        | 2,282,012   |

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## Notes to the Financial Statements

## (D) Maturity analysis of items off the statement of financial position

The table below shows the maturity analysis of the items off the statement of financial position based on the remaining time until the contractual maturity date. For issued financial guarantee contracts, the maximum guaranteed amount included in the guarantee may be required to be paid at the very beginning of the contract period. The amount disclosed is based on contractual cash flows and may be different from that included in the consolidated statement of financial position.

| Unit: NTD thousand           |                     |             |           |
|------------------------------|---------------------|-------------|-----------|
| December 31, 2015            |                     |             |           |
|                              | Less than<br>1 year | Over 1 year | Total     |
| Irrevocable loan commitment  | \$ 167,344          | 2,276,145   | 2,443,489 |
| Letter of credit receivables | 1,093,317           | 4,738       | 1,098,055 |
| Various guarantee proceeds   | 1,061,345           | 2,699,823   | 3,761,168 |
| December 31, 2014            |                     |             |           |
|                              | Less than<br>1 year | Over 1 year | Total     |
| Irrevocable loan commitment  | \$ 518,819          | 1,990,813   | 2,509,632 |
| Letter of credit receivables | 1,052,209           | -           | 1,052,209 |
| Various guarantee proceeds   | 487,044             | 3,572,389   | 4,059,433 |

## (E) Maturity analysis of lease agreements and capital expenditure

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

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

Maturity analysis of lease agreements and capital expenditure is as follows:

| December 31, 2015                | Less than<br>1 year | 1-5 years | Over 5 years | Total   |
|----------------------------------|---------------------|-----------|--------------|---------|
| Lease commitments                |                     |           |              |         |
| Operating lease payment (lessee) | \$ 137,493          | 263,590   | 650          | 401,733 |
| Operating lease income (lessor)  | 85,709              | 180,733   | 155,975      | 422,417 |

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**Notes to the Financial Statements**

| <b>December 31, 2014</b>         | <b>Less than<br/>1 year</b> | <b>1-5 years</b> | <b>Over 5 years</b> | <b>Total</b> |
|----------------------------------|-----------------------------|------------------|---------------------|--------------|
| Lease commitments                |                             |                  |                     |              |
| Operating lease payment (lessee) | \$ 139,302                  | 285,686          | 11,379              | 436,367      |
| Operating lease income (lessor)  | 73,291                      | 196,838          | 179,962             | 450,091      |

(F) Market risk sensitivity analysis

The Bank uses market risk sensitivity as a tool to manage risks. Market risk sensitivity is the change in the value of positions due to the change in specific market risk factors by one unit.

Interest rate sensitivity is the change in the price value of a basis point (PVBp) of future cash flow of the Bank's interest rate product position as the yield curve shifts up by one basis point (0.01%) on the statement of financial position date.

In addition, the Bank does not have a significant net foreign currency position. Therefore, exchange rate fluctuation will not cause any significant exchange rate risk to the Bank.

Sensitivity analysis is as follows:

| <b>Main risk</b>   | <b>Name</b>                    | <b>December 31, 2015</b>   |               |                     |
|--------------------|--------------------------------|----------------------------|---------------|---------------------|
|                    |                                | <b>Cost/<br/>par value</b> | <b>Amount</b> |                     |
|                    |                                |                            | <b>Equity</b> | <b>Gain or loss</b> |
| Interest rate risk | Government and corporate bonds | 12,445,934                 | (330,623)     | 6,172               |

| <b>Main risk</b>   | <b>Name</b>                    | <b>December 31, 2014</b>   |               |                     |
|--------------------|--------------------------------|----------------------------|---------------|---------------------|
|                    |                                | <b>Cost/<br/>par value</b> | <b>Amount</b> |                     |
|                    |                                |                            | <b>Equity</b> | <b>Gain or loss</b> |
| Interest rate risk | Government and corporate bonds | 14,720,623                 | (509,891)     | -                   |

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(G) Exchange rate risk

| Unit: Thousand               |                     |                  |                       |
|------------------------------|---------------------|------------------|-----------------------|
| December 31, 2015            |                     |                  |                       |
|                              | Foreign<br>currency | Exchange<br>rate | New Taiwan<br>dollars |
| <b>Financial assets</b>      |                     |                  |                       |
| <b>Monetary item</b>         |                     |                  |                       |
| USD                          | 301,519             | 33.0660          | 9,970,015             |
| EUR                          | 6,609               | 36.1246          | 238,737               |
| JPY                          | 232,551             | 0.2747           | 63,888                |
| HKD                          | 18,936              | 4.2665           | 80,789                |
| SGD                          | 131                 | 23.4228          | 3,057                 |
| CNY                          | 70,000              | 5.0334           | 352,359               |
| AUD                          | 11                  | 24.1613          | 269                   |
| <b>Financial liabilities</b> |                     |                  |                       |
| <b>Monetary item</b>         |                     |                  |                       |
| USD                          | 403,854             | 33.0660          | 13,353,832            |
| EUR                          | 3,937               | 36.1246          | 142,218               |
| JPY                          | 598,531             | 0.2747           | 164,432               |
| HKD                          | 15,187              | 4.2665           | 64,794                |
| AUD                          | 32,104              | 24.1613          | 775,670               |
| GBP                          | 2,199               | 49.0402          | 107,816               |
| CAD                          | 1,349               | 23.8424          | 32,156                |
| CHF                          | 4                   | 33.4304          | 121                   |
| NZD                          | 1,487               | 22.6767          | 33,719                |
| SGD                          | 33                  | 23.4228          | 773                   |
| ZAR                          | 124,304             | 2.1254           | 264,197               |
| CNY                          | 102,310             | 5.0334           | 514,970               |

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|                              | <b>December 31, 2014</b>    |                          |                               |
|------------------------------|-----------------------------|--------------------------|-------------------------------|
|                              | <b>Foreign<br/>currency</b> | <b>Exchange<br/>rate</b> | <b>New Taiwan<br/>dollars</b> |
| <b>Financial assets</b>      |                             |                          |                               |
| <b>Monetary item</b>         |                             |                          |                               |
| USD                          | 277,356                     | 31.7180                  | 8,797,166                     |
| EUR                          | 6,409                       | 38.5437                  | 247,017                       |
| JPY                          | 156,545                     | 0.2651                   | 41,495                        |
| HKD                          | 26,689                      | 4.0900                   | 109,160                       |
| CHF                          | 212                         | 32.0546                  | 6,796                         |
| SGD                          | 199                         | 23.9961                  | 4,768                         |
| <b>Financial liabilities</b> |                             |                          |                               |
| <b>Monetary item</b>         |                             |                          |                               |
| USD                          | 290,352                     | 31.7180                  | 9,209,381                     |
| EUR                          | 2,856                       | 38.5437                  | 110,066                       |
| JPY                          | 627,805                     | 0.2651                   | 166,411                       |
| HKD                          | 43,577                      | 4.0900                   | 178,230                       |
| AUD                          | 19,470                      | 25.9612                  | 505,464                       |
| GBP                          | 2,617                       | 49.3564                  | 129,159                       |
| CAD                          | 866                         | 27.3219                  | 23,655                        |
| CHF                          | 2                           | 32.0546                  | 70                            |
| NZD                          | 1,384                       | 24.8447                  | 34,376                        |
| SGD                          | 11                          | 23.9961                  | 275                           |
| ZAR                          | 137,369                     | 2.7400                   | 376,388                       |
| CNY                          | 153,067                     | 5.1043                   | 781,295                       |

7) Capital management

1. Capital management objectives

The capital management objective of the Bank is to have sufficient eligible capital to meet the capital requirements and the minimum legal capital adequacy ratio. The eligible capital and the authorized capital are calculated pursuant to the regulations set by the regulators.

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

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## Notes to the Financial Statements

## 2. Capital management procedures

The Bank maintains adequate capital to meet the requirements of the authority and reports to the authority on a quarterly basis.

The Bank's regulatory capital is divided into Tier I Capital and Tier II Capital following the "Regulations Governing the Capital Adequacy and Capital Category of Banks".

Tier I capital includes common equity and additional Tier I capital. Common equity includes common shares, capital surplus (except for additional paid-in capital in excess of par value of preferred shares), accumulated profit or loss, and adjustment items of equity. Items that should be deducted are intangible assets (including goodwill), unamortized loss on sales of non-performing loans, investments on financial institutions, deferred income tax assets, deferred pension costs, and the deduction items. Additional Tier I capital includes non-cumulative perpetual preferred shares and non-cumulative perpetual subordinated debt.

Tier II capital consists of cumulative perpetual preferred shares, cumulative perpetual subordinated debt, value increased through revaluation, convertible bonds, operating reserve, and loan-loss provisions.

To properly monitor and maintain the capital adequacy ratio, the Bank calculates the capital adequacy ratio on a quarterly basis, examines the risk exposure and the changes in eligible capital, and analyzes the achievement of the objectives and the changes in factors that may influence the capital adequacy ratio such as expected profit, provision of allowance for bad debt, changes in non-performing loans, investments in securities (financial and non-financial), and risky assets. If the estimated and actual results differ materially, reviews for improvements are conducted. When it is possible that the capital adequacy ratio is significantly lower than the management objective, top management or the risk management committee should be informed, and strategies should be developed, such as adjusting the asset structure or issuing qualified asset instruments in order to reduce risk exposures or to increase eligible capital.

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The capital adequacy ratios of the Bank and its subsidiaries are disclosed below:

| Analysis item                               |                            |  | Period-end<br>December 31,<br>2015 | December 31,<br>2014 |
|---|----------------------------|--|------------------------------------|----------------------|
| Eligible<br>capital                         | Common capital             |  | 9,762,200                          | 8,314,491            |
|   | Other Tier I capital       |  | -                                  | -                    |
|   | Tier II capital            |  | 3,374,976                          | 3,978,510            |
|   | Eligible capital           |  | 13,137,176                         | 12,293,001           |
| Risk-weighted<br>assets                     | Credit<br>risk             | Standardized approach                        | 126,324,158                        | 122,323,791          |
|   |                            | Internal rating-based approach               | -                                  | -                    |
|   |                            | Securitization                               | -                                  | -                    |
|   | Operational<br>risk        | Basic indicator standardized approach        | 5,504,663                          | 5,386,188            |
|   |                            | Standardized approach / alternative approach | -                                  | -                    |
|   |                            | Advanced measurement approach                | -                                  | -                    |
|   | Market<br>risk             | Standardized approach                        | 2,620,013                          | 3,218,538            |
|   |                            | Internal model approach                      | -                                  | -                    |
|   | Total risk-weighted assets |  | 134,448,834                        | 130,928,517          |
| Capital adequacy ratio                      |                            |  | 9.77%                              | 9.39%                |
| Tier 1 capital / risk-weighted assets ratio |                            |  | 7.26%                              | 6.35%                |
| Common stock / risk-weighted assets ratio   |                            |  | 7.26%                              | 6.35%                |
| Leverage ratio                              |                            |  | 4.50%                              | 3.16%                |

Note:1. The calculation of eligible capital, risk-weighted assets, and the total amount of risk exposure shall follow the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Explanation of Methods for Calculating the Eligible Capital and Risk-Weighted Assets of Banks".

2. The table uses the calculation formulas as follows:

- (1) Eligible capital = common equity + other Tier I capital + tier II capital
- (2) Risk-weighted assets = credit risk-weighted assets + (capital requirement for operational risk + capital requirement for market risk) × 12.5
- (3) Capital adequacy ratio = eligible capital / risk-weighted assets
- (4) Common stock-based capital ratio = common equity / total risk-weighted assets
- (5) Tier I risk-based capital ratio = (common equity + other Tier I capital) / risk-weighted assets
- (6) Leverage ratio = Tier I capital / total exposure

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**Notes to the Financial Statements**

**(43) Related-party transactions**

1) Name of subsidiaries of the Bank

|   | Location | Equity (% of ownership) |                      |
|---|----------|-------------------------|----------------------|
|   |          | December 31,<br>2015    | December 31,<br>2014 |
| Panhsn Assets Management Co., Ltd.      | Taiwan   | 100.00                  | 100.00               |
| Panhsin Insurance Broker Co., Ltd.      | Taiwan   | 100.00                  | 100.00               |
| Panhsin International Leasing Co., Ltd. | Taiwan   | 100.00                  | 100.00               |

The Bank is the ultimate controlling party of the Bank and its subsidiaries.

2) Name and relationship of related parties

| Name   | Relationship   |
|--|--|
| Directors and supervisors (noncorporate), etc. | The individual directors and supervisors of the Bank, and their spouses, close relatives, etc.                               |
| President, general manager, managers, etc.     | The president, general manager, and their spouses, close relatives, etc.   |
| The major individual stockholders of the Bank  | The top ten major stockholders with stockholdings more than 1%   |
| Ta Shun Construction Co., Ltd., etc.           | The Bank's chairman's spouse is the chairman of the company  |
| San Jun Construction Co., Ltd.                 | The Bank's chairman spouse is the chairman of the company  |
| Shan Hwei Construction Co., Ltd.               | The Bank's chairman's spouse is the chairman of the company; a corporate director of the Bank is the chairman of the company |
| Sanlight Consgruction Co., Ltd.                | The Bank's legal supervisor is the chairman of the company; a corporate director of the Bank is the chairman of the company  |
| Yuan Chi Investment Co., Ltd.                  | The Bank's legal supervisor  |
| Fu Jin Investment Co., Ltd.                    | The Bank's legal supervisor  |
| Sun Shan Construction Co., Ltd.                | Disclosed as a related party as required by the authorities  |
| Yong Deng Construction Co., Ltd.               | Disclosed as a related party as required by the authorities  |

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3) Significant transactions with related parties

1. Deposits

| Name   | 2015              |                        | Interest rate |
|--|-------------------|------------------------|---------------|
|  | Ending balance    | Percentage of deposits |               |
| Deposits by each related party not over 1% of total deposits | <u>\$ 476,952</u> | <u>0.26</u>            | 0.01~8.26     |

| Name   | 2014              |                        | Interest rate |
|--|-------------------|------------------------|---------------|
|  | Ending balance    | Percentage of deposits |               |
| Deposits by each related party not over 1% of total deposits | <u>\$ 958,164</u> | <u>0.53</u>            | 0.01~8.37     |

For the years ended December 31, 2015 and 2014, apart from an interest rate limit on staff demand savings deposits of 6.860% to 7.080% and 6.670% to 6.910%, respectively, the interest rates and other terms provided to the above related parties were the same as the terms offered to the general public.

For the years ended December 31, 2015 and 2014 interest expense paid on the above deposits was \$2,383 and \$6,416, respectively.

2. Loans

| Type of loan         | Number of accounts or name of related party | Maximum during the period | 2015           |         |         |                          | Difference between terms and conditions offered to the accounts and to the general public |
|----------------------|---|---------------------------|----------------|---------|---------|--------------------------|---|
|                      |   |                           | Ending balance | On time | Overdue | Collateral               |   |
| Employee credit loan | ○○, Lin                                     | 3,643                     | -              | -       | -       | Real estate and deposits | None  |
| Others               | ○○, Zhu                                     | 22,300                    | 6,300          | 6,300   | -       | Real estate              | None  |
|                      | ○○, Chiu                                    | 297,300                   | 182,300        | 182,300 | -       | Real estate              | None  |
|                      | ○○, Hsu                                     | 7,000                     | -              | -       | -       | Real estate              | None  |
|                      | ○○, Kuo                                     | 38,000                    | 38,000         | 38,000  | -       | Real estate              | None  |
|                      | ○○, Kuo                                     | 62,000                    | 62,000         | 62,000  | -       | Real estate              | None  |
|                      | ○○, Yang                                    | 23,923                    | 13,276         | 13,276  | -       | Real estate              | None  |
|                      | ○○, Ye                                      | 34,500                    | 33,000         | 33,000  | -       | Real estate              | None  |
|                      | ○○, Liao                                    | 6,772                     | 6,400          | 6,400   | -       | Real estate              | None  |
|                      | ○○, Liao                                    | 82,754                    | 78,432         | 78,432  | -       | Real estate              | None  |
|                      | ○○, Liao                                    | 6,000                     | 5,404          | 5,404   | -       | Real estate              | None  |
|                      | ○○, Liu                                     | 80,873                    | 76,650         | 76,650  | -       | Real estate              | None  |
|                      | ○○, Chien                                   | 7,975                     | 7,975          | 7,975   | -       | Real estate              | None  |

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## BANK OF PANHSIN

## Notes to the Financial Statements

| Type of loan         | Number of accounts or name of related party | Maximum during the period | 2014           |           |         |                          | Difference between terms and conditions offered to the accounts and to the general public |
|----------------------|---|---------------------------|----------------|-----------|---------|--------------------------|---|
|                      |   |                           | Ending balance | Repayment |         | Collateral               |   |
|                      |   |                           |                | On time   | Overdue |                          |   |
| Employee credit loan | 26  | 24,108                    | 15,463         | 15,463    | -       | Real estate and deposits | None  |
| Mortgage             | 4   | 11,196                    | 10,516         | 10,516    | -       | Real estate              | None  |
| Others               | ○○, Wong                                    | 5,957                     | -              | -         | -       | Real estate              | None  |
|                      | ○○, Zhu                                     | 35,300                    | 17,300         | 17,300    | -       | Real estate              | None  |
|                      | ○○, Jiang                                   | 1,856                     | 1,700          | 1,700     | -       | Real estate              | None  |
|                      | ○○, Wu                                      | 1,037                     | 898            | 898       | -       | Real estate              | None  |
|                      | ○○, Lu                                      | 1,312                     | 1,282          | 1,282     | -       | Real estate              | None  |
|                      | ○○, Li                                      | 1,924                     | 1,820          | 1,820     | -       | Real estate              | None  |
|                      | ○○, Wang                                    | 1,329                     | 1,012          | 1,012     | -       | Real estate              | None  |
|                      | ○○, Zhou                                    | 2,300                     | -              | -         | -       | None                     | None  |
|                      | ○○, Lin                                     | 14,320                    | 7,391          | 7,391     | -       | Real estate              | None  |
|                      | ○○, Lin                                     | 2,900                     | 2,300          | 2,300     | -       | Real estate              | None  |
|                      | ○○, Chu                                     | 83,600                    | 78,000         | 78,000    | -       | Real estate              | None  |
|                      | ○○, Hong                                    | 7,950                     | -              | -         | -       | None                     | None  |
|                      | ○○, Kao                                     | 14,677                    | 9,500          | 9,500     | -       | Real estate              | None  |
|                      | ○○, Kao                                     | 5,600                     | 5,600          | 5,600     | -       | Real estate              | None  |
|                      | ○○, Kuo                                     | 24,000                    | 12,000         | 12,000    | -       | Real estate              | None  |
|                      | ○○, Kuo                                     | 311                       | 274            | 274       | -       | Real estate              | None  |
|                      | ○○, Huo                                     | 114,000                   | 57,000         | 57,000    | -       | Real estate              | None  |
|                      | ○○, You                                     | 5,000                     | 1,650          | 1,650     | -       | Real estate              | None  |
|                      | ○○, Huang                                   | 6,294                     | 5,951          | 5,951     | -       | Real estate              | None  |
|                      | ○○, Yang                                    | 29,697                    | 14,585         | 14,585    | -       | Real estate              | None  |
|                      | ○○, Ye                                      | 54,750                    | 26,500         | 26,500    | -       | Real estate              | None  |
|                      | ○○, Liao                                    | 7,118                     | 6,772          | 6,772     | -       | Real estate              | None  |
|                      | ○○, Liao                                    | 94,963                    | 82,754         | 82,754    | -       | Real estate              | None  |
|                      | ○○, Zhao                                    | 2,350                     | -              | -         | -       | Deposits                 | None  |
|                      | ○○, Liu                                     | 84,987                    | 80,873         | 80,873    | -       | Real estate              | None  |
|                      | ○○, Liu                                     | 6,300                     | 6,286          | 6,286     | -       | Real estate              | None  |
|                      | ○○, Lia                                     | 9,900                     | 9,500          | 9,500     | -       | Real estate              | None  |
|                      | ○○, Chien                                   | 8,000                     | 5,575          | 5,575     | -       | Real estate              | None  |
|                      | Sun Shan construction Co., Ltd.             | 101,246                   | -              | -         | -       | None                     | None  |

For the years ended December 31, 2015 and 2014, interest income recognized for the above loans was \$1,052 and \$9,077, respectively.

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**Notes to the Financial Statements**

3. Rental revenue

The details of office rentals by the Bank to a related party for operating purposes were as follows:

| Name                     | Building   | Period  | 2015            | 2014         |
|--------------------------|--|---|-----------------|--------------|
| Panhsin Insurance Broker | Zhongzheng Rd., Panchiao City, No. 330, 11th floor | March 12, 2009 upon the expiration of the lease could be renewed  | \$ 1,917        | 1,607        |
| Panhsin Asset Management | Zhongzheng Rd., Panchiao City, No. 330, 9th floor  | January 6, 2009 upon the expiration of the lease could be renewed | 223             | 202          |
|                          |  |   | <u>\$ 2,140</u> | <u>1,809</u> |

4. Sale of non-performing loans

The receivables due to the contracts of sale of non-performing loans between the Bank and Panhsin AMC had been collected in 2014. The interest revenue due to the postponed repayments in 2014 amounting \$3,770 was collected during 2014.

5. Other

(A) For the years ended December 31, 2015 and 2014, the details of the Bank's selling a series of subordinated financial debentures to related parties were as follows:

| Related party                                 | Highest balance | 2015           | Interest rate | Interest expense |
|---|-----------------|----------------|---------------|------------------|
|   |                 | Ending balance |               |                  |
| Directors, supervisors, and main stockholders | \$ 920          | <u>920</u>     | 2.84~3.00     | <u>227</u>       |

| Related party                                 | Highest balance | 2014           | Interest rate | Interest expense |
|---|-----------------|----------------|---------------|------------------|
|   |                 | Ending balance |               |                  |
| Directors, supervisors, and main stockholders | \$ 12,800       | <u>11,800</u>  | 2.84~3.00     | <u>-</u>         |

(B) Starting 2013, the Bank has entered into an insurance commission fee-splitting agreement with Panhsin Insurance Broker Co., Ltd. According to the agreement, the Bank is obligated to provide the operating venue, facilities or manpower. For the years ended December 31, 2015 and 2014, the Bank earned commission revenue of \$366,243 and \$199,284 from Panhsin Insurance Broker Co., Ltd., respectively, recorded under "fees and commission income—net". As of December 31, 2015 and 2014, the proceeds not yet being received were \$14,847 and \$5,858, respectively, recorded under accounts—receivable, net.

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**BANK OF PANHSIN**  
**Notes to the Financial Statements**

4) Key management personnel compensation

|                              | 2015      | 2014   |
|------------------------------|-----------|--------|
| Short-term employee benefits | \$ 44,660 | 64,596 |
| Post-employment benefits     | \$ 452    | 360    |

**(44) Pledged assets**

Pledged assets of the Bank and its subsidiaries were as follows:

| Pledged Assets  | Pledged for   | December 31,<br>2015 | December 31,<br>2014 |
|---|---|----------------------|----------------------|
| Time deposit (recorded as due from central bank and placement to other banks) | Foreign currency — denominated overdraft guarantee        | \$ 850,334           | 2,700,000            |
| Government bonds (recorded as available-for-sale financial assets)            | Reserve for trust business                                | 50,250               | 48,640               |
|   | Provisional seizure                                       | 52,395               | 32,629               |
|   | Operating deposits for trading bills                      | 50,902               | 51,237               |
|   | Operating deposits for trading bonds                      | 10,180               | 10,247               |
|   | Deposits for Taxation Administration, Ministry of Finance | 107,981              | 93,502               |
|   | Derivative financial products credit guarantee            | 260,319              | -                    |
| Bank deposit (recorded as other financial assets)                             | Settlement deposits for bonds                             | 7,400                | 7,400                |
|   | Deposits for lawsuits                                     | 9,170                | 9,570                |
|   |   | <u>\$ 1,398,931</u>  | <u>2,953,225</u>     |

**(45) Significant contingent liabilities and unrecognized contract commitments**

1) Significant contingent liabilities and unrecognized contract commitments

1. Significant purchase agreements

|                                  | December 31, 2015 |                                  |
|----------------------------------|-------------------|----------------------------------|
| Contract name                    | Contract price    | Unpaid portion of contract price |
| Significant purchase agreements: |                   |                                  |
| Software system                  | \$ 100,279        | 65,194                           |

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**BANK OF PANHSIN**  
**Notes to the Financial Statements**

| <b>December 31, 2014</b>  |                              |   |
|---|------------------------------|---|
| <b>Contract name</b>  | <b>Contract price</b>        | <b>Unpaid portion<br/>of contract price</b> |
| Significant purchase agreements:  |                              |   |
| Software system   | \$ <u>62,269</u>             | <u>30,723</u>                               |
| 2. For significant leases and capital expenditure, please refer to note 44. |                              |   |
| 3. Significant mergers and acquisitions, please refer to note 12.           |                              |   |
| 2) Other  |                              |   |
|   | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b>                |
| Consignment collection for others   | \$ 12,422,302                | 12,995,059                                  |
| Consignment released and loans for others                                   | 769,648                      | 673,462                                     |
| Collateral held as performance bond   | 21,134                       | 829,348                                     |
| Traveler's checks held for consignment sale                                 | 13,447                       | 13,275                                      |
| Custodial securities  | 135,000                      | 155,000                                     |
| Trust assets  | 44,255,872                   | 47,611,413                                  |
| Total   | <u>\$ 57,617,403</u>         | <u>62,277,557</u>                           |
| Lines of credit provided but not used                                       | <u>\$ 2,443,489</u>          | <u>2,509,632</u>                            |
| Guarantees  | <u>\$ 3,761,168</u>          | <u>4,059,433</u>                            |
| Letters of credit issued but not yet presented                              | <u>\$ 1,098,055</u>          | <u>1,052,209</u>                            |

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## BANK OF PANHSIN

## Notes to the Financial Statements

- 3) In accordance with local regulations, disclosure of accounts in the statement of financial position and a summary of trust asset items for trust business are as follows:

**Trust balance sheet****December 31, 2015**

| <b>Trust assets</b>      |                             | <b>Trust liabilities</b>                                |                          |
|--------------------------|-----------------------------|---|--------------------------|
| Bank deposits            | \$ 3,272,607                | Trust capital — monetary trust                          | 19,442,586               |
| Investment in funds      | 16,558,919                  | Trust capital — real estate                             | 21,315,126               |
| Investment in bonds      | 33,769                      | Trust capital — monetary loans<br>and guaranteed assets | 1,972,635                |
| Investment in stocks     | 1,611,454                   | Trust capital — securities trust                        | 1,554,198                |
| Investment in loans      | 1,972,532                   | Trust capital — land rights trust                       |                          |
| Land                     | 15,096,756                  | Net income  | 302,333                  |
| Building                 | 459,992                     | Unappropriated earnings                                 | (330,968)                |
| Construction in progress | 5,249,843                   | Deferred suspense accounts                              | (38)                     |
| Total trust assets       | <u><u>\$ 44,255,872</u></u> | Total trust liabilities                                 | <u><u>44,255,872</u></u> |

**Trust balance sheet****December 31, 2014**

| <b>Trust assets</b>      |                             | <b>Trust liabilities</b>                                |                          |
|--------------------------|-----------------------------|---|--------------------------|
| Bank deposits            | \$ 6,049,497                | Trust capital — monetary trust                          | 21,993,280               |
| Investment in funds      | 17,854,906                  | Trust capital — real estate                             | 21,719,595               |
| Investment in bonds      | 10,000                      | Trust capital — monetary loans<br>and guaranteed assets | 2,143,832                |
| Investment in stocks     | 1,611,454                   | Trust capital — securities trust                        | 1,620,103                |
| Investment in loans      | 2,143,729                   | Trust capital — land rights trust                       | 204,152                  |
| Land                     | 15,416,435                  | Net income  | 643,536                  |
| Building                 | 815,945                     | Unappropriated earnings                                 | (713,085)                |
| Construction in progress | 3,505,295                   |   |                          |
| Land rights              | 204,152                     |   |                          |
| Total trust assets       | <u><u>\$ 47,611,413</u></u> | Total trust liabilities                                 | <u><u>47,611,413</u></u> |

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**BANK OF PANHSIN**  
**Notes to the Financial Statements**

**Trust income statement**

|                                  | 2015                     | 2014                  |
|----------------------------------|--------------------------|-----------------------|
| Trust revenue:                   |                          |                       |
| Interest revenue                 | \$ 6,016                 | 8,124                 |
| Realized investment gain — funds | 151,555                  | 195,473               |
| Cash dividends revenue           | 793,666                  | 644,330               |
|                                  | <u>951,237</u>           | <u>847,927</u>        |
| Trust expenses:                  |                          |                       |
| Management expenses              | 40,580                   | 17,605                |
| Realized investment loss — funds | 607,511                  | 185,965               |
| Other expenses                   | 229                      | 29                    |
|                                  | <u>648,320</u>           | <u>203,599</u>        |
| Net income before income tax     | 302,917                  | 644,328               |
| Income tax expense               | 584                      | 792                   |
| Net income after income tax      | <u><u>\$ 302,333</u></u> | <u><u>643,536</u></u> |

**Trust asset register**  
**December 31, 2015**

| Item                        | Amount                      |
|-----------------------------|-----------------------------|
| Bank deposits               | \$ 3,272,607                |
| Investment in funds         | 16,558,919                  |
| Bonds                       | 33,769                      |
| Investment in stocks        | 1,611,454                   |
| Investment in common stocks | 1,972,532                   |
| Land                        | 15,096,756                  |
| Building                    | 459,992                     |
| Construction in progress    | <u>5,249,843</u>            |
|                             | <u><u>\$ 44,255,872</u></u> |

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**BANK OF PANHSIN**  
**Notes to the Financial Statements**

**Trust asset register**

**December 31, 2014**

| Item                        | Amount                      |
|-----------------------------|-----------------------------|
| Bank deposits               | \$ 6,049,497                |
| Investment in funds         | 17,854,906                  |
| Bonds                       | 10,000                      |
| Investment in stocks        | 1,611,454                   |
| Investment in common stocks | 2,143,729                   |
| Land                        | 15,416,435                  |
| Building                    | 815,945                     |
| Construction in progress    | 3,505,295                   |
| Land rights                 | 204,152                     |
|                             | <u><u>\$ 47,611,413</u></u> |

**(46) Other**

1) Business Combination

To expand its business, enhance efficiency and competitiveness, the Board of Directors of the Bank passed a resolution for an acquisition of the operation, assets and liabilities of The Ninth Credit Cooperative of Taipei (NCCT) on October 10, 2013. The acquisition was approved by the Bank's stockholders on December 1, 2013, and subsequently approved by Financial Supervisory Commission on June 24, 2014. The effective date of the acquisition was July 21, 2014.

NCCT was established in April, 1981. Its headquarters was located in Wanhua, Taipei City, and had 18 domestic branches. The main operations of NCCT included saving, credit, remittance, proxy and other business approved by the Authorities.

1. Transfer Consideration

According to the "General Assignment and Assumption Agreement" signed on October 30, 2013, the payment of acquisition was \$3,980,000. After deducting the amount of \$1,265,598, which had been paid to NCCT for personnel pension (severance) and compensation according to the agreement, the Bank paid the amount of \$2,279,987 as down payment. The Bank expected that the second payment amounting to \$434,415 (recognized as Account Payable) would be paid during 12 months after settlement date.

Relevant acquisition cost was excluded from the transfer consideration. The relevant acquisition costs incurred in 2014 amounted to 25,224, including legal fees, on-site examination expenses and consultant expense, and were recognized as other business and administrative expenses in the statement of comprehensive income.

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**BANK OF PANHSIN**  
**Notes to the Financial Statements**

2. Assets and Liabilities Obtained on Acquisition Date

Independent third party was been appointed to evaluate the allocation of the transfer consideration (evaluation base date: July 18 2014). According to the evaluation report, fair value of the identifiable tangible assets and liabilities was listed below:

|   | NCCT                       |
|---|----------------------------|
| Cash and cash equivalents                               | \$ 145,925                 |
| Due from the Central Bank and call loans to other banks | 8,649,105                  |
| Receivable, net   | 19,275                     |
| Discounts and loans, net                                | 15,476,048                 |
| Available-for-sale financial assets, net                | 112,177                    |
| Held-to-maturity financial assets, net                  | 150,000                    |
| Other financial assets, net                             | 7,127                      |
| Properties, net   | 2,071,844                  |
| Intangible assets, net                                  | 588                        |
| Prepayment  | 4,377                      |
| Refundable Deposit                                      | 2,719                      |
| Payable   | (107,619)                  |
| Deposit and remittances                                 | (23,476,716)               |
| Deferred tax liabilities- Land value increment tax      | (76,160)                   |
| Other liabilities                                       | (18,222)                   |
|   | <u><u>\$ 2,960,468</u></u> |

The Bank obtained discounts and loans in the acquisition amounting to \$15,476,048 at fair value. The total contract amount was \$15,622,725. The best estimate of unrecoverable contract cash flow was \$146,677 thousand on the acquisition date.

3. Intangible Assets Due to Acquisition (Goodwill and Core Deposit)

|   |                          |
|---|--------------------------|
| Transfer Consideration                          | \$ 3,980,000             |
| Less: Fair value of identifiable asset acquired | (2,960,438)              |
| Identifiable intangible asset-Core Deposit      | <u>(137,800)</u>         |
| Goodwill  | <u><u>\$ 881,762</u></u> |

The amount of transfer consideration after the deduction of the fair value of identifiable assets acquired included the expected benefit from the synergies of combination, revenue and cost, and future market development. Since the core deposit was the only identifiable intangible assets, the residual amount after the deduction of the identifiable assets and intangible assets was accounted for as goodwill. No tax impact was expected from the core deposit, but the goodwill amounting to 881,762 was expected to have a tax deduction in the future years.

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## BANK OF PANHSIN

## Notes to the Financial Statements

## 4. The Impact of Acquisition To Operating Performance

NCCT had contributed the net revenue and net loss of \$78,212 and \$(22,989), respectively, for the period from July 21, 2014 (the date of acquiring NCCT by the Bank) to December 31, 2014.

If the acquisition had happened in beginning of the accounting period, the Bank's pro forma net revenue and net profit would have been \$3,722,613 and \$400,321. The amount did not reflect the real performance of the assumption that the acquisition happened in the beginning of the year and shall not be used to predict the operating performance in future.

5. According to the plan, which the acquisition had been proposed to the Financial Supervision Committee for approval in July 2014, the ratio of bad debt allowance shall increase to 1%. Therefore, the Bank recognized bad debt expense of \$290,119.

- 2) The employee benefits, depreciation, depletion, and amortization, categorized by function, were as follows:

| By function<br>By account  | 2015               |                    |           | 2014               |                    |           |
|----------------------------|--------------------|--------------------|-----------|--------------------|--------------------|-----------|
|                            | Cost of goods sold | Operating expenses | Total     | Cost of goods sold | Operating expenses | Total     |
| Employee benefits          |                    |                    |           |                    |                    |           |
| Salary                     | -                  | 1,274,950          | 1,274,950 | -                  | 1,146,194          | 1,146,194 |
| Labor and health insurance | -                  | 97,229             | 97,229    | -                  | 85,520             | 85,520    |
| Pension                    | -                  | 58,805             | 58,805    | -                  | 53,365             | 53,365    |
| Other personnel expense    | -                  | 32,981             | 32,981    | -                  | 25,231             | 25,231    |
| Depreciation               | -                  | 130,788            | 130,788   | -                  | 107,159            | 107,159   |
| Depletion                  | -                  | -                  | -         | -                  | -                  | -         |
| Amortization               | -                  | 67,088             | 67,088    | -                  | 58,958             | 58,958    |

The depreciation expense for leased-out assets was \$24,069 and \$23,287 in 2015 and 2014, respectively, and was recorded under other non-interest income—net.

As of December 31, 2015 and 2014, the Bank had 1,427 and 1,419 employees, respectively.

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**Notes to the Financial Statements**

- 3) Average amount of, and current average interest rates on, interest-bearing assets and liabilities:

|   | <b>2015</b>           |                              |
|---|-----------------------|------------------------------|
|   | <b>Average Amount</b> | <b>Average Interest Rate</b> |
| Interest-earning assets:                              |                       |                              |
| Cash due from banks                                   | \$ 1,459,182          | 1.14                         |
| Due from Central Bank and call loans to banks         | 30,035,434            | 0.79                         |
| Financial assets at fair value through profit or loss | 2,256,988             | 0.63                         |
| Loans and advances to customers                       | 127,242,149           | 2.73                         |
| Available-for-sale financial assets                   | 12,748,572            | 1.23                         |
| Held-to-maturity financial assets                     | 752,188               | 1.58                         |
| Securities purchased under resell agreements          | 3,962,399             | 0.53                         |
| Interest-bearing liabilities:                         |                       |                              |
| Due to banks  | 1,796,109             | 1.12                         |
| Demand deposits                                       | 25,782,048            | 0.10                         |
| Time deposits   | 29,094,862            | 1.09                         |
| Negotiable time deposits                              | 651,307               | 0.69                         |
| Demand savings deposits                               | 46,014,924            | 0.35                         |
| Time savings deposits                                 | 76,222,454            | 1.31                         |
| Financial debentures                                  | 5,160,329             | 3.00                         |

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**BANK OF PANHSIN**  
**Notes to the Financial Statements**

|   | <b>2014</b>           |                              |
|---|-----------------------|------------------------------|
|   | <b>Average Amount</b> | <b>Average Interest Rate</b> |
| Interest-earning assets:                              |                       |                              |
| Cash due from banks                                   | \$ 1,815,723          | 1.86                         |
| Due from Central Bank and call loans to banks         | 29,382,577            | 0.80                         |
| Financial assets at fair value through profit or loss | 1,208,862             | 0.59                         |
| Loans and advances to customers                       | 116,482,166           | 2.74                         |
| Available-for-sale financial assets                   | 11,435,759            | 1.15                         |
| Held-to-maturity financial assets                     | 659,146               | 1.58                         |
| Securities purchased under resell agreements          | 4,050,167             | 0.59                         |
| Interest-bearing liabilities:                         |                       |                              |
| Due to banks  | 1,875,061             | 1.05                         |
| Securities purchased under resell agreements          | 42,760                | 0.57                         |
| Demand deposits                                       | 26,058,119            | 0.11                         |
| Time deposits   | 28,060,463            | 1.13                         |
| Negotiable time deposits                              | 723,095               | 0.70                         |
| Demand savings deposits                               | 42,063,457            | 0.36                         |
| Time savings deposits                                 | 66,777,967            | 1.31                         |
| Financial debentures                                  | 4,504,110             | 3.04                         |

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Notes to the Financial Statements

- 4) Supplementary disclosures of asset quality, overdue loans and receivables, concentration of credit extensions, interest rate sensitivity information, profitability, and the structure analysis of assets' and liabilities' time to maturity were as follows:

1. Asset quality

Unit: NT thousands

| Period                     |             |           | December 31, 2015   |                     |               |                         |             |
|----------------------------|-------------|-----------|---------------------|---------------------|---------------|-------------------------|-------------|
|                            |             |           | Overdue loan amount | Loan balance        | Overdue ratio | Allowance for bad debts | Cover rate  |
| Corporate banking          | Secured     |           | 574,422             | 38,345,244          | 1.50 %        | 493,205                 | 85.86 %     |
|                            | Unsecured   |           | 93,980              | 33,135,979          | 0.28 %        | 422,869                 | 449.96 %    |
| Consumer banking           | Mortgage    |           | 199,333             | 23,281,464          | 0.86 %        | 322,995                 | 162.04 %    |
|                            | Cash card   |           | -                   | -                   | - %           | -                       | - %         |
|                            | Credit loan |           | 5,218               | 758,777             | 0.69 %        | 19,428                  | 372.33 %    |
|                            | Others      | Secured   | 83,942              | 35,776,821          | 0.23 %        | 373,970                 | 445.51 %    |
|                            |             | Unsecured | 88                  | 1,587,275           | 0.01 %        | 16,931                  | 19,239.77 % |
| Total                      |             |           | 956,983             | 132,885,560         | 0.72 %        | 1,649,398               | 172.35 %    |
|                            |             |           | Overdue             | Account receivables | Overdue ratio | Allowance for bad debts | Cover rate  |
| Credit cards               |             |           | -                   | -                   | - %           | -                       | - %         |
| Without-recourse factoring |             |           | -                   | -                   | - %           | -                       | - %         |

| Period                     |             |           | December 31, 2014   |                     |               |                         |            |
|----------------------------|-------------|-----------|---------------------|---------------------|---------------|-------------------------|------------|
|                            |             |           | Overdue loan amount | Loan balance        | Overdue ratio | Allowance for bad debts | Cover rate |
| Corporate banking          | Secured     |           | 675,544             | 41,100,077          | 1.64 %        | 495,016                 | 73.28 %    |
|                            | Unsecured   |           | 306,453             | 27,675,000          | 1.11 %        | 477,630                 | 155.86 %   |
| Consumer banking           | Mortgage    |           | 141,024             | 26,014,523          | 0.54 %        | 279,785                 | 198.40 %   |
|                            | Cash card   |           | -                   | -                   | - %           | -                       | - %        |
|                            | Credit loan |           | 4,034               | 582,329             | 0.69 %        | 22,206                  | 550.47 %   |
|                            | Others      | Secured   | 21,808              | 32,803,736          | 0.07 %        | 335,494                 | 1,538.40 % |
|                            |             | Unsecured | -                   | 1,724,992           | - %           | 17,363                  | - %        |
| Total                      |             |           | 1,148,863           | 129,900,657         | 0.88 %        | 1,627,494               | 141.66 %   |
|                            |             |           | Overdue             | Account receivables | Overdue ratio | Allowance for bad debts | Cover rate |
| Credit cards               |             |           | -                   | -                   | - %           | -                       | - %        |
| Without-recourse factoring |             |           | -                   | -                   | - %           | -                       | - %        |

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**BANK OF PANHSIN**  
**Notes to the Financial Statements**

Exemption from reporting non-performing loans (NPL) and overdue receivables

|   | December 31, 2015 |                              | December 31, 2014 |                              |
|---|-------------------|------------------------------|-------------------|------------------------------|
|   | Excluded NPL      | Excluded overdue receivables | Excluded NPL      | Excluded overdue receivables |
| As a result of debt consultation and loan agreement | 75,112            | -                            | 113,489           | -                            |
| As a result of debt solvency and restart plan       | 30,957            | -                            | 37,394            | -                            |
| Total   | 106,069           | -                            | 150,883           | -                            |

2. Information on concentration of credit risk

Unit: NT thousand

| December 31, 2015 |  |                  |                             |
|-------------------|--|------------------|-----------------------------|
| Rank              | Group company  | Outstanding loan | Percentage of net worth (%) |
| 1                 | A United Group (Real Estate Leasing)                     | 2,089,576        | 15.78 %                     |
| 2                 | B United Group (Real Estate)                             | 1,946,320        | 14.70 %                     |
| 3                 | C United Group (LED Panel Assembly)                      | 850,000          | 6.42 %                      |
| 4                 | D United Group (Real Estate)                             | 741,300          | 5.60 %                      |
| 5                 | E United Group (Rayon Manufacturing)                     | 666,257          | 5.03 %                      |
| 6                 | F United Group (Real Estate)                             | 658,022          | 4.97 %                      |
| 7                 | G United Group (Smelting and Refining of Iron and Steel) | 635,214          | 4.80 %                      |
| 8                 | H United Group (Real Estate Managing)                    | 565,205          | 4.27 %                      |
| 9                 | I United Group (Finishing Work)                          | 532,410          | 4.02 %                      |
| 10                | J United Group (Real Estate)                             | 530,000          | 4.00 %                      |
|                   | Total  | 9,214,304        |                             |

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## Notes to the Financial Statements

| December 31, 2014 |  |                  |                             |
|-------------------|--|------------------|-----------------------------|
| Rank              | Group company  | Outstanding loan | Percentage of net worth (%) |
| 1                 | A United Group (Real Estate Leasing)                     | 2,146,040        | 18.50 %                     |
| 2                 | B United Group (Real Estate Leasing)                     | 1,395,900        | 12.03 %                     |
| 3                 | C United Group (Smelting and Refining of Iron and Steel) | 1,015,298        | 8.75 %                      |
| 4                 | D United Group (Real Estate)                             | 965,929          | 8.33 %                      |
| 5                 | E United Group (Finance Leasing)                         | 735,000          | 6.33 %                      |
| 6                 | F United Group (Rayon Manufacturing)                     | 732,500          | 6.31 %                      |
| 7                 | G United Group (LCD Panel Assembly)                      | 684,000          | 5.90 %                      |
| 8                 | H United Group (Real Estate)                             | 680,500          | 5.87 %                      |
| 9                 | I United Group (Investment Consulting)                   | 618,977          | 5.33 %                      |
| 10                | J United Group (Real Estate)                             | 601,088          | 5.18 %                      |
|                   | Total  | 9,575,232        |                             |

## 3. Interest rate sensitivity information

## (A) Sensitivity analysis of interest rate for assets and liabilities (NTD)

December 31, 2015

Unit: NT thousand

| Item   | 1~90 days<br>(inclusive) | 91~180 days<br>(inclusive) | 181 days~1<br>year<br>(inclusive) | Over 1 year | Total       |
|--|--------------------------|----------------------------|-----------------------------------|-------------|-------------|
| Interest-rate-sensitive assets                         | \$ 156,397,045           | 536,871                    | 2,609,362                         | 12,068,650  | 171,611,928 |
| Interest-rate-sensitive liabilities                    | 70,541,995               | 78,371,074                 | 18,275,705                        | 7,981,182   | 175,169,956 |
| Interest-rate sensitivity gap                          | 85,855,050               | (77,834,203)               | (15,666,343)                      | 4,087,468   | (3,558,028) |
| Net worth  |                          |                            |                                   |             | 13,241,861  |
| Ratio of interest-rate-sensitive assets to liabilities |                          |                            |                                   |             | 97.97       |
| Ratio of interest-rate sensitivity gap to net worth    |                          |                            |                                   |             | (26.87)     |

December 31, 2014

Unit: NT thousand

| Item   | 1~90 days<br>(inclusive) | 91~180 days<br>(inclusive) | 181 days~1<br>year<br>(inclusive) | Over 1 year | Total       |
|--|--------------------------|----------------------------|-----------------------------------|-------------|-------------|
| Interest-rate-sensitive assets                         | \$ 151,326,344           | 539,452                    | 946,741                           | 18,287,647  | 171,100,184 |
| Interest-rate-sensitive liabilities                    | 70,625,777               | 78,604,397                 | 18,430,573                        | 7,972,432   | 175,633,179 |
| Interest-rate sensitivity gap                          | 80,700,567               | (78,064,945)               | (17,483,832)                      | 10,315,215  | (4,532,995) |
| Net worth  |                          |                            |                                   |             | 11,602,580  |
| Ratio of interest-rate-sensitive assets to liabilities |                          |                            |                                   |             | 97.42       |
| Ratio of interest-rate sensitivity gap to net worth    |                          |                            |                                   |             | (39.07)     |

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**Notes to the Financial Statements**

(B) Sensitivity analysis of interest rate for assets and liabilities (USD)

December 31, 2015

Unit: USD thousand

| Item   | 1~90 days<br>(inclusive) | 91~180 days<br>(inclusive) | 181 days~1<br>year<br>(inclusive) | Over 1 year | Total   |
|--|--------------------------|----------------------------|-----------------------------------|-------------|---------|
| Interest-rate-sensitive assets                         | \$ 377,235               | 29,895                     | 594                               | -           | 407,724 |
| Interest-rate-sensitive liabilities                    | 289,929                  | 56,744                     | 56,722                            | 162         | 403,557 |
| Interest-rate sensitivity gap                          | 87,306                   | (26,849)                   | (56,128)                          | (162)       | 4,167   |
| Net worth  |                          |                            |                                   |             | 5,351   |
| Ratio of interest-rate-sensitive assets to liabilities |                          |                            |                                   |             | 101.03  |
| Ratio of interest-rate sensitivity gap to net worth    |                          |                            |                                   |             | 77.87   |

December 31, 2014

Unit: USD thousand

| Item   | 1~90 days<br>(inclusive) | 91~180 days<br>(inclusive) | 181 days~1<br>year<br>(inclusive) | Over 1 year | Total   |
|--|--------------------------|----------------------------|-----------------------------------|-------------|---------|
| Interest-rate-sensitive assets                         | \$ 312,524               | 32,573                     | 16                                | -           | 345,113 |
| Interest-rate-sensitive liabilities                    | 212,586                  | 68,286                     | 19,284                            | 13          | 300,169 |
| Interest-rate sensitivity gap                          | 99,938                   | (35,713)                   | (19,268)                          | (13)        | 44,944  |
| Net worth  |                          |                            |                                   |             | 5,689   |
| Ratio of interest-rate-sensitive assets to liabilities |                          |                            |                                   |             | 114.97  |
| Ratio of interest-rate sensitivity gap to net worth    |                          |                            |                                   |             | 790.02  |

4. Profitability

%

| Item                   |                   | December 31,<br>2015 | December 31,<br>2014 |
|------------------------|-------------------|----------------------|----------------------|
| Return on total assets | Before income tax | 0.42                 | 0.36                 |
|                        | After income tax  | 0.35                 | 0.27                 |
| Return on net worth    | Before income tax | 7.06                 | 6.20                 |
|                        | After income tax  | 5.92                 | 4.65                 |
| Profit margin          |                   | 19.96                | 16.23                |

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

Note 2: Return on net worth = Income before (after) income tax / Average equity

Note 3: Profit margin = Income after income tax / Total operating revenues

Note 4: Income before (after) income tax is the income for the whole year.

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**BANK OF PANHSIN**  
**Notes to the Financial Statements**

5. Structure analysis of assets' and liabilities' time to maturity

(A) Duration analysis in New Taiwan dollars

December 31, 2015

Unit: NTD thousand

|                  | Total          | Aging for remaining period until expiration |              |              |                    |             |
|------------------|----------------|---|--------------|--------------|--------------------|-------------|
|                  |                | 0~30 days                                   | 31~90 days   | 91~180 days  | 181 days~<br>1year | Over 1 year |
| Capital provided | \$ 190,511,165 | 48,533,712                                  | 12,996,744   | 13,563,901   | 26,841,044         | 88,575,764  |
| Capital used     | 240,651,156    | 18,982,814                                  | 32,529,800   | 36,266,084   | 75,724,900         | 77,147,558  |
| Spread           | (50,139,991)   | 29,550,898                                  | (19,533,056) | (22,702,183) | (48,883,856)       | 11,428,206  |

December 31, 2014

Unit: NTD thousand

|                  | Total          | Aging for remaining period until expiration |              |              |                    |             |
|------------------|----------------|---|--------------|--------------|--------------------|-------------|
|                  |                | 0~30 days                                   | 31~90 days   | 91~180 days  | 181 days~<br>1year | Over 1 year |
| Capital provided | \$ 189,255,017 | 45,579,191                                  | 10,394,347   | 12,367,717   | 19,351,763         | 101,561,999 |
| Capital used     | 226,961,196    | 17,862,424                                  | 33,056,598   | 34,411,557   | 71,392,678         | 70,237,939  |
| Spread           | (37,706,179)   | 27,716,767                                  | (22,662,251) | (22,043,840) | (52,040,915)       | 31,324,060  |

(B) Duration analysis in US dollars

December 31, 2015

Unit: USD thousand

|                  | Total      | Aging for remaining period until expiration |            |             |                    |             |
|------------------|------------|---|------------|-------------|--------------------|-------------|
|                  |            | 0~30 days                                   | 31~90 days | 91~180 days | 181 days~<br>1year | Over 1 year |
| Capital provided | \$ 447,184 | 185,672                                     | 97,332     | 48,594      | 24,462             | 91,124      |
| Capital used     | 600,527    | 141,339                                     | 106,963    | 71,466      | 79,613             | 201,146     |
| Spread           | (153,343)  | 44,333                                      | (9,631)    | (22,872)    | (55,151)           | (110,022)   |

December 31, 2014

Unit: USD thousand

|                  | Total      | Aging for remaining period until expiration |            |             |                    |             |
|------------------|------------|---|------------|-------------|--------------------|-------------|
|                  |            | 0~30 days                                   | 31~90 days | 91~180 days | 181 days~<br>1year | Over 1 year |
| Capital provided | \$ 366,945 | 120,377                                     | 90,035     | 54,966      | 27,813             | 73,754      |
| Capital used     | 472,784    | 128,576                                     | 48,527     | 86,073      | 43,993             | 165,615     |
| Spread           | (105,839)  | (8,199)                                     | 41,508     | (31,107)    | (16,180)           | (91,861)    |

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**(47) Notes to disclosure items**

1) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Publicly Held Banks":

1. Financing provided to others: Not applicable.
2. Endorsements/guarantees provided to others: Not applicable.
3. Marketable securities held as of December 31, 2014 (not including investments in subsidiaries, associates and jointly controlled entities): Not applicable.
4. Accumulated acquisition or disposal of individual marketable securities at costs or prices of at least NT\$300 million or 10% of the paid-in capital: None.
5. Information regarding securities for which the accumulated purchase or sale amounts for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital: Not applicable.
6. Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 millions or 10% of the Bank's paid-in capital: None.
7. Information on the disposal of real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.
8. Information regarding discounted processing fees on transactions for which the amount exceeded \$5 million: None.
9. Information regarding receivable from related parties for which the amount exceeded \$300 million or 10% of the Bank's paid-in capital: None.
10. Financial derivative transactions: Not applicable.
11. Information regarding selling non-performing loans :
  - (A) Summary table of selling non-performing loans: None.
  - (B) Selling non-performing loans by single over NT\$1,000 million: None.
12. Approved securitization instrument types and related information according to "asset-backed securitization" or "mortgage-backed securitization": None.
13. Other material transaction items which were significant to people who use the information in the financial statements: None.

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BANK OF PANHSIN  
Notes to the Financial Statements

2) Information on investees

The following is the information on investees:

Unit: NTD Thousand

| Name of investee                        | Investee location            | Investee's operation            | Percentage of ownership | Highest percentage of ownership during period | Book value of investments | Gain (loss) recognized during the period (note) | Holdings         |                            |        |            | Remark     |
|---|------------------------------|---------------------------------|-------------------------|---|---------------------------|---|------------------|----------------------------|--------|------------|------------|
|   |                              |                                 |                         |   |                           |   | Number of shares | Pro forma number of shares | Total  |            |            |
|   |                              |                                 |                         |   |                           |   |                  |                            | Shares | Percentage |            |
| Panhsin Insurance Broker Co., Ltd.      | Panchiao City, Taipei County | Insurance agency                | 100.00%                 | 100.00%                                       | 78,073                    | 11,580  | 3,095            | -                          | 3,095  | 100.00%    | subsidiary |
| Panhsin Asset Management Co., Ltd.      | Panchiao City, Taipei County | Purchasing non-performing loans | 81.82%                  | 100.00%                                       | 153,633                   | 6,580   | 54,000           | -                          | 66,000 | 100.00%    | subsidiary |
| Panhsin International Leasing Co., Ltd. | Panchiao City, Taipei County | Real estate                     | 100.00%                 | -%  | 294,041                   | (3,825)   | 30,000           | -                          | 30,000 | 100.00%    | Subsidiary |

3) Information regarding investment in China: None.

(48) Operating segment information

Please refer to consolidated financial statements for 2015.