The Shanghai Commercial & Savings Bank, Ltd. and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

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

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

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements of Financial Institutions by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Group's managements, 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, related regulations, and International Financial Reporting Standards endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of the Bank as of and for the years ended December 31, 2015 and 2014 on which we have issued an unqualified report.

March 16, 2016

<u>*Notice to Readers*</u>

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

For reader's convenience, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If inconsistencies arise between the English version and the original Chinese version or if differences arise in the interpretation between the two versions, the Chinese version of the auditors' report and consolidated financial statements shall prevail.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

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

	2015		2014	
ASSETS	**Amount**	**%**	**Amount**	**%**
Cash and cash equivalents (note 6)	$ 96,923,788	6	$ 64,578,504	4
Due from the central bank and call loans to banks (note 7)	195,329,717	12	227,645,569	15
Financial assets at fair value through profit or loss (note 8)	27,991,683	2	35,253,380	2
Derivative financial assets for hedging (note 9)	-	-	27,315	-
Securities purchased under resell agreements (note 10)	10,245,428	1	11,046,883	1
Receivables, net (notes 11 and 35)	15,118,711	1	19,383,489	1
Current income tax assets (note 32)	154,683	-	92,329	-
Discounts and loans, net (notes 4, 12 and 35)	847,606,449	52	851,128,367	55
Available-for-sale financial assets, net (notes 13 and 36)	304,480,067	19	203,621,863	13
Held-to-maturity financial assets, net (notes 14 and 36)	92,771,401	6	99,818,624	7
Equity investments under the equity method, net (note 16)	1,361,088	-	1,156,200	-
Other financial assets, net (note 17)	36,448	-	224,843	-
Properties, net (note 18)	23,913,150	1	23,258,479	2
Investment properties, net (note 19)	4,226,143	-	21,140	-
Deferred income tax assets (note 32)	962,789	-	953,167	-
Other assets, net (notes 20 and 34)	3,747,335	-	4,013,474	-
Total	$ 1,624,868,880	100	$ 1,542,223,626	100
LIABILITIES AND EQUITY				
Due to the central bank and banks (note 21)	$ 37,919,750	2	$ 38,880,983	3
Financial liabilities at fair value through profit or loss (note 8)	1,437,270	-	1,361,043	-
Securities sold under repurchase agreements (note 22)	6,320,676	1	6,475,072	-
Payables (notes 23, 34 and 35)	22,364,638	1	25,165,527	2
Current income tax liabilities (note 32)	1,152,377	-	1,081,936	-
Deposits and remittances (notes 24 and 35)	1,343,639,313	83	1,266,845,785	82
Bank debentures (note 25)	38,150,000	2	38,027,600	3
Other financial liabilities (note 26)	3,979,973	-	5,630,516	-
Provisions (note 27)	1,534,882	-	1,377,249	-
Deferred income tax liabilities (note 32)	9,958,414	1	9,382,436	1
Other liabilities (notes 28 and 35)	2,515,208	-	2,666,156	-
Total liabilities	1,468,972,501	90	1,396,894,303	91
Equity attributable to owners of the Bank				
Share capital				
Ordinary shares	39,991,207	2	38,086,864	2
Capital surplus	4,639,910	-	4,632,533	-
Retained earnings				
Legal reserve	37,023,528	2	33,751,333	2
Special reserve	7,480,146	1	7,480,146	1
Unappropriated earnings	17,171,825	1	16,201,932	1
Total retained earnings	61,675,499	4	57,433,411	4
Other equity	9,015,524	1	7,754,295	1
Treasury stock	(83,144)	-	(83,144)	-
Total equity attributable to owners of the Bank	115,238,996	7	107,823,959	7
Non-controlling interests	40,657,383	3	37,505,364	2
Total equity (note 30)	155,896,379	10	145,329,323	9
Total	$ 1,624,868,880	100	$ 1,542,223,626	100

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

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

	2015		2014	
	Amount	**%**	**Amount**	**%**
Interest revenues	$ 32,605,159	104	$ 31,599,534	108
Interest expenses	11,501,203	37	11,228,454	39
Net interest (notes 31 and 35)	21,103,956	67	20,371,080	69
Net revenues other than interest				
Service fee incomes, net (note 31)	5,385,696	17	5,062,280	17
Gains on financial assets and liabilities at fair value through profit or loss (note 31)	707,029	2	1,383,011	5
Realized gains on available-for-sale financial assets	1,369,657	4	685,150	2
Foreign exchange gains, net	1,425,088	5	210,536	1
Share of profit of associates and joint ventures, net (note 16)	194,937	1	176,973	1
Other net revenues (note 35)	1,252,661	4	1,425,000	5
Total net revenues other than interest	10,335,068	33	8,942,950	31
Consolidated net revenues	31,439,024	100	29,314,030	100
Bad debt expenses (note 12)	625,310	2	873,990	3
Operating expenses				
Personnel (notes 4, 29, 31 and 35)	6,977,112	22	6,424,153	22
Depreciation and amortization (note 31)	818,633	3	738,714	3
Other general and administrative	4,144,893	13	3,629,602	12
Total operating expenses	11,940,638	38	10,792,469	37
Profit before income tax	18,873,076	60	17,647,571	60
Income tax expense (note 32)	(3,676,658)	(12)	(3,597,626)	(12)
Consolidated net income	15,196,418	48	14,049,945	48

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THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

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

	2015		2014	
	Amount	**%**	**Amount**	**%**
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ (46,423)	-	$ (86,200)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (note 32)	7,892	-	14,653	-
	(38,531)	-	(71,547)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	2,844,186	9	4,953,273	17
Unrealized gain (loss) on available-for-sale financial assets	(47,535)	-	1,945,644	7
Cash flow hedges	-	-	24,429	-
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	127,942	1	7,137	-
Income tax relating to items that may be reclassified subsequently to profit or loss (note 4 and 32)	(220,963)	(1)	(764,778)	(3)
	2,703,630	9	6,165,705	21
Other comprehensive income for the period, net of income tax	2,665,099	9	6,094,158	21
Total comprehensive income for the period	$ 17,861,517	57	$ 20,144,103	69
Net profit attributable to:				
Owners of the Bank	$ 11,897,992	38	$ 10,905,368	37
Non-controlling interests	3,298,426	10	3,144,577	11
	$ 15,196,418	48	$ 14,049,945	48
Total comprehensive income attributable to:				
Owners of the Bank	$ 13,120,690	42	$ 14,471,133	50
Non-controlling interests	4,740,827	15	5,672,970	19
	$ 17,861,517	57	$ 20,144,103	69
Earnings per share (note 33)				
Basic	$2.98		$2.73	
Diluted	$2.98		$2.73	

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company (note 30)											
			Retained Earnings			Other Equity						
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Treasury Stock	Total	Non-controlling Interests	Total Equity
Balance at January 1, 2014	$ 37,157,916	$ 4,625,336	$ 30,708,270	$ 7,480,146	$ 14,913,809	$ (409,408)	$ 4,550,820	$ (24,429)	$ (83,144)	$ 98,919,316	$ 33,256,847	$ 132,176,163
Appropriation of 2013 earnings												
Legal reserve	-	-	3,043,063	-	(3,043,063)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(5,573,687)	-	-	-	-	(5,573,687)	-	(5,573,687)
Share dividends	928,948	-	-	-	(928,948)	-	-	-	-	-	-	-
Change in capital surplus from investments in associates and joint ventures accounted for by using equity method	-	7,197	-	-	-	-	-	-	-	7,197	-	7,197
Net profit for the year ended December 31, 2014, net of income tax	-	-	-	-	10,905,368	-	-	-	-	10,905,368	3,144,577	14,049,945
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	(71,547)	2,532,071	1,080,812	24,429	-	3,565,765	2,528,393	6,094,158
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	10,833,821	2,532,071	1,080,812	24,429	-	14,471,133	5,672,970	20,144,103
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(1,424,453)	(1,424,453)
Balance at December 31, 2014	38,086,864	4,632,533	33,751,333	7,480,146	16,201,932	2,122,663	5,631,632	-	(83,144)	107,823,959	37,505,364	145,329,323
Appropriation of 2014 earnings												
Legal reserve	-	-	3,272,195	-	(3,272,195)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(5,713,030)	-	-	-	-	(5,713,030)	-	(5,713,030)
Share dividends	1,904,343	-	-	-	(1,904,343)	-	-	-	-	-	-	-
Change in capital surplus from investments in associates and joint ventures accounted for by using equity method	-	7,377	-	-	-	-	-	-	-	7,377	-	7,377
Net profit for the year ended December 31, 2015	-	-	-	-	11,897,992	-	-	-	-	11,897,992	3,298,426	15,196,418
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	(38,531)	1,584,992	(323,763)	-	-	1,222,698	1,442,401	2,665,099
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	11,859,461	1,584,992	(323,763)	-	-	13,120,690	4,740,827	17,861,517
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(1,588,808)	(1,588,808)
Balance at December 31, 2015	$ 39,991,207	$ 4,639,910	$ 37,023,528	$ 7,480,146	$ 17,171,825	$ 3,707,655	$ 5,307,869	$ -	$ (83,144)	$ 115,238,996	$ 40,657,383	$ 155,896,379

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

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

	2015	2014
Cash flows from operating activities		
Consolidated net profit before income tax	$ 18,873,076	$ 17,647,571
Adjustments to reconcile net profit to net cash provided by operating activities		
Depreciation expenses	560,177	458,313
Amortization expenses	258,456	280,401
Bad debt expenses	625,310	873,990
Losses (gains) on financial assets and liabilities at fair value through profit or loss	167,411	(338,843)
Interest expenses	11,501,203	11,228,454
Interest revenues	(32,605,159)	(31,599,534)
Dividend income	(426,707)	(402,745)
Share of profit of associates and joint ventures	(194,937)	(176,973)
Losses (gains) on disposal of properties and equipment, net	(100,332)	13,500
Other adjustments	67,640	836,142
Changes in operating assets and liabilities		
(Increase) decrease in due from the central bank and call loans to banks	(5,135,037)	366,300
Decrease (increase) in financial assets at fair value through profit or loss	6,598,649	(1,210,660)
Decrease (increase) in receivables	3,696,302	(2,898,253)
Decrease (increase) in discounts and loans	13,253,768	(60,900,855)
Increase in available-for-sale financial assets	(97,339,967)	(10,894,052)
Decrease in held-to-maturity financial assets	7,410,182	17,321,001
Increase in other financial assets	(18,383)	(3,201)
Decrease in due to the Central Bank and banks	(1,944,591)	(1,868,464)
Increase (decrease) in financial liabilities at fair value through profit or loss	658,476	(713,350)
(Decrease) increase in securities sold under repurchase agreements	(154,396)	728,205
(Decrease) increase in payables	(1,174,810)	475,717
Increase in deposits and remittances	56,023,820	58,935,294
Decrease in other financial liabilities	(1,650,543)	(1,050,308)
Increase in employee benefit provisions	70,106	34,345
Decrease in other liabilities	(144,698)	(90,605)
Cash used in operation	(21,124,984)	(2,948,610)
Interest received	31,732,025	29,809,612
Dividend received	412,644	393,777
Interest paid	(11,832,542)	(10,886,870)
Income tax paid	(3,162,565)	(2,659,002)
Net cash generated from operating activities	(3,975,422)	13,708,907

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THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

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

	2015	2014
Cash flows from investing activities		
Redemption of debt investments with no active market	$ 200,000	$ -
Acquisition of subsidiaries	(2,905,548)	-
Capital returned by financial assets measured at cost	6,608	-
Acquisition of properties	(1,993,698)	(1,043,946)
Proceeds from disposal of properties	145,798	3,074
Increase in refundable deposits	(187,992)	-
Decrease in refundable deposits	-	19,657
Acquisition of investment properties	-	(1,551)
Decrease (increase) in other assets	156,647	(248,907)
Net cash used in investing activities	(4,578,185)	(1,271,673)
Cash flows from financing activities		
Decrease in borrowings from the Central Bank and banks	-	(3,932,016)
Issuance of bank debentures	5,150,000	10,000,000
Repayment of bank debentures	(5,000,000)	(5,000,000)
Increase in guarantee deposit received	-	157,316
Decrease in guarantee deposit received	(83,483)	-
Change in non-controlling interest	(1,588,808)	(1,424,453)
Payment of cash dividend	(5,713,030)	(5,573,687)
Net cash used in financing activities	(7,235,321)	(5,772,840)
Effects of exchange rate changes on the balance of cash held in foreign currencies	7,481,210	11,871,453
Net increase (decrease) in cash and cash equivalents	(8,307,718)	18,535,847
Cash and cash equivalents at the beginning of the year	210,945,525	192,409,678
Cash and cash equivalents at the end of the year	$ 202,637,807	$ 210,945,525

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

	2015	2014
Cash and cash equivalents in consolidated balance sheets	$ 96,923,788	$ 64,578,504
Due from the Central Bank and call loans to banks fall in with the definition of cash and cash equivalents under IFRS 7	95,468,591	135,320,138
Securities purchased under resell agreements fall in with the definition of cash and cash equivalents under IFRS 7	10,245,428	11,046,883
Cash and cash equivalents in consolidated statements of cash flows	$ 202,637,807	$ 210,945,525

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

1. ORGANIZATION AND OPERATIONS

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

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

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

2. AUTHORIZATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

   Rule No. 1030010325 and Rule No. 10310006010 issued by the FSC on April 3, 2014, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks starting January 1, 2015.

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

   1) IFRS 13 "Fair Value Measurement"

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

      The fair value measurements under IFRS 13 applied prospectively since January 1, 2015. Refer to Note 38 for related disclosures.

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

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

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

3) Revision to IAS 19 “Employee Benefits”

The interest cost and expected return on plan assets used in previous IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost and also includes more extensive disclosure. The Group chose not to disclose the sensitivity analysis of defined benefit obligation in the comparative period. Refer to Note 29 for relevant disclosure.

4) IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive.

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

The amendments to IFRS 7 require disclosure of information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under enforceable master netting arrangements and similar arrangements. Refer to Note 38 for related disclosures

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

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

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

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

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

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

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

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

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

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

1) IFRS 9 "Financial Instruments"

   Recognition and measurement of financial assets

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

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

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

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

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

   Impairment of financial assets

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

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

Hedge accounting

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

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

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

3) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

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

4) Annual Improvements to IFRSs: 2011-2013 Cycle

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

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

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

5) IFRS 15 "Revenue from Contracts with Customers"

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

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

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

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

6) IFRS 16 “Leases”

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and related regulations endorsed by the FSC.

Basis of Preparation

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

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

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

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

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

Classification of Current and Non-current Assets and Liabilities

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Bank. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Refer to Note 15 and attachment 4 for detailed accounts, stock holding and operating activities.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess are recognized immediately in profit or loss as a bargain purchase gain.

Foreign Currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used are different from the Bank) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Bank and non-controlling interests as appropriate).

Financial Instruments

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

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

a. Financial assets

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

   1) Categories

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

      a) Financial assets at FVTPL

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

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

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

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

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

  Fair value is determined in the manner described in Note 35.

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

b) Held-to-maturity financial assets

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

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

c) Available-for-sale financial assets (AFS financial assets)

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

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

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

d) Loans and receivables

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

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

2) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3) Derecognition of financial assets

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

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

b. Financial liabilities

1) Subsequent measurement of financial liabilities

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

a) Financial liabilities at FVTPL

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

b) Financial guarantee contracts

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

2) Derecognition of financial liabilities

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

c. Derivative financial instruments

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

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

Investment in Associates and Jointly Controlled Entities

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Joint venture arrangements that involve the establishment of a separate entity in which ventures have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group applies equity method to account for investments in associates and jointly controlled entities.

The results and assets and liabilities of associates and jointly controlled entities are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate and jointly controlled entity is initially recognized at cost and adjusted thereafter to recognize the Group’s share of the profit or loss and other comprehensive income of the associate and jointly controlled entity. The Group also recognizes the changes in the Group’s share of equity of associates and jointly controlled entity attributable to the Group.

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

When the Group subscribes for additional new shares of the associate and jointly controlled entity at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group’s proportionate interest in the associate and jointly controlled entity. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group’s ownership interest is reduced due to the additional subscription of the new shares of associate and jointly controlled entity, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and jointly controlled entity is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate and jointly controlled entity equals or exceeds its interest in that associate and jointly controlled entity which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate and jointly controlled entity, the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and jointly controlled entity.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount of investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which it ceases to have significant influence and joint control. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the jointly controlled entity. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and the jointly controlled entity on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

Hedge Accounting

The Group designates certain hedging instruments, including derivatives as either fair value hedges or cash flow hedges.

a. Fair value hedges

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

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

b. Cash flow hedges:

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

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

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

Nonperforming Loans

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

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

Securities Purchased/Sold Under Resell/Repurchase Agreements

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

Properties and Equipment

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

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

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

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

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

Intangible Assets

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

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

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

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

Collaterals Assumed

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

Provisions

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

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

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

Revenue Recognition

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

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

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

Leasing

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

a. The Group as lessor

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

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

b. The Group as lessee

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

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

Employee Benefits

a. Short-term employee benefit

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

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

b. Retirement benefit costs

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

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

For defined benefit retirement benefit plans, the cost of benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period.

The retirement benefit obligation recognized in the consolidated balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets.
Any asset resulting from this calculation is limited to the unrecognized past service cost and actuarial losses, plus the present value of available refunds and reductions in future contributions to the plan.

c. Employee preferential deposits

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

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

d. Other long-term employee benefit

The Bank provides death benefit to employees who die on the job other than occupational injuries. For employees with retirement eligibility, death benefits are considered as part of their pension benefits. For those without retirement eligibility, death benefits are determined based on the length of employment: if employment is less than 1 year, death benefit is equivalent to one month salary; if employment is about 1 year to 5 years, death benefit is equivalent to one month salary for each year of employment; if employment is more than 5 years, death benefit is determined in line with the employee’s pension benefit based on years of service before the Labor Pension Act was enacted.

Taxation

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

a. Current tax

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

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

b. Deferred tax

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

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

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

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

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

c. Current and deferred tax of this period

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Impairment of loans and receivables

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

b. Fair value measurements and valuation process

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

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in notes 38.

c. Useful lives of properties

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

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

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

e. Assessing impairment of properties and intangible assets

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

f. Held-to-maturity financial assets

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

g. Income tax

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

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

h. Post-employment benefit

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

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

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	2014
Cash on hand and working fund	$ 7,781,738	$ 8,172,468
Notes and checks in clearing	1,226,221	1,971,079
Due from other banks	87,915,829	54,434,957
	$ 96,923,788	$ 64,578,504

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

	December 31	
	2015	2014
Call loans to banks (after deduction of allowance for doubtful debt $2,138 thousand in 2015 and $1,900 thousand in 2014)	$ 172,263,081	$ 200,427,848
Deposit reserves - I	4,889,805	9,417,680
Deposit reserves - II	15,769,718	15,692,084
Deposit reserves - foreign	118,508	105,019
Due from foreign central banks	2,288,605	2,002,938
	$ 195,329,717	$ 227,645,569

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

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2015	2014
Financial assets at fair value through profit or loss		
Held-for-trading financial assets		
Commercial papers	$ 23,421,182	$ 30,095,516
Forward contracts	1,187,681	1,188,817
Corporate bonds	829,659	-
Government bonds	718,768	874,408
Option contracts	219,799	526,038
Stocks	177,785	794,159
Currency swap contract	144,668	239,261
Negotiable certificate of deposit	79,681	8,693
Others	163,613	182,588
	26,942,836	33,909,480
Financial assets designated at fair value through profit or loss		
Structured corporate bonds contracts	1,048,847	1,343,900
	$ 27,991,683	$ 35,253,380

(Continued)

	December 31	
	2015	2014
Financial liabilities at fair value through profit or loss		
Held-for-trading financial liabilities		
Forward contracts	$ 1,113,845	$ 724,290
Option contracts	217,089	529,497
Currency swap contracts	86,407	77,152
Interest rate swap contracts	19,929	30,104
	$ 1,437,270	$ 1,361,043

(Concluded)

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

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

	December 31	
	2015	2014
Forward contracts	$ 250,875,972	$ 91,895,979
Currency swap contracts	44,199,717	43,820,461
Option contracts	30,833,603	37,395,169
Interest rate swap contracts	2,539,818	3,161,742
Fixed rate commercial papers	300,000	500,000
Future contracts	-	221,846

9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING (DECEMBER 31, 2015: NONE)

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

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

The outstanding interest rate swaps of the Group at the end of the reporting period were as follows: (December 31, 2015: None)

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

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

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

10. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

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

11. RECEIVABLES, NET

	December 31	
	2015	2014
Accrued interest	$ 4,704,713	$ 4,266,018
Acceptances	4,121,432	4,703,076
Credit cards receivable	3,066,438	3,200,334
Accounts receivable due from sales of securities	1,191,025	3,549,963
Accounts receivable - factoring	965,523	1,690,896
Others	1,447,006	2,332,841
	15,496,137	19,743,128
Allowance for credit losses	(377,426)	(359,639)
	$ 15,118,711	$ 19,383,489

Allowance for account receivable and other financial assets is categorized and assessed by credit risk as below:

Item	December 31, 2015 Total	Allowance
With objective evidence of impairment		
Individually assessed	$ 9,160	$ 2,806
Collectively assessed	101,850	72,917
With no objective evidence of impairment		
Collectively assessed	6,601,588	305,769
Grand total	$ 6,712,598	$ 381,492

Item	December 31, 2014 Total	Allowance
With objective evidence of impairment		
Individually assessed	$ 15,341	$ 4,671
Collectively assessed	213,358	165,243
With no objective evidence of impairment		
Collectively assessed	7,584,897	193,405
Grand total	$ 7,813,596	$ 363,319

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

	For the Year Ended December 31	
	2015	2014
Balance at January 1	$ 363,319	$ 350,859
Provisions	19,010	31,038
Write-offs	(54,328)	(78,575)
Recoveries	52,577	56,545
Effect of exchange rate changes	914	3,452
Balance at December 31	$ 381,492	$ 363,319

12. DISCOUNTS AND LOANS, NET

	December 31	
	2015	2014
Loans	$ 827,062,785	$ 820,254,280
Inward/outward documentary bills	28,164,343	39,238,039
Nonperforming loans	1,975,944	1,128,435
	857,203,072	860,620,754
Discount and premium adjustment	693,185	566,050
Allowance for credit losses	(10,058,437)	(10,058,437)
	$ 847,606,449	$ 851,128,367

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

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

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

Item	December 31, 2015 Total	December 31, 2015 Allowances
With objective evidence of impairment		
Individually assessed	$ 2,297,849	$ 822,780
Collectively assessed	12,945,173	2,874,777
With no objective evidence of impairment		
Collectively assessed	841,960,050	6,592,251
Grand total	$ 857,203,072	$ 10,289,808

Item	December 31, 2014 Total	December 31, 2014 Allowances
With objective evidence of impairment		
Individually assessed	$ 1,729,107	$ 738,733
Collectively assessed	10,426,135	3,289,690
With no objective evidence of impairment		
Collectively assessed	848,465,512	6,030,014
Grand total	$ 860,620,754	$ 10,058,437

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

	For the Year Ended December 31	
	2015	2014
Balance at January 1	$ 10,058,437	$ 8,848,287
Provisions	565,145	844,547
Write-offs	(651,856)	(363,988)
Recoveries	184,143	564,158
Effect of exchange rate changes	133,939	165,433
Balance at December 31	$ 10,289,808	$ 10,058,437

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

	For the Year Ended December 31	
	2015	2014
Provisions of loans and discounts	$ 565,145	$ 844,547
Provisions of receivables	19,010	31,038
Provisions of reserve for possible losses on guarantees	41,000	-
Provisions of receivables-call loans to banks	155	1,900
Others	-	(3,495)
	$ 625,310	$ 873,990

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2015	2014
Negotiable certificate of deposit	$ 78,255,735	$ 55,316,353
Bank debentures	76,957,449	39,769,731
Corporate bonds	59,011,065	48,728,181
Government bonds	50,867,076	34,733,959
Stocks	16,846,304	15,059,931
Commercial papers	13,765,838	-
Beneficiary certificates	8,189,300	9,323,742
Assets backed securities	587,300	689,966
	$ 304,480,067	$ 203,621,863

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

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

About the pledged assets, please see Note 36.

14. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2015	2014
Negotiable certificate of deposit	$ 82,258,000	$ 89,833,400
Government bonds	9,997,058	9,603,945
Corporate bonds	447,578	313,514
Bank debentures	68,765	67,765
	$ 92,771,401	$ 99,818,624

About the pledged assets, please see Note 36.

15. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

The consolidated financial statements include the Bank and entities controlled by the Bank (subsidiaries).

Investor	Investee	Nature of Activities	Proportion of Ownership December 31 2015	2014	Remark
Domestic subsidiaries					
The Bank	CTS Travel International Ltd.	Traveling	99.99	99.99	
	SCSB Life Insurance Agency	Insurance agency	100.00	100.00	
	SCSB Property Insurance Agency	Insurance agency	100.00	100.00	
	SCSB Marketing Ltd.	Human resource services	100.00	100.00	
	SCSB Asset Management Ltd.	Purchase, evaluation, auction and management of creditor's right of financial institutions	100.00	100.00	
CTS Travel International Ltd.	China Travel Services (Taiwan)	Traveling	100.00	100.00	
Foreign subsidiaries					
The Bank	Shancom Reconstruction Inc.	Investment holding	100.00	100.00	
	Wresqueue Limitada	Investment holding	100.00	100.00	
	Paofoong Insurance Company Ltd.	Insurance	40.00	40.00	
SCSB Asset Management Ltd.	SCSB Leasing (China) Co., Ltd.	Leasing operation	100.00	100.00	
Wresqueue Limitada	Prosperity Realty Inc.	Real estate service	100.00	100.00	
Shancom Reconstruction Inc.	Empresa Inversiones Generales, S.A.	Investment holding	100.00	100.00	
	Krinein Company	Investment holding	100.00	100.00	
	Safehaven Investment Corporation	Investment holding	100.00	100.00	
Empresa Inversiones Generales, S.A.	Shanghai Commercial Bank (HK)	Banking	48.00	48.00	2.
Krinein Company	Shanghai Commercial Bank (HK)	Banking	9.60	9.60	2.
Shanghai Commercial Bank (HK)	Shanghai Commercial Bank (Nominees) Ltd.	Nominee services	100.00	100.00	
	Shanghai Commercial Bank Trustee Ltd.	Trustee services	60.00	60.00	
	Shacom Futures Ltd.	Commodities trading	100.00	100.00	
	Shacom Investment Ltd.	Investment in exchange fund bills and notes	100.00	100.00	
	Shacom Property Holdings (BVI) Limited	Property holding	100.00	100.00	
	Shacom Property (NY) Inc.	Property holding	100.00	100.00	
	Shacom Property (CA) Inc.	Property holding	100.00	100.00	
	Shacom Assets Investment Ltd.	Investment in bonds	100.00	100.00	
	Infinite Financial Solutions Limited	I.T. application services provider	100.00	100.00	
	Shacom Insurance Brokers Ltd.	Insurance broker	100.00	100.00	
	Shacom Securities Ltd.	Securities brokerage services	100.00	100.00	
	Hai Kwang Property Management Co., Ltd.	Property management	100.00	100.00	
	Paofoong Insurance Company Ltd.	Insurance	60.00	60.00	
	Right Honour Investments Limited	Property holding	100.00	100.00	
	KCC 23F Limited	Property holding	100.00	-	1.
	KCC 25F Limited	Property holding	100.00	-	1.
	KCC 26F Limited	Property holding	100.00	-	1.
Right Honour Investments Limited	Glory Step Investments Limited	Property holding	100.00	100.00	
	Silver Wisdom Investments Limited	Property holding	100.00	100.00	

Remarks:

1) Shanghai Commercial Bank (H.K.), subsidiary of the Bank, acquired KCC 23F Limited, KCC 25F Limited and KCC 26F Limited for HK$238,577 thousand, HK$240,913 thousand and HK$243,070 thousand, respectively, to expand its operating premise. Shanghai Commercial Bank (H.K.) acquired 100% of their interests as well as the property held.

2) This entity is a subsidiary with material non-controlling interests.

b. Details of subsidiaries that have material non-controlling interests ("NCI")

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests December 31, 2015	December 31, 2014
Shanghai Commercial Bank (H.K.)	Hong Kong	42.4%	42.4%

Name of Subsidiary	Profit Allocated to Non-controlling Interests For the Year Ended December 31 2015	2014	Accumulated Non-controlling Interests December 31, 2015	December 31, 2014
Shanghai Commercial Bank (H.K.) (excluding NCI in its subsidiaries)	$3,301,390	$3,142,362	$40,625,628	$37,528,401

Summarized financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Shanghai Commercial Bank (H.K.) and its subsidiaries:

	December 31 2015	2014
Assets	$ 679,257,500	$ 622,488,937
Liabilities	(583,153,016)	(533,715,653)
Non-controlling interests of Shanghai Commercial Bank (H.K.)	(289,324)	(262,904)
Equity	$ 95,815,160	$ 88,510,380
Owners of Shanghai Commercial Bank (H.K.)	$ 55,189,532	$ 50,981,979
Non-controlling interests of Shanghai Commercial Bank (H.K.)	40,625,628	37,528,401
	$ 95,815,160	$ 88,510,380

	For the Years Ended December 31 2015	2014
Revenue	$ 15,119,904	$ 13,615,785
Net profit for the period	$ 7,801,677	$ 7,425,559
Profit allocated to NCI in subsidiaries of Shanghai Commercial Bank (H.K.)	(15,379)	(14,327)
	7,786,298	7,411,232
Other comprehensive income for the period	(266,014)	880,356
Other comprehensive income allocated to NCI in subsidiaries of Shanghai Commercial Bank (H.K.)	(1,706)	(715)
Total comprehensive income for the period	$ 7,518,578	$ 8,290,873

(Continued)

	For the Years Ended December 31	
	2015	2014
Profit attributable to:		
Owners of Shanghai Commercial Bank (H.K.)	$ 4,484,908	$ 4,268,870
Non-controlling interests in Shanghai Commercial Bank (H.K.)	3,301,390	3,142,362
	$ 7,786,298	$ 7,411,232
Total comprehensive income attributable to:		
Owners of Shanghai Commercial Bank (H.K.)	$ 4,330,701	$ 4,775,543
Non-controlling interests of Shanghai Commercial Bank (H.K.)	3,187,877	3,515,330
	$ 7,518,578	$ 8,290,873
Net cash inflow (outflow) from:		
Operating activities	$ (8,075,258)	$ 5,575,836
Investing activities	30,748,391	2,897,194
Financing activities	(3,979,459)	(3,440,699)
Net cash inflow	$ 18,693,674	$ 5,032,331
Dividends paid to non-controlling interest Shanghai Commercial Bank (H.K.)	$ 1,588,808	$ 1,424,453

(Concluded)

16. EQUITY INVESTMENTS UNDER THE EQUITY METHOD

	December 31	
	2015	2014
Investments in associates	$1,361,088	$1,156,200

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

The foreign investments of subsidiaries are all held by SCB HK with appropriate approvals by its board of directors.

Associates Information of business combinations were as follows:

	December 31	
	2015	2014
Profits from continuing operations	$ 194,937	$ 176,973
Other comprehensive income	127,942	7,137
The comprehensive income for the period	$ 322,879	$ 184,110

17. OTHER FINANCIAL ASSETS, NET

	December 31	
	2015	2014
Bills purchased, net	$ 32,269	$ 14,056
Non-active market debt instruments	5,179	11,787
Financial assets carried at cost	3,066	2,680
Nonperforming credit card receivables	-	200,000
	40,514	228,523
Allowance for nonperforming credit card receivables	(4,066)	(3,680)
	$ 36,448	$ 224,843

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

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

18. PROPERTIES, NET

	December 31	
	2015	2014
Land	$ 14,561,765	$ 12,499,303
Building and improvement	4,770,318	3,412,712
Office equipment	321,334	386,392
Transportation equipment	32,166	36,144
Miscellaneous equipment	440,223	444,413
Construction-in-progress and prepayment	3,787,344	6,479,515
	$ 23,913,150	$ 23,258,479

	For the Year Ended December 31, 2015						
	Balance at January 1, 2015	Additions	Disposals	Business Combination	Internal Transfer	Effect of Exchange Rate Changes, Net	Balance at December 31, 2015
Cost							
Land	$ 12,860,807	$ 406,672	$ (21,037)	$ 1,566,595	$ -	$ 195,800	$ 15,008,837
Building and improvement	6,173,561	147,125	(19,573)	1,331,880	-	119,902	7,752,895
Office equipment	2,179,248	98,034	(128,412)	-	37	38,705	2,187,612
Transportation equipment	101,714	2,713	(9,136)	-	-	1,393	96,684
Miscellaneous equipment	2,084,720	121,100	(42,510)	-	(63)	57,269	2,220,516
Construction-in-progress and prepayment	6,526,854	1,218,054	-	-	(4,084,016)	153,040	3,813,932
	29,926,904	$ 1,993,698	$ (220,668)	$ 2,898,475	$ (4,084,042)	$ 566,109	31,080,476
Accumulated depreciation							
Land	361,504	$ 70,280	$ -	$ -	$ -	$ 15,288	447,072
Building and improvement	2,760,849	186,174	(4,748)	-	-	40,302	2,982,577
Office equipment	1,792,856	158,132	(121,208)	-	-	36,498	1,866,278
Transportation equipment	65,570	7,150	(8,931)	-	-	729	64,518
Miscellaneous equipment	1,640,307	131,219	(40,315)	-	(2)	49,084	1,780,293
Construction-in-progress and prepayment	47,339	6,759	-	-	(28,586)	1,076	26,588
	6,668,425	$ 559,714	$ (175,202)	$ -	$ (28,588)	$ 142,977	7,167,326
Net amount	$ 23,258,479						$ 23,913,150

	For the Year Ended December 31, 2014					
	Balance at January 1, 2014	Additions	Disposals	Internal Transfer	Effect of Exchange Rate Changes, Net	Balance at December 31, 2014
Cost						
Land	$ 12,038,052	$ 288,683	$ -	$ 347,009	$ 187,063	$ 12,860,807
Building and improvement	6,049,679	16,705	-	3,999	103,178	6,173,561
Office equipment	2,170,649	105,057	(155,548)	-	59,090	2,179,248
Transportation equipment	94,876	22,468	(17,988)	-	2,358	101,714
Miscellaneous equipment	1,938,240	110,954	(60,197)	-	95,723	2,084,720
Construction-in-progress and prepayment	5,649,659	500,079	-	-	377,116	6,526,854
	27,941,155	$ 1,043,946	$ (233,733)	$ 351,008	$ 824,528	29,926,904
Accumulated depreciation						
Land	312,044	$ 20,662	$ -	$ 1,040	$ 27,758	361,504
Building and improvement	2,557,192	142,782	-	2,826	58,049	2,760,849
Office equipment	1,717,639	169,260	(146,779)	-	52,736	1,792,856
Transportation equipment	70,961	10,323	(17,115)	-	1,401	65,570
Miscellaneous equipment	1,525,617	106,348	(53,265)	-	61,607	1,640,307
Construction-in-progress and prepayment	38,200	6,452	-	-	2,687	47,339
	6,221,653	$ 455,827	$ (217,159)	$ 3,866	$ 204,238	6,668,425
Net amount	$ 21,719,502					$ 23,258,479

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

The amount of land disclosed above which was owned by SCB (HK) is leasehold interest.

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

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

Depreciation expense of the land and buildings held by SCB (HK) is computed using the straight-line method over the useful lives under 40 years. Other equipment is computed using declining balance method and the rate is 25% in the year of purchasing and 20% in the subsequent years.

19. INVESTMENT PROPERTIES, NET

	December 31	
	2015	2014
Land	$ 12,488	$ 12,122
Building and improvement	9,012	9,018
Construction in progress and prepayments for real estate investments	4,204,643	-
	$4,226,143	$ 21,140

	For the Year Ended December 31, 2015				
	Balance at January 1, 2015	**Additions**	**Internal Transfer**	**Effect of Exchange Rate Changes, Net**	**Balance at December 31, 2015**
Cost					
Land	$ 13,110	$ -	$ -	$ 520	$ 13,630
Building and improvement	13,955	-	-	555	14,510
Construction in progress and prepayments for real estate investments	-	-	4,084,016	150,265	4,234,281
	27,065	$ -	$ 4,084,016	$ 151,340	4,262,421
Less: Accumulated depreciation					
Land	988	$ 111	$ -	$ 43	1,142
Building and improvement	4,937	352	-	209	5,498
Construction in progress and prepayments for real estate investments	-	-	28,586	1,052	29,638
	5,925	$ 463	$ 28,586	$ 1,304	36,278
Net amount	$ 21,140				$ 4,226,143

	For the Year Ended December 31, 2014				
	Balance at January 1, 2014	**Additions**	**Internal Transfer**	**Effect of Exchange Rate Changes, Net**	**Balance at December 31, 2014**
Cost					
Land	$ 351,968	$ 1,551	$ (347,009)	$ 6,600	$ 13,110
Building and improvement	10,280	-	2,900	775	13,955
	362,248	$ 1,551	$ (344,109)	$ 7,375	27,065
Less: Accumulated depreciation					
Land	1,567	$ 391	$ (1,040)	$ 70	988
Building and improvement	5,363	2,095	(2,826)	305	4,937
	6,930	$ 2,486	$ (3,866)	$ 375	5,925
Net amount	$ 355,318				$ 21,140

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

Land	Period of the lease term
Building and improvement	Years of leasing or 40 years, whichever is shorter

The Shanghai Commercial Bank (H.K.) plans to rent out partial floors of its headquarter in construction, and already signed lease agreement with lessee. Therefore, a net carrying value of $4,055,430 thousand of construction-in-progress properties has been reclassified to investment properties in 2015.

The fair value of investment properties has been measured mainly be independent appraiser, Savills, on the balance sheet date. The valuation applies common level three input valuation models such as “direct comparison approach” and “income capitalization approach”. The applied unobservable inputs include sales proofs from market, potential market rents, and related costs such as building costs, consulting costs, and financing costs. The fair value stated as below:

	For the Year Ended December 31	
	2015	**2014**
Fair value	$ 13,852,858	$ 111,128

Rental income from investment properties stated as below:

	For the Year Ended December 31	
	2015	2014
Rental income from investment properties	$ 3,611	$ 2,822

20. OTHER ASSETS, NET

	December 31	
	2015	2014
Prepaid expenses	$ 2,103,991	$ 2,175,978
Refundable deposits - net of $17,360 thousand impairment loss	767,590	621,539
Deferred charges	527,569	593,590
Computer software	97,692	77,408
Temporary payments and suspense	97,010	285,652
Prepaid pension cost (Note 29)	40,644	53,193
Others	112,839	206,114
	$ 3,747,335	$ 4,013,474

21. DUE TO THE CENTRAL BANK AND BANKS

	December 31	
	2015	2014
Due to banks	$ 2,119,914	$ 1,500,349
Call loans from banks	29,850,471	33,240,148
Deposit transfer from Chunghwa Post Co., Ltd.	4,333,479	3,688,078
Overdraft on banks	1,615,886	452,408
	$ 37,919,750	$ 38,880,983

22. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

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

23. PAYABLES

	December 31	
	2015	2014
Dividends payable	$ 10,188,708	$ 9,476,871
Liabilities on bank acceptances	4,208,591	6,562,959
Accounts payable	3,917,379	4,896,096
Accrued interests	2,212,798	2,536,447

(Continued)

	December 31	
	2015	2014
Accrued expenses	$ 1,351,934	$ 1,418,777
Others	485,228	274,377
	$ 22,364,638	$ 25,165,527

(Concluded)

24. DEPOSITS AND REMITTANCES

	December 31	
	2015	2014
Time deposits	$ 645,110,688	$ 376,131,260
Savings deposits	410,535,952	638,175,376
Demand deposits	274,961,422	226,361,120
Checking deposits	9,205,659	8,765,411
Negotiable certificates of deposits	3,463,000	16,978,300
Remittances	362,592	434,318
	$ 1,343,639,313	$ 1,266,845,785

25. BANK DEBENTURES

	December 31	
	2015	2014
The subordinate bank debenture - 7 year maturity; first issued in 2008; maturity date is on June 2015	$ -	$ 3,000,000
The subordinate bank debenture - 7 year maturity; second issued in 2008; maturity date is on December 2015	-	2,000,000
The subordinate bank debenture - 7 year maturity; first issued in 2010; maturity date is on June 2017	3,000,000	3,000,000
The subordinate bank debenture - 7 year maturity; first issued in 2012; maturity date is on April 2019	4,000,000	4,000,000
The subordinate bank debenture - 7 year maturity; second issued in 2012; maturity date is on May 2019	1,000,000	1,000,000
The subordinate bank debenture - 7-10 year maturity, third issued in 2012; maturity date is from December 2019 to December 2022.	5,000,000	5,000,000
The subordinate bank debenture - 7-10 year maturity, fourth issued in 2012; maturity date is from December 2019 to December 2022.	10,000,000	10,000,000
The subordinate bank debenture - 7-10 year maturity, first issued in 2014; maturity date is on March 2021 to March 2024	6,700,000	6,700,000
The subordinate bank debenture - 7 year maturity, second issued in 2014; maturity date is on November 2021	3,300,000	3,300,000
The subordinate bank debenture - 7 year maturity; first issued in 2015; maturity date is on June 2022	2,150,000	-
The subordinate bank debenture - 8.5 year maturity; second issued in 2015; maturity date is on June 2024	3,000,000	-
Total par value	38,150,000	38,000,000
Unrealized loss	-	27,600
	$ 38,150,000	$ 38,027,600

About the hedge transactions, please see Note 9.

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

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

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

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

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

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

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

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

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

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

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

26. OTHER FINANCIAL LIABILITIES

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

27. PROVISIONS

	December 31	
	2015	2014
Reserve for employee benefits	$ 679,656	$ 589,163
Reserve for possible losses on guarantees	479,670	438,436
Reserve for other operating	371,992	346,086
Reserve for unexpected losses	3,564	3,564
	$ 1,534,882	$ 1,377,249

The movements of reserve for possible losses on guarantees were as follows:

	December 31	
	2015	2014
Opening balance	$ 438,436	$ 438,079
Reserve for possible losses on guarantees (Note 12)	41,000	-
Exchange differences	234	357
Closing balance	$ 479,670	$ 438,436

28. OTHER LIABILITIES

	December 31	
	2015	2014
Guarantee deposit received	$ 1,696,051	$ 1,728,854
Deferred revenues	353,678	424,921
Interest received in advance	92,406	115,207
Temporary credit	28,293	74,368
Others	344,780	322,806
	$ 2,515,208	$ 2,666,156

29. PENSION PLAN

The Bank

a. Defined contribution plan

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

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

b. Defined benefit plan

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

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

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

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

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability (Asset)**
Balance at January 1, 2014	$ 2,181,061	$ (2,304,226)	$ (123,165)
Service cost			
Current service cost	186,301	-	186,301
Net interest expense (income)	40,582	(44,619)	(4,037)
Recognized in profit or loss	226,883	(44,619)	182,264
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(254)	(254)
Actuarial loss - changes in demographic assumptions	13,554	-	13,554
Actuarial loss - experience adjustments	62,728	-	62,728
Recognized in other comprehensive income	76,282	(254)	76,028
Contributions from the employer	-	(176,716)	(176,716)
Benefits paid	(135,421)	135,421	-
Balance at December 31, 2014	$ 2,348,805	$ (2,390,394)	$ (41,589)

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

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

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

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

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

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

	December 31, 2015	December 31, 2014
Discount rates	1.90%	1.90%
Expected rates of salary increase	2.75%	2.75%

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

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

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

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

c. Employee preferential interest deposits

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

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

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

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

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

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

d. Other long-term employee benefit liability

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

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

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

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

Subsidiaries

a. Defined contribution plan

Domestic subsidiaries of the Bank adopted the Labor Pension Act (the "LPA"), which is a defined contribution plan. Under the LPA., the Bank's domestic subsidiaries makes monthly contributions of amounts equal to 6% of salaries and wages to a pension fund administered by the pension fund monitoring committee. Foreign subsidiaries also contribute pension funds to their defined contribution plans under local regulations. The plan assets of the different plans of domestic and foreign subsidiaries are independently administered funds.

Contributions made to the defined contribution plans for the years ended December 31, 2015 and 2014 were $215,142 thousand and $204,966 thousand, respectively.

b. Defined benefit plan

Domestic and foreign subsidiaries recognized relevant expenses according to the calculation of qualified actuaries. The expenses recognized in the statements of comprehensive income for the defined benefit pension plans were $1,092 thousand and $1,019 thousand for the years ended December 31, 2015 and 2014, respectively.

30. EQUITY

a. Share capital

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

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

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

b. Capital surplus

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

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

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

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

c. Retained earnings and dividend policy

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

1) Bonus to shareholders;

2) Remuneration to directors and supervisors; and

3) Bonus to employees: 0.1% minimum; and

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

In accordance with the amendments to the Company Act in May 2015, the recipients of earning distribution are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed in the directors' meeting held on March 12, 2016 and are subject to the resolution of the shareholders in their meeting to be held on June 14, 2016. For information about the employees' compensation and remuneration and the actual appropriations, please refer to Note 31 (d).

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

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

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

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

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

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

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

d. Special reserve

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

e. Treasury stock

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

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

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

f. Non-controlling interest

	For the Year Ended December 31	
	2015	2014
Beginning balance	$ 37,505,364	$ 33,256,847
Attribution to non-controlling interest		
Net Income	3,298,426	3,144,577
Translation adjustments for foreign operations	1,529,360	2,143,754
Unrealized gains on available-for-sale financial assets	29,947	523,097
Other comprehensive income - others	(116,706)	(51,520)
Income tax effect	(200)	(86,938)
Cash dividend distribution	(1,588,808)	(1,424,453)
Ending balance	$ 40,657,383	$ 37,505,364

31. DETAILS OF COMPREHENSIVE INCOME STATEMENT ITEMS

a. Interest revenues, net

	For the Year Ended December 31	
	2015	2014
Interest revenue		
Discounts and loans	$ 23,106,336	$ 22,022,633
Securities investments	5,650,896	4,786,233
Due from banks	3,422,234	4,323,956
Others	425,693	466,712
	32,605,159	31,599,534
Interest expense		
Deposits	10,204,934	10,152,874
Bank debentures	623,679	627,354
Due to banks	581,422	360,829
Securities sold under repurchase agreements	37,488	44,517
Others	53,680	42,880
	11,501,203	11,228,454
	$ 21,103,956	$ 20,371,080

b. Service fee revenue, net

	For the Year Ended December 31	
	2015	2014
Service fee revenues		
Trusts	$ 1,956,674	$ 1,711,504
Loans	723,373	772,636
Nominee	750,029	647,218
Inward/outward business	522,966	584,326
Exchange	453,774	401,287
Credit cards	440,783	437,033
Guarantees	354,209	345,349
Others	689,982	634,453
	5,891,790	5,533,806

(Continued)

	For the Year Ended December 31	
	2015	**2014**
Service fee expenses		
Credit cards	$ 98,960	$ 100,588
Nominee	70,327	65,736
Finance	52,995	46,550
Custody	28,661	24,695
Factoring	13,113	16,485
Others	242,038	217,472
	506,094	471,526
	$ 5,385,696	$ 5,062,280

(Concluded)

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

	For the Year Ended December 31, 2015		
	Realized (Loss) Gain	**Unrealized (Loss) Gain**	**Total**
Financial asset at fair value through profit or loss	$ 13,325,620	$ (791,608)	$ 12,534,012
Financial liabilities at fair value through profit or loss	(12,451,180)	(624,197)	(11,826,983)
	$ 874,440	$ (167,411)	$ 707,029

	For the Year Ended December 31, 2014		
	Realized (Loss) Gain	**Unrealized (Loss) Gain**	**Total**
Financial asset at fair value through profit or loss	$ 4,536,352	$ 862,251	$ 5,398,603
Financial liabilities at fair value through profit or loss	(3,492,184)	(523,408)	(4,015,592)
	$ 1,044,168	$ 338,843	$ 1,383,011

d. Employee benefit expenses

	For the Year Ended December 31	
	2015	**2014**
Short-term employee benefits	$ 4,733,109	$ 4,358,033
Retirement benefits		
Defined contribution plan	268,192	253,429
Defined benefit plan	193,895	183,283
	462,087	436,712
Other employee benefits	1,781,916	1,629,408
	$ 6,977,112	$ 6,424,153

For the years ended December 31, 2015 and 2014, the numbers of employees of the Group were 4,452 and 4,331 respectively.

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

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

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

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

	2014		2013	
	Cash	**Stock**	**Cash**	**Stock**
Bonus to employees	$ 32,000	$ -	$ 30,000	$ -
Remuneration to directors and supervisors	58,800	-	56,600	-

There was no difference between the amounts approved and the amounts recognized in the financial statements.

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

e. Depreciation and amortization

	For the Year Ended December 31	
	2015	**2014**
Depreciation expense		
Properties	$ 559,714	$ 455,827
Investment properties	463	2,486
	560,177	458,313
Amortization expense		
Other assets	258,456	280,401
	$ 818,633	$ 738,714

32. INCOME TAX

a. Income tax expense recognized in profit or loss

The major components of tax expenses were as follows:

	For the Year Ended December 31	
	2015	**2014**
Current tax		
In respect of the current year	$ 3,415,011	$ 2,955,446
In respect of prior periods	(51,076)	100,299
	3,363,935	3,055,745
Deferred tax		
In respect of the current year	312,560	540,030
In respect of prior periods	163	1,851
	312,723	541,881
Income tax expense recognized in profit or loss	$ 3,676,658	$ 3,597,626

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

	For the Year Ended December 31	
	2015	**2014**
Profit before tax from continuing operations	$ 18,873,076	$ 17,647,571
Income tax expense calculated at the statutory rate	$ 4,428,013	$ 4,080,273
Add (deduct) tax effect of:		
Tax-exempt gain on sale of land	(11,231)	-
Tax-exempt cash divided	(31,154)	(26,632)
Permanente difference - investment income	(27,326)	(20,826)
Tax-exempt gains on securities transactions	(78,243)	(24,876)
Tax-exempt income from subsidiaries	(119,741)	(178,671)
Tax-exempt income from offshore banking unit (OBU)	(563,906)	(508,180)
Others	57,390	36,465
	3,653,802	3,357,553
Additional income tax on unappropriated earnings	836	60,119
Additional income tax under the Alternative Minimum Tax Act	72,933	77,804
Adjustments for prior years' tax	(50,913)	102,150
Income tax expense recognized in profit or loss	$ 3,676,658	$ 3,597,626

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rate used by other foreign entities is 16.5%.

b. Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2015	2014
Deferred income tax expense		
Arising on income and expenses recognized in other comprehensive income		
Translation adjustments for foreign operations	$ (319,749)	$ (513,029)
Unrealized gain or loss on available-for-sale financial assets	98,786	(251,749)
Gain from defined benefit plan	7,892	14,653
Income tax expense recognized in other comprehensive income	$ (213,071)	$ (750,125)

c. Current tax assets and liabilities

	December 31	
	2015	2014
Current tax assets		
Benefit of tax losses to be carried back to recover taxes paid in prior periods		
Tax refund receivable	$ 154,683	$ 92,329
Current tax liabilities		
Income tax payable	$ 1,152,377	$ 1,081,936

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2015

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Differences	Closing Balance
Temporary differences					
Doubtful debts	$ 771,003	$ (18,183)	$ -	$ 9,257	$ 762,077
Impairment loss on available-for-sale financial assets	18,737	-	-	-	18,737
Unrealized loss on financial instruments	-	5,616	(2,633)	-	2,983
Investment loss of domestic subsidiaries recognized under equity method	47,872	(10,894)	-	-	36,978
Unrealized foreign exchange loss	1,289	3,432	-	-	4,721
Defined employee benefit plan	55,945	11,325	7,892	-	75,162
Impairment loss of financial assets carried at cost	1,445	-	-	-	1,445
Others	56,876	1,630	-	2,180	60,686
	$ 953,167	$ (7,074)	$ 5,259	$ 11,437	$ 962,789

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Differences	Closing Balance
Temporary differences					
Unrealized gain on financial instruments	$ (1,466,442)	$ 94,443	$ 101,419	$ (50,429)	$ (1,321,009)
Investment income and exchange differences on translation of foreign subsidiaries recognized under equity method	(7,844,974)	(394,852)	(319,749)	-	(8,559,575)
Recognized deferred depreciation expenses	(70,611)	(5,240)	-	(1,570)	(77,421)
Others	(409)	-	-	-	(409)
	$ (9,382,436)	$ (305,649)	$ (218,330)	$ (51,999)	$ (9,958,414)

For the year ended December 31, 2014

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Differences	Closing Balance
Temporary differences					
Doubtful debts	$ 720,059	$ 35,617	$ -	$ 15,327	$ 771,003
Impairment loss on available-for-sale financial assets	46,431	(27,694)	-	-	18,737
Investment loss of domestic subsidiaries recognized under equity method	53,209	(5,337)	-	-	47,872
Unrealized foreign exchange loss	7,425	(6,136)	-	-	1,289
Recognized deferred benefit contribution	1,071	(1,071)	-	-	-
Defined employee benefit plan	37,577	3,715	14,653	-	55,945
Impairment loss of financial assets carried at cost	1,445	-	-	-	1,445
Others	57,107	(8,388)	-	8,157	56,876
	$ 924,324	$ (9,294)	$ 14,653	$ 23,484	$ 953,167

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Differences	Closing Balance
Temporary differences					
Unrealized gain on financial instruments	$ (1,051,683)	$ (100,033)	$ (251,799)	$ (62,977)	$ (1,466,442)
Investment income and exchange differences on translation of foreign subsidiaries recognized under equity method	(6,934,275)	(397,670)	(513,029)	-	(7,844,974)
Recognized deferred depreciation expenses	(33,628)	(34,884)	-	(2,099)	(70,611)
Others	(409)	-	-	-	(409)
	$ (8,019,995)	$ (532,587)	$ (764,778)	$ (65,076)	$ (9,382,436)

e. Integrated income tax

	December 31	
	2015	2014
Unappropriated earnings		
Unappropriated earnings generated before December 31, 1997	$ 27,065	$ 27,065
Unappropriated earnings generated on and after January 1, 1998	17,144,760	16,174,867
	$ 17,171,825	$ 16,201,932
Imputation credits accounts	$ 1,342,024	$ 1,555,032

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

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

f. Income tax assessments

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

Income tax returns of the Bank's domestic subsidiary, SCSB Life Insurance Agency, through 2013 had been assessed by the tax authorities.

Income tax returns of other domestic subsidiaries of the Bank, including SCSB Property Insurance Agency, SCSB Asset Management Ltd., SCSB Marketing and China Travel Service (Taiwan) through 2014 had been assessed by the tax authorities.

33. EARNINGS PER SHARE

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

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

(Continued)

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

(Concluded)

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on June 5, 2015. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2014 were as follows:

Unit: NT$ Per Share

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

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

34. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
KCC 23F Limited	Property investment	March 2015	100.00	$ 959,362
KCC 25F Limited	Property investment	March 2015	100.00	$ 968,756
KCC 26F Limited	Property investment	March 2015	100.00	$ 977,430

The Group acquired above-listed companies in March 2015 for $2,905,548 thousand in cash (HK$722,560 thousand) to use the property owned by of these companies for expanding operation facilities of the Group.

The related acquisition costs of $37,699 thousand (HK$9,375 thousand) were excluded from the transfer price, and recognized in current operating expenses.

b. Assets acquired and liabilities assumed at the date of acquisition

	KCC 23F Limited	KCC 25F Limited	KCC 26F Limited
Current assets			
Refundable deposits	$ 3,386	$ 3,386	$ 3,382
Non-current assets			
Land and buildings	956,970	966,420	975,085
Current liabilities			
Accounts receivable and other receivables	-	(56)	(44)
	$ 960,356	$ 969,750	$ 978,423

c. Bargain purchase gain arising on acquisition

	KCC 23F Limited	KCC 25F Limited	KCC 26F Limited
Fair value of identifiable net assets acquired	$ 960,356	$ 969,750	$ 978,423
Less: Consideration transferred	959,362	968,756	977,430
Bargain purchase gain arising on acquisition	$ 994	$ 994	$ 993

35. RELATED-PARTY TRANSACTIONS

The relationship and significant transactions and account balances of the Group and its related parties (except those disclosed in other notes) are summarized as follows:

a. The Bank's related parties:

Related Party	Relationship with the Bank
The SCSB Cultural & Educational Foundation	Fund donated by the Bank which exceed 1/3 of total fund
The SCSB Charity Foundation	Fund donated by the Bank which exceed 1/3 of total fund
Silks Place Taroko	Investment under equity method held by subsidiary
BC Reinsurance Limited	Investment under equity method held by subsidiary
Joint Electronic Teller Services Limited (JETCO)	Investment under equity method held by subsidiary
Bank Consortium Holding Limited	Investment under equity method held by subsidiary
Hong Kong Life Insurance Limited	Investment under equity method held by subsidiary
i-Tech Solutions Limited	Investment under equity method held by subsidiary
Hung Ta Investment Corporation	The chairman and the Bank's chairman are related by marriage
Hung Shen Investment Corporation	The Chairman and the Bank's chairman are related by marriage

(Continued)

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

(Concluded)

b. Significant transactions between related partied:

Balances and transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Bank and other related parties are disclosed below.

1) Guarantees (December 31, 2014: Nil)

	Maximum Balance	Ending Balance	Reserve for Possible Losses on Guarantees	Interest Rate (%)	Collateral
December 31, 2015					
CX Technology	$ 7,491	$ -	$ -	0.00	-

2) Deposits

	December 31, 2015			Year Ended December 31, 2015
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Supervisors and management related	$10,288,259	$10,200,367	0.00-4.00	$ 92,332
The SCSB Cultural & Educational Foundation	336,753	317,127	0.08-1.38	2,376
Employees	273,138	111,445	0.24-10.19	2,544
The SCSB Charity Foundation	57,753	57,240	0.08-1.31	534
Hung Ta Investment Corporation	50,698	3,618	0.00-0.17	8
CX Technology	39,972	7,463	0.00-0.08	1
Goldsun Co., Ltd.	37,173	52	0.02-0.17	2
Chi-Li Investment Co., Ltd.	34,161	18	0.13-0.17	7
Hung Shen Investment Corporation	14,751	4,288	0.13-0.17	8
Silks Place Taroko	10,333	114	0.00-1.31	3
Gengroup Merchandise	7,933	2	0.13-0.17	2
Chang Ho Hsing Co., Ltd.	5,499	5,499	0.13-0.17	4
	$11,156,423	$10,707,233		$ 97,821

	December 31, 2014			Year Ended December 31, 2014
	Maximum Balance	**Ending Balance**	**Interest Rate (%)**	**Interest Expense**
Supervisors and management related	$6,950,671	$6,879,306	0.00-3.20	$ 28,523
The SCSB Cultural & Educational Foundation	348,336	333,353	0.11-1.38	2,151
Employees	268,426	119,020	0.28-10.18	2,622
The SCSB Charity Foundation	90,248	56,490	0.11-0.31	619
Hung Ta Investment Corporation	48,626	4,579	0.00-0.17	4
Chi-Li Investment Co., Ltd.	19,088	89	0.17	-
Silks Place Taroko	17,344	1,764	0.17	4
Hung Shen Investment Corporation	15,131	336	0.00-1.31	4
Gengroup Merchandise Corp.	7,744	-	0.17	2
Chang Ho Hsing Co., Ltd.	5,375	376	0.17	2
	$ 7,770,989	$ 7,395,513		$ 33,931

3) Interest receivable (accounted for receivables, net)

	December 31 2015	December 31 2014
Nan Ya Plastics Corporation	$ 216	$ -
Supervisors and management related	129	139
Goldsun Co., Ltd.	33	-
Silks Place Taroko	12	22
	$ 390	$ 161

4) Interest payable (accounted for payables)

	December 31 2015	December 31 2014
Supervisors and management related	$ 259	$ 142
The SCSB Cultural & Educational Foundation	67	71
The SCSB Charity Foundation	23	24
	$ 349	$ 237

5) Guarantee deposits received (accounted for other liabilities)

	December 31 2015	December 31 2014
The SCSB Cultural & Educational Foundation	$ 211	$ 211

6) Rental income (accounted for other net revenues)

	For the Year Ended December 31	
	2015	2014
The SCSB Cultural & Educational Foundation	$ 842	$ 802

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

7) Loans

December 31, 2015									For the Year Ended December 31, 2015
				Performance				Difference of Terms of the Transactions	
Category	Name	Maximum Balance	Ending Balance	Normal Loans	Non-performing Loans	Collateral	Interest Rate (%)	with Unrelated Parties	Interest Income
Loans for personal house mortgage	Supervisors and management related (12)	$ 122,345	$ 107,482	$ 107,482	-	Real estate	1.44-2.87	None	$ 2,462
Others	Supervisors and management related (3)	689,901	662,966	662,966	-	Real estate	2.20-2.97	None	32,560
	Nan Ya Plastics Corporation	1,135,688	607,844	607,844	-	Real estate	1.45-1.65	None	3,453
	Goldsun Co., Ltd.	100,000	100,000	100,000	-	Credit	1.10-1.10	None	115
	CX Technology	75,759	32,938	32,938	-	Syndicated loan	1.85-2.04	None	335
	Silks Place Taroko	50,500	22,500	22,500	-	Real estate	1.70-1.84	None	504
		$ 2,174,193	$ 1,533,730	$ 1,533,730					$ 39,429

December 31, 2014									For the Year Ended December 31, 2014
				Performance				Difference of Terms of the Transactions	
Category	Name	Maximum Balance	Ending Balance	Normal Loans	Non-performing Loans	Collateral	Interest Rate (%)	with Unrelated Parties	Interest Income
Loans for personal house mortgage	Supervisors and management related (17)	$ 130,789	$ 115,288	$ 115,288	-	Real estate	1.58-2.87	None	$ 2,614
Others	Supervisors and management related	1,260,986	1,236,687	1,236,687	-	Real estate	2.17-2.97	None	45,398
	Silks Place Taroko	66,000	39,000	39,000	-	Real estate	1.84-1.84	None	973
		$1,457,775	$1,390,975	$1,390,975					$ 48,985

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

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

c. Compensation of directors, supervisors and management personnel:

	For the Year Ended December 31	
	2015	2014
Salaries and other short-term employee benefits	$ 382,594	$ 369,137
Remuneration to directors and supervisors	78,030	77,282
Bonus to employees	75,827	66,736
Post-employment benefits	30,013	28,978
Others	704	705
	$ 567,168	$ 542,838

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

36. PLEDGED ASSETS

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

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

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

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

On December 31, 2015 and 2014, SCB HK provided its held-to-maturity financial assets and discounts and loans listed below for overseas branch operating guarantee.

	December 31		
	2015	**2014**	**Guaranty Purpose**
Held-to-maturity financial assets	$ 9,919,784	$ 9,364,439	Overseas branch operating guarantee
Discounts and loans	-	220,696	Pledge to the California government under local law

37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

	December 31	
	2015	**2014**
Receivables under custody	$ 31,468,553	$ 33,805,502
Consigned travelers' checks	260,864	272,813
Guarantee notes payable	120,611,060	95,592,978
Assets under trust	124,014,669	134,087,160
Securities in custody	204,172,028	263,309,486
Government bonds in brokerage accounts	50,149,000	38,215,000
Short-term bills in brokerage accounts	830,700	960,055
Commitments of forward contracts with customers	226,751,956	62,944,354

b. Operational risk and legal risk

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

c. Construction contracts

In order to expand the office space, SCB HK has signed a contract to rebuild its head office in 2014. The total amount of the contract is approximately HK$556,700 thousand and among which HK$508,575 thousand has been paid as of December 31, 2014.

38. FINANCIAL INSTRUMENTS

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

1) Financial instruments not measured at fair value

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

	December 31			
	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Held-to-maturity financial assets	$ 92,771,401	$ 92,876,566	$ 99,818,624	$ 99,912,324
Financial liabilities				
Bank debentures	38,150,000	38,104,437	38,027,600	37,831,808

2) Fair value level

Financial Instruments Measured at Fair Value	December 31, 2015			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-for-trading financial assets	$ 92,876,566	$ 10,474,839	$ 82,401,727	$ -
Financial liabilities				
Bank debentures	38,104,437	-	38,104,437	-

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

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

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

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

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

1) Fair value level

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

Financial Instruments Measured at Fair Value	December 31, 2015 Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	$ 177,785	$ 177,785	$ -	$ -
Bonds	1,548,427	1,059,917	488,510	-
Other	23,647,537	30,618	23,616,919	-
Financial assets designated as at FVTPL	1,048,847	-	-	1,048,847
Available-for-sale financial assets				
Stocks	16,846,304	2,602,276	-	14,244,028
Bonds	187,422,890	68,268,794	117,990,512	1,163,584
Other	100,210,873	8,860,970	91,021,232	328,671
	$ 330,902,663	$ 81,000,360	$ 233,117,173	$ 16,785,130
Derivative instruments				
Assets				
Financial assets at fair value through profit or loss	$ 1,569,087	$ 14,509	$ 1,550,245	$ 4,333
Liabilities				
Financial liabilities at fair value through profit or loss	$ 1,437,270	$ -	$ 1,435,367	$ 1,903

Financial Instruments Measured at Fair Value	December 31, 2014 Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	$ 794,159	$ 794,159	$ -	$ -
Bonds	874,408	874,408	-	-
Other	30,259,871	21,005	30,238,866	-
Financial assets designated as at FVTPL	1,343,900	-	-	1,343,900
Available-for-sale financial assets				
Stocks	15,059,931	2,852,855	-	12,207,076
Bonds	123,921,837	47,854,837	75,717,689	349,311
Other	64,640,095	10,112,207	53,926,636	601,252
Other financial assets				
Debt investment with no active market Investments	200,000	-	-	200,000
	$ 237,094,201	$ 62,509,471	$ 159,883,191	$ 14,701,539
Derivative instruments				
Assets				
Financial assets at fair value through profit or loss	$ 1,981,042	$ 22,526	$ 1,950,467	$ 8,049
Derivative instruments held for hedging	27,315	-	27,315	-
	$ 2,008,357	$ 22,526	$ 1,977,782	$ 8,049
Liabilities				
Financial liabilities at fair value through profit or loss	$ 1,361,043	$ -	$ 1,357,340	$ 3,703

There were no transfers of financial instruments between level 1 and level 2 fair value measurement for the year ended December 31, 2015 and 2014.

2) Reconciliation of level 3 fair value measurement is as follows:

For the year ended December 31, 2015

Item	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Buy or Issue	Transferred In	Sell Out, Disposal or Settlement	Transferred Out from Third Level	
Assets								
Financial assets at FVTPL								
Held-for-trading financial assets	$ 8,049	$ (3,716)	$ -	$ -	$ -	$ -	$ -	$ 4,333
Financial assets designated as at fair value	1343,900	50,397	-	625,100	-	(970,550)	-	1,048,847
Available-for-sale financial assets	13,157,639	-	58,091	2,178,586	-	(828,646)	1,170,613	15,736,283
Other financial assets								
Debt investments with no active markets	200,000	-	-	-	-	(200,000)	-	-
Liabilities								
Financial liabilities at FVTPL								
Held-for-trading financial liabilities	3,703	(1,800)	-	-	-	-	$ -	$ 1,903

For the year ended December 31, 2014

Item	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Buy or Issue	Transferred In	Sell Out, Disposal or Settlement	Transferred Out from Third Level	
Assets								
Financial assets at FVTPL								
Held-for-trading financial assets	$ 95,971	$ (79,599)	$ -	$ 11,402	$ -	$ (19,725)	$ -	$ 8,049
Financial assets designated as at fair value	1,545,803	113,067	-	1,092,615	-	(1,407,585)	-	1,343,900
Available-for-sale financial assets	10,860,597	-	1,843,169	1,593,096	-	(1,139,223)	-	13,157,639
Other financial assets								
Debt investments with no active markets	200,000	-	-	-	-	-	-	200,000
Liabilities								
Financial liabilities at FVTPL								
Held-for-trading financial liabilities	90,071	(82,206)	-	5,701	-	(9,863)	-	3,703

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

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

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

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

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

	Fair Value December 31, 2015	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Notes
Non-derivative financial assets					
Financial assets at FVTPL					
Corporate bonds	$ 1,048,847	Bids from counterparties	Lack of market liquidity discount	0%-10%	The increase in discount from lack of market liquidity decreases fair value.
Available-for-sale financial assets					
Stocks	14,244,028	Net assets method	Lack of market liquidity discount	0%-10%	The increase in discount from lack of market liquidity decreases fair value.
Bonds	1,163,584	Bids from counterparties	Lack of market liquidity discount	0%-10%	The increase in discount from lack of market liquidity decreases fair value.
Time deposit	328,671	Discounted cash flow	Lack of market liquidity discount	0%-10%	The increase in discount from lack of market liquidity decreases fair value.
Derivative financial assets					
Financial assets at FVTPL					
Interest rate swap	$ 2,430	Discounted cash flow	Fluctuating	0%-10%	The increase in volatility decreases fair value.
Option	1,903	Discounted cash flow	Fluctuating	0%-10%	The increase in volatility decreases fair value.
Derivative financial liabilities					
Financial liability at FVTPL					
Option	1,903	Discounted cash flow	Fluctuating	0%-10%	The increase in volatility decreases fair value.

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

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

December 31, 2015

	Changes in Fair Value Reflected in Profit or Loss		**Changes in Fair Value Reflected in Other Comprehensive Income**	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets	$ -	$ (5,556)	$ -	$ -
Financial assets designated as at fair value	-	(1,565)	-	-
Available-for-sale financial assets	-	-	142,440	(4,635)
Liabilities				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	2,292	-	-	-

December 31, 2014

	Changes in Fair Value Reflected in Profit or Loss		**Changes in Fair Value Reflected in Other Comprehensive Income**	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets	$ 910	$ (1,357)	$ -	$ -
Financial assets designated as at fair value	-	(1,846)	-	-
Available-for-sale financial assets	-	-	122,071	(5,282)
Liabilities				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	-	(910)	-	-

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

December 31, 2015

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflected in Other Comprehensive Income	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets	$ -	$ (8,592)	$ -	$ -
Financial assets designated as at fair value	1,565	-	-	-
Available-for-sale financial assets	-	-	4,801	(142,440)
Liabilities				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	5,325	-	-	-

December 31, 2014

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflected in Other Comprehensive Income	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets	$ -	$ (6,305)	$ -	$ -
Financial assets designated as at fair value	1,846	-	-	-
Available-for-sale financial assets	-	-	4,340	(122,071)
Liabilities				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	4,973	-	-	-

c. Financial risk management

1) Risk management

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

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

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

2) Credit risks

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

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

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

a) Procedures of credit risk management

The major procedures and methods for credit risk management are as follows:

i. Credit business (including loan commitments and guarantees)

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

i) Classification of credit assets

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

ii) Credit quality rating

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

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

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

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

ii. Due from and call loans to bank

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

iii. Debt investment and derivative financial instruments

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

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

b) Policies of credit risk hedging or mitigation

i. Collaterals

The Group applies series of policies to decrease credit risks in its lending business. Among those policies is to request collaterals from creditors. To secure the creditor's rights, the Group has established procedures for pledge, valuation, management, and disposal of collaterals. The contracts between the Group and the borrowers clearly state the protocols, including but not limited to the security of credit, procedures for collateral and for setoff. To further decrease credit risks, the contracts also proclaim that the Group may decrease the credit facilities at its discretion, accelerate the maturity of the borrowings, demand immediate payback, or offset borrowers' assets in the Group against the borrowings.

ii. Limitation of credit risk and credit concentration management

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

iii. Other mechanism for credit risk management

The contracts between the Group and the borrowers clearly state the protocols, including but not limited to the security of the credit, procedures for collateral and setoff. To further decrease credit risks, the contracts also proclaim that the Group may decrease the balances, shorten the maturity period, demand immediate payback, or use borrowers' assets in the Group to offset their liabilities.

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

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

December 31, 2015

	Maximum Exposure to Credit Risk Mitigated by			
	Collateral	**Master Netting Arrangement**	**Other Credit Enhancements (Describe)**	**Total**
Receivables	$ 969,324	$ -	$ 650,474	$ 1,619,798
Discount and Loans Abstract	637,950,050	-	64,935,817	702,885,867
Available-for-sale financial assets				
Debt investments	-	-	1,888,663	1,888,663
Short-term securities	-	-	20,127,374	20,127,374
Held-to-maturity financial assets				
Debt investments	-	-	4,163,543	4,163,543

December 31, 2014

	Maximum Exposure to Credit Risk Mitigated by			
	Collateral	**Master Netting Arrangement**	**Other Credit Enhancements**	**Total**
Receivables	$ 1,235,278	$ 626,798	$ 1,208,048	$ 3,070,124
Discount and loans	616,752,306	-	84,536,431	701,288,737
Held-for-trading financial assets - short-term bills	-	-	11,981,394	11,981,394
Financial assets designated as at fair value	-	-	157,052	157,052
Available-for-sale financial assets - bonds	-	-	4,176,918	4,176,918
Held-to-maturity - bonds	-	-	157,906	157,906

c) Credit risk exposures

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

	December 31	
	2015	**2014**
Developed and noncancelable loan commitments	$ 337,936,131	$ 348,585,181
Noncancelable credit card commitments	1,140,656	1,029,402
Issued but unused letters of credit	18,107,491	18,298,976
Other guarantees	44,601,074	45,595,364

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

d) Information on concentration of credit risk

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

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

i. Counterparty

	December 31			
	2015		**2014**	
Counterparty	**Amount**	**% to Total**	**Amount**	**% to Total**
Private sector	$ 539,692,751	63	$ 548,979,550	64
Consumer	298,262,841	35	293,850,036	34
Financial institution	10,362,140	1	7,932,830	1
Others	8,885,340	1	9,858,338	1
	$857,203,072	100	$ 860,620,754	100

ii. Region

Region	December 31			
	2015		2014	
	Amount	% to Total	Amount	% to Total
ROC.	$5[illegible]	59	$ 482,878,926	56
Asia Pacific except ROC.	280,633,893	33	312,105,767	36
Americas	2,568,051	-	-	-
Europe	2,298,103	-	-	-
Africa	701,726	-	-	-
Others	64,570,753	8	65,636,061	8
	$ 857,203,072	100	$ 860,620,754	100

iii. Collaterals assumed

Collaterals Assumed	December 31			
	2015		2014	
	Amount	% to Total	Amount	% to Total
Unsecured	$ 148,849,843	17	$ 141,624,158	16
Secured				
Properties	549,613,371	64	522,996,796	61
Guarantee	73,134,396	9	107,649,182	13
Financial collateral	42,548,357	5	39,725,331	5
Movable properties	7,621,532	1	10,027,039	1
Other collaterals	35,435,573	4	38,598,248	4
	$ 857,203,072	100	$ 860,620,754	100

e) Information on credit risk quality

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

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

i. Credit quality analysis of discounts and loans and receivables

i) The Bank and its domestic subsidiaries

December 31, 2015	Neither Past Due Nor Impaired				Overdue but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)		Net Amount (A)+(B)+(C)-(D)
	Strong	Moderate	Special Mention	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables										
Credit card	1,180,748	620,850	63,117	1,864,715	44,582	76,777	1,986,074	61,152	144,133	1,780,789
Others	3,500,252	2,826,576	103,921	6,430,749	50,370	28,573	6,509,692	11,765	142,778	6,355,149
Discounts and loans	366,370,487	158,686,404	43,116,809	568,173,700	4,233,253	13,150,614	585,557,567	3,617,913	5,522,700	576,416,954

December 31, 2014	Neither Past Due Nor Impaired				Overdue but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)		Net Amount (A)+(B)+(C)-(D)
	Strong	Moderate	Special Mention	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables										
Credit card	$ 1,281,997	$ 629,108	$ 79,868	$ 1,990,973	$ 44,376	$ 84,216	$ 2,119,565	$ 69,110	$ 120,498	$ 1,929,957
Others	2,878,770	5,046,667	322,902	8,248,339	57,066	138,429	8,443,834	96,223	54,730	8,292,881
Discounts and loans	339,035,638	191,480,030	23,310,956	553,826,624	22,199,070	10,861,945	586,887,639	3,925,355	4,977,871	577,984,413

ii) SCB (HK)

December 31, 2015	Neither Past Due Nor Impaired Amount						Past Due but Not Impaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)		Net Amount (A)+(B)+(C)-(D)
	Pass	Special Mentioned	Sub-Standard	Doubtful	Loss	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables												
Credit card	1,025,337	30,002	-	-	-	1,055,339	14,296	8,791	1,078,426	2,806	17,858	1,057,762
Others	5,925,011	-	-	-	-	5,925,011	-	-	5,925,011	-	-	5,925,011
Discounts and loans	254,410,440	12,281,401	-	-	-	266,691,841	2,861,256	2,092,408	271,645,505	107,159	1,042,036	270,496,310

December 31, 2014	Neither Past Due Nor Impaired Amount						Past Due but Not Impaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)		Net Amount (A)+(B)+(C)-(D)
	Pass	Special Mentioned	Sub-Standard	Doubtful	Loss	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables												
Credit card	$ 1,021,464	$ 34,275	$ -	$ -	$ -	$ 1,055,739	$ 12,542	$ 14,637	$ 1,082,918	$ 4,582	$ 17,176	$ 1,061,160
Others	8,099,491	-	-	-	-	8,099,491	-	-	8,099,491	-	-	8,098,641
Discounts and loans	263,102,923	5,088,345	-	-	-	268,191,268	4,248,550	1,293,297	273,733,115	103,069	1,052,142	272,577,904

ii. Credit quality analysis of discounts and loans that are neither past due nor impaired

i) The Bank and its domestic subsidiaries

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

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

ii) SCB (HK)

December 31, 2015	Neither Past Due Not Impaired					
	Pass	Special Mentioned	Sub-Standard	Doubtful	Loss	Subtotal
Consumer banking						
Housing mortgage	$ 33,971,505	$ 1,782,726	$ -	$ -	$ -	$ 35,754,231
Credit loans	1,480,171	109,384	-	-	-	1,589,555
Others	24,272,086	556,132	-	-	-	24,828,218
Corporate banking						
Secured	144,821,876	6,682,592	-	-	-	151,504,468
Unsecured	23,824,219	402,426	-	-	-	24,226,645
Discounts	993	-	-	-	-	993
Overdrafts	11,837,722	1,855,668	-	-	-	13,693,390
Inward/outward documentary bills	14,201,868	892,473	-	-	-	15,094,341
Total	$ 254,410,440	$ 12,281,401	$ -	$ -	$ -	$ 266,691,841

December 31, 2014	Neither Past Due Not Impaired					
	Pass	Special Mentioned	Sub-Standard	Doubtful	Loss	Subtotal
Consumer banking						
Housing mortgage	$ 31,894,289	$ 546,589	$ -	$ -	$ -	$ 32,440,878
Credit loans	2,034,779	32,523	-	-	-	2,067,302
Others	23,614,959	169,397	-	-	-	23,784,356
Corporate banking						
Secured	148,130,283	2,897,337	-	-	-	151,027,620
Unsecured	20,416,211	72,138	-	-	-	20,488,349
Discounts	629	-	-	-	-	629
Overdrafts	12,911,274	758,209	-	-	-	13,669,483
Inward/outward documentary bills	24,100,499	612,152	-	-	-	24,712,651
Total	$ 263,102,923	$ 5,088,345	$ -	$ -	$ -	$ 268,191,268

iii. Credit quality analysis of security investment

i) The Bank

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

December 31, 2014	Neither Past Due Nor Impaired						Past Due but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Moderate	Normal	Unrated	Subtotal (A)					
Available-for-sale financial assets											
Bonds	$ 43,279,582	$ 18,052,273	$ 19,973,516	$ 4,680,870	$ 701,791	$ 86,688,032	$ -	$ 95,010	$ 86,783,042	$ 95,010	$ 86,688,032
Stocks	-	-	-	-	13,383,815	13,383,815	-	-	13,383,815	-	13,383,815
Bills	-	-	1,389,717	-	-	1,389,717	-	-	1,389,717	-	1,389,717
Held-to-maturity financial assets											
Bonds	252,160	-	313,514	-	-	565,674	-	-	565,674	-	565,674
Bills	89,200,000	-	-	-	-	89,200,000	-	-	89,200,000	-	89,200,000
Financial assets at FVTPL											
Bonds	-	-	95,010	314,625	934,265	1,343,900	-	-	1,343,900	-	1,343,900
Other financial assets											
Debt	-	-	-	-	200,000	200,000	-	-	200,000	-	200,000
Stocks	-	-	-	-	11,787	11,787	-	-	11,787	-	11,787

ii) SCB (HK)

December 31, 2015	Neither Past Due Nor Impaired						Past Due but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)	Net Amount (A)+(B)+(C)-(D)
	Pass	Special Mention	Sub-Standard	Doubtful	Loss	Subtotal (A)					
Available-for-sale financial assets											
Bonds	$ 71,686,929	$ -	$ -	$ -	$ -	$ 71,686,929	$ -	$ -	$ 71,686,929	$ -	$ 71,686,929
Stocks	13,195,920	-	-	-	-	13,195,920	-	-	13,195,920	-	13,195,920
Bills	77,255,395	-	-	-	-	77,255,395	-	-	77,255,395	-	77,255,395
Held-to-maturity financial assets											
Bonds	9,972,210	-	-	-	-	9,972,210	-	-	9,972,210	-	9,972,210
Bills	658,000	-	-	-	-	658,000	-	-	658,000	-	658,000

December 31, 2014	Neither Past Due Nor Impaired						Past Due but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)	Net Amount (A)+(B)+(C)-(D)
	Pass	Special Mention	Sub-Standard	Doubtful	Loss	Subtotal (A)					
Available-for-sale financial assets											
Bonds	$ 37,233,804	$ -	$ -	$ -	$ -	$ 37,233,804	$ -	$ -	$ 37,233,804	$ -	$ 37,233,804
Stocks	10,999,859	-	-	-	-	10,999,859	-	-	10,999,859	-	10,999,859
Bills	53,926,636	-	-	-	-	53,926,636	-	-	53,926,636	-	53,926,636
Held-to-maturity financial assets											
Bonds	9,419,550	-	-	-	-	9,419,550	-	-	9,419,550	-	9,419,550
Bills	633,400	-	-	-	-	633,400	-	-	633,400	-	633,400

The delay in the borrowers' processing and other administrative reasons may be the reason for the past due but not impaired financial assets.

Aging analysis of past due but not impaired financial assets is as follows:

Items	December 31, 2015			
	Past Due Up to a Month	Past Due One to Three Months	Past Due Over Three Months	Total
Receivables				
Credit card	$ 53,361	$ 5,517	$ -	$ 58,878
Others	44,580	5,790	-	50,370
Discounts and loans				
Consumer banking				
Housing mortgage	2,604,709	305,653	2,284	2,912,646
Credit loans	12,532	1,499	-	14,031
Others	387,863	807	1,235	389,905
Corporate banking				
Secured	2,591,792	187,207	21,224	2,800,223
Unsecured	732,267	-	-	732,267
Subtotal loans	6,329,163	495,166	24,743	6,849,072
Overdrafts	-	1,711	3,166	4,877
Inward/outward documentary bills	71,342	57,220	111,998	240,560
Total	$ 6,400,505	$ 554,097	$ 139,907	$ 7,094,509

Items	December 31, 2014			
	Past Due Up to a Month	Past Due One to Three Months	Past Due Over Three Months	Total
Receivables				
Credit card	$ 51,689	$ 5,229	$ -	$ 56,918
Others	53,709	3,357	-	57,066
Discounts and loans				
Consumer banking				
Housing mortgage	9,817,198	573,701	2,364	10,393,263
Credit loans	42,062	1,356	-	43,418
Others	800,225	58,452	1,764	860,441
Corporate banking				
Secured	9,573,997	1,172,293	-	10,746,290
Unsecured	3,831,854	157,270	-	3,989,124
Subtotal loans	24,065,336	1,963,072	4,128	26,032,536
Overdrafts	-	79,458	-	79,458
Inward/outward documentary bills	232,622	102,289	715	335,626
Total	$ 24,297,958	$ 2,144,819	$ 4,843	$ 26,447,620

3) Market risk

a) The sources and definition of market risk

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

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

b) Market risk management policies

The Group monitors its market risk and tolerable loss according to the risk management objectives and limits approved by the board of directors.

The Group also builds a market risk information system, which enables the Group to effectively monitor the management of the investment limits, assessment of gains and losses, and analysis of sensitivity factors. The results of the monitoring, assessment and analysis are reported to the board of directors in risk control meetings and serve as references for the decision making of the management.

The Group splits market risk exposures into trading and held-for-fixed-income portfolios which are controlled by both the Group's operation and risk management section. Routine control reports are reviewed by the board of directors and relevant committees.

c) Market risk management process

i. Recognition and measurement

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

ii. Monitoring and reporting

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

d) Interest rate management policies

i. Definition of interest rate risk

Interest rate risk represents risks of changes in fair value of investment portfolio and loss in earnings resulting from changes in interest rates. Major products include interest rate-related financial securities and derivative instruments.

ii. Purpose of interest risk management

Interest rate risk management enhances the Group's ability to deal with a contingency, to measure, manage and avoid negative influence on earnings and economic values of balance sheet items affected by the changes in interest rates. In addition, it enhances the efficiency of capital and the business management.

iii. Procedures of interest risk management

The Group carefully chooses investment target through conducting research about issuers' credit, financial status, country risks and interest rate trend. The Group also establishes trading amount limit and stop-loss limit including limit for trading department, trading personnel and trading commodity, etc. which are approved by top management and the board of directors.

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

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

iv. Measurement methods

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

e) Foreign exchange rate risk management

i. Definition of foreign exchange risk

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

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

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

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

f) Equity securities price risk management

i. Definition of equity securities price risk

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

ii. Purpose of equity security price risk management

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

iii. Procedures of equity security price risk management

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

iv. Measurement method

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

g) Market valuation technique

The Group assesses its exposures to market risk and the anticipated loss under market pressures by using assumptions on changes in several market conditions. Limits of various financial instruments are set by the board of directors and monitored by its risk management department. The Group also establishes sensitivity analysis based on major risk factors of various financial products in order to monitor the changes in various market risk factors of financial products.

i. Sensitivity analysis

i) Interest rate risk

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

ii) Foreign exchange rate risk

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

The functional currency of SCB (HK) is HKD, and the net on-balance-sheet position of SCB (HK) was denominated in USD; as the two currencies were under the Linked Exchange Rate System, there was insignificant foreign exchange rate risk.

iii) Equity securities price risk

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

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

ii. Sensitivity analysis is summarized as follows:

December 31, 2015			
Major Risk	**Variation Range**	**Amount**	
		Equity	**Profit or Loss**
Foreign exchange risk	Various currencies/NTD increased 3%	$ 1,740,240	$ 25,324
Foreign exchange risk	Various currencies/NTD decreased 3%	(1,740,240)	(25,324)
Interest rate risk	Rate curve increased 100BPS	(5,007,264)	(40,063)
Interest rate risk	Rate curve decreased 100BPS	5,007,264	40,063
Price risk of equity securities	Price of equity securities increased 10%	1,888,583	14,098
Price risk of equity securities	Price of equity securities decreased 10%	(1,888,583)	(14,098)

December 31, 2014			
Major Risk	**Variation Range**	**Amount**	
		Equity	**Profit or Loss**
Foreign exchange risk	Various currencies/NTD increased 3%	$ 1,591,500	$ (21,631)
Foreign exchange risk	Various currencies/NTD decreased 3%	(1,591,500)	21,631
Interest rate risk	Rate curve increased 100BPS	(2,977,500)	316,354
Interest rate risk	Rate curve decreased 100BPS	2,977,500	(316,354)
Price risk of equity securities	Price of equity securities increased 10%	1,779,048	73,280
Price risk of equity securities	Price of equity securities decreased 10%	(1,779,048)	(73,280)

4) Liquidity risk

a) The sources and definition of liquidity risk

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

b) The management policies are as follows:

The management procedures are monitored by the independent department of risk management; the procedures are as follows:

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

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

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

iv. Managing the maturity date of debt instruments.

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

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

c) Maturity analysis

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

December 31, 2015	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Due to the Central Bank and banks	$ 31,404,207	$ 2,598,470	$ 1,747,015	$ 344,290	$ 1,825,768	$ 37,919,750
Securities sold under repurchase agreements	2,879,887	188,518	167,936	3,084,335	-	6,320,676
Payables	19,883,044	1,279,402	726,293	444,106	31,793	22,364,638
Deposits and remittances	817,370,343	230,108,381	130,728,012	154,297,445	11,135,132	1,343,639,313
Bank debentures	-	-	-	-	38,150,000	38,150,000
Other financial liabilities	699,566	612,840	338,317	1,074,867	1,254,383	3,979,973

December 31, 2014	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Due to the Central Bank and banks	$ 32,778,139	$ 3,251,847	$ 1,058,103	$ 12,620	$ 1,780,274	$ 38,880,983
Securities sold under repurchase agreements	3,158,917	437,743	140,341	2,738,071	-	6,475,072
Payables	22,760,719	1,215,937	779,975	401,696	7,200	25,165,527
Deposits and remittances	748,456,411	234,326,644	133,212,595	142,950,111	7,900,024	1,266,845,785
Bank debentures	27,600	-	3,000,000	2,000,000	33,000,000	38,027,600
Other financial liabilities	5,630,516	-	-	-	-	5,630,516

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

i. Derivative financial liabilities in net settlement

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

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

ii. Derivative financial liabilities in total settlement

December 31, 2015	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	$112,503,019	$ 94,720,152	$ 73,551,567	$122,100,340	$ 49,265	$402,924,343
Cash outflow	111,948,838	93,245,247	72,437,220	120,206,525	49,350	397,887,180

December 31, 2014	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	$ 47,457,996	$ 18,445,208	$ 12,834,951	$ 11,990,642	$ 13,583	$ 90,742,380
Cash outflow	47,662,423	18,787,999	13,297,934	12,267,896	13,365	92,029,617

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

December 31, 2015	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Developed and noncancelable loan commitments	$ 28,910,524	$ 58,238,399	$86,581,423	$ 161,307,944	$ 2,897,841	$ 337,936,131
Noncancelable credit card commitments	98,553	197,105	295,658	549,340	-	1,140,656
Issued but unused letters of credit	12,618,738	3,902,171	1,025,115	337,671	223,796	18,107,491
Other guarantees	4,266,371	6,849,596	8,814,798	9,059,458	15,610,851	44,601,074

December 31, 2014	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Developed and noncancelable loan commitments	$ 29,999,718	$ 60,011,950	$ 89,674,614	$ 167,074,794	$ 1,824,105	$ 348,585,181
Noncancelable credit card commitments	88,940	177,881	266,821	495,760	-	1,029,402
Issued but unused letters of credit	11,852,381	5,290,530	752,649	379,675	23,741	18,298,976
Other guarantees	5,098,178	6,709,177	6,829,597	9,803,720	17,154,692	45,595,364

d. Transfer of financial assets

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

December 31, 2015

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

December 31, 2014

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

e. Offsetting financial assets and financial liabilities

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

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

December 31, 2015

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Derivative	$ 702,311	$ -	$ 702,311	$ (396,479)	$ -	$ 305,832
Reverse repurchase, securities borrowing and similar agreements	702,121	643,903	58,218	-	-	58,218
Reverse repurchase	4,882,013	-	4,882,013	(4,882,013)	-	-
	$ 6,284,445	$ 643,903	$ 5,642,542	$ (5,278,492)	$ -	$ 364,050

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet: Financial Instruments	Related Amounts Not Set Off in the Balance Sheet: Cash Collateral Pledged	Net Amount
Derivative	$ 806,032	$ -	$ 806,032	$ (396,479)	$ -	$ 409,553
Repurchase, securities borrowing and similar agreements	722,830	643,903	78,927	-	-	78,927
Repurchase	10,196,680	-	10,196,680	(10,196,680)	-	-
	$11,725,542	$ 643,903	$11,081,639	$(10,593,159)	$ -	$ 488,480

December 31, 2014

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet: Financial Instruments	Related Amounts Not Set Off in the Balance Sheet: Cash Collateral Received	Net Amount
Derivative	$ 245,912	$ -	$ 245,912	$ (127,821)	$ -	$ 118,091
Reverse repurchase, securities borrowing and similar agreements	2,168,873	1,542,075	626,798	-	-	626,798
Reverse repurchase	11,046,883	-	11,046,883	(11,046,883)	-	-
	$13,461,668	$ 1,542,075	$11,919,593	$(11,174,704)	$ -	$ 744,889

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet: Financial Instruments	Related Amounts Not Set Off in the Balance Sheet: Cash Collateral Pledged	Net Amount
Derivative	$ 241,362	$ -	$ 241,362	$ (127,821)	$ -	$ 113,541
Repurchase, securities borrowing and similar agreements	1,584,364	1,542,075	42,289	-	-	42,289
Repurchase	6,475,072	-	6,475,072	(6,475,072)	-	-
	$ 8,300,798	$ 1,542,075	$ 6,758,723	$(6,602,893)	$ -	$ 155,830

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

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

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

a. The Bank

	For the Year Ended December 31, 2015	
	Average Balance	**Average Rate (%)**
Interest-earning assets		
Cash and cash equivalents - due from other banks	$ 17,729,547	0.92
Due from the Central Bank and call loans to banks	59,818,570	0.80
Financial assets at fair value through profit or loss	31,453,911	0.72
Securities purchased under agreement to resell	9,173,748	0.51
Credit card revolving balances	753,087	14.00
Discounts and loans (excluding nonperforming loans)	576,409,485	2.41
Available-for-sale financial assets	107,731,084	1.73
Held-to-maturity financial assets	86,567,107	0.86
Bills purchased	20,034	1.10
Interest-bearing liabilities		
Due to the Central Bank and banks	$ 17,899,145	1.29
Securities sold under agreement to repurchase	7,331,879	0.51
Borrowings from the Central Bank and banks	16,904	0.30
Negotiable certificates of deposits	12,013,682	0.68
Demand deposits	201,744,028	0.08
Savings deposits	119,145,282	0.38
Time deposits	327,278,332	1.07
Time-savings	120,529,106	1.33
Bank debentures	37,543,360	1.66
Appropriated loan funds	4,294,639	0.00
Structured deposit instruments principal	2,283,450	0.66

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

b. SCB (HK)

	For the Year Ended December 31, 2015	
	Average Balance	Average Rate (%)
Interest-earning assets		
Due from other banks	$ 228,340,825	1.29
Discounts and loans (excluding nonperforming loans)	281,709,091	3.32
Credit card revolving balances	231,591	27.50
Debt instruments (including available-for-sale financial assets, and held-to-maturity financial assets	128,458,359	2.56
Interest-bearing liabilities		
Due to other banks	28,685,738	1.32
Demand deposits	208,239,202	0.03
Time deposits	332,198,247	1.40

	For the Year Ended December 31, 2014	
	Average Balance	**Average Rate (%)**
<u>Interest-earning assets</u>		
Due from other banks	$ 199,787,009	1.88
Discounts and loans (excluding nonperforming loans)	265,437,175	3.25
Credit card revolving balances	251,207	27.12
Debt instruments (including available-for-sale financial assets, and held-to-maturity financial assets	102,636,505	2.46
<u>Interest-bearing liabilities</u>		
Due to other banks	24,302,398	0.97
Demand deposits	177,591,375	0.03
Time deposits	298,182,974	1.47

40. CAPITAL MANAGEMENT

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

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

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

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

	December 31	
	2015	2014
Analysis items		
Eligible capital		
Common equity	$ 122,838,942	$ 114,893,612
Other Tier I capital	-	-
Tier II capital	36,778,099	33,574,394
Eligible capital	$ 159,617,041	$ 148,468,006
Risk-weighted assets		
Credit risk		
Standardized approach	$ 1,037,050,143	$ 1,020,964,307
Credit valuation adjustment	784,474	415,212
Internal rating based approach	N/A	N/A
Synthetic securitization	568,101	547,245
Operational risk		
Basic indicator approach	52,578,287	48,404,335
Standardized approach/alternative standardized approach	N/A	N/A
Advanced measurement approach	N/A	N/A
Market risk		
Standardized approach	46,681,168	50,100,026
Internal models approach	N/A	N/A
Total risk-weighted assets	$ 1,137,662,173	$ 1,120,431,125
Capital adequacy ratio	14.03%	13.25%
Ratio of common equity to risk-weighted assets	10.80%	10.25%
Ratio of Tier I capital to risk-weighted assets	10.80%	10.25%
Leverage ratio	7.07%	4.38%

(Concluded)

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

Note 2: Formulas used were as follows:

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

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

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

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

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

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

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

a. Assets quality: As stated in Table 1

b. Concentration of credit risks

Top 10 credit extensions information of head office and SCB (HK) was as below:

Ranking (Note 1)	December 31, 2015					
	The Bank			SCB (HK)		
	Group Enterprise (Note 2)	Total Balances of Credit Extensions (Note 3)	Ratio of Credit Extensions to Net Worth (%)	Group Enterprise (Note 2)	Total Balances of Credit Extensions (Note 3)	Ratio of Credit Extensions to Net Worth (%) (Note 4)
1	A Group (real estate rental)	5,404,621	4.69	a Group (import and export of garments and accessories)	4,865,853	4.93
2	B Group (Computer Manufacturing)	4,236,880	3.68	b Group (hotel industry)	3,917,722	3.97
3	C Group (chemical manufacturing)	3,876,574	3.37	c Group (hotels and property development)	3,905,726	3.96
4	D Group (head offices)	3,718,069	3.23	d Group (hotels and property development)	3,866,241	3.92
5	E Inc. (glass fiber manufacturing)	3,554,222	3.08	e Group (holding company and steel trading)	3,615,549	3.66
6	F Group (Wire and Cable Manufacturing)	3,331,632	2.89	f Group (property development)	3,450,610	3.50
7	G Group (head offices)	3,290,000	2.85	g Group (property investment)	3,008,164	3.05
8	H Group (real estate development)	3,202,983	2.78	h Group (property investment)	2,949,369	2.99
9	I Group (head offices)	2,912,020	2.53	i Group (hotel and property investment)	2,554,321	2.59
10	J Group (head offices)	2,870,145	2.49	j Group (hotel and property holding)	2,458,597	2.49

Ranking (Note 1)	December 31, 2014					
	The Bank			SCB (HK)		
	Group Enterprise (Note 2)	Total Balances of Credit Extensions (Note 3)	Ratio of Credit Extensions to Net Worth (%)	Group Enterprise (Note 2)	Total Balances of Credit Extensions (Note 3)	Ratio of Credit Extensions to Net Worth (%) (Note 4)
1	K Group (plastic leather, plates, pipe manufacturing)	$ 5,426,608	5.03	d Group (hotels and property development)	$ 4,257,279	4.80
2	A Group (real estate rental)	4,721,742	4.38	b Group (hotel industry)	3,877,886	4.37
3	L Group (liquid crystal panel and components manufacturing)	4,631,781	4.30	c Group (hotels and property development)	3,550,879	4.00
4	H Group (real estate development)	3,665,584	3.40	e Inc. (holding company and steel trading)	3,237,488	3.65
5	G Inc. (head offices)	3,167,000	2.94	a Group (import and export of garments and accessories)	2,975,320	3.35
6	M Group (semi-conductor manufacturing)	2,876,361	2.67	f Group (property development)	2,695,301	3.04
7	I Group (head offices)	2,833,946	2.63	k Group (property investment)	2,428,759	2.74
8	E Group (glass fiber manufacturing)	2,824,036	2.62	l Group (property development and investment)	2,378,407	2.68
9	N Group (civil aviation)	2,811,059	2.61	m Group (retailing of gold and jewelries)	2,332,019	2.63
10	J Group (head offices)	2,790,134	2.59	i Group (hotel and property investment)	2,295,621	2.59

Note 1: The top 10 credit extensions ranking is made by total credit balance, which excluded government-owned or state-run enterprises. If the borrower is an affiliate of a group enterprise, the credit balance of the borrower is then aggregated to the Group enterprise's credit balance. The borrower is marked by specific codes as well as its major industry. The major industry of a borrower is determined by its maximum exposures by industries. The classification of industry should be in line with the Standard Industrial Classification System of the Republic of China published by the Directorate-general of Budget, Accounting and Statistics under the Executive Yuan.

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

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

Note 4: It is net equity of SCB (HK).

c. Interest rate sensitivity information

1) The Bank

Interest Rate Sensitivity Analysis
December 31, 2015

(In NT$ Thousands)

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

Interest Rate Sensitivity Analysis
December 31, 2014

(In NT$ Thousands)

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

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

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

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities. (The interest rate-sensitive assets and liabilities are in New Taiwan dollars).

Interest Rate Sensitivity Analysis
December 31, 2015

(In US$ Thousands)

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

Interest Rate Sensitivity Analysis
December 31, 2014

(In US$ Thousands)

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

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

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

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities. (The interest rate-sensitive assets and liabilities are in U.S. dollars).

2) SCB (HK)

Interest Rate Sensitivity Analysis
December 31, 2015

(In US$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to 1 Year (Included)	Over 1 Year	Total
Interest-sensitive assets	$ 5,052,545	$ 747,725	$ 43,675	$ 647,264	$ 6,491,209
Interest-sensitive liabilities	4,557,237	507,248	542,682	924	5,608,091
Interest sensitivity gap	495,308	240,477	(499,007)	646,340	883,118
Net equity					2,878,358
Ratio of interest-sensitive assets to liabilities					115.75%
Ratio of interest sensitivity gap to net equity					30.68%

Interest Rate Sensitivity Analysis
December 31, 2014

(In US$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to 1 Year (Included)	Over 1 Year	Total
Interest-sensitive assets	$ 4,225,998	$ 815,907	$ 442,610	$ 622,510	$ 6,107,025
Interest-sensitive liabilities	4,098,136	436,933	500,810	2,199	5,038,078
Interest sensitivity gap	127,862	378,974	(58,200)	620,311	1,068,947
Net equity					2,765,581
Ratio of interest-sensitive assets to liabilities					121.22%
Ratio of interest sensitivity gap to net equity					38.65%

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

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

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities. (The interest rate-sensitive assets and liabilities are in U.S. dollars).

d. Profitability

<u>The Bank</u>

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

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

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

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

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

e. Maturity analysis of assets and liabilities

1) The Bank

a) New Taiwan dollars (thousands)

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

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

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

b) U.S. dollars (thousands)

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

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

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

2) SCB (HK)

U.S. dollars (thousands)

	Total	December 31, 2015				
		By Remaining Period to Maturity				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 7,028,743	$ 1,816,879	$ 828,683	$ 815,407	$ 443,852	$ 3,123,922
Main capital outflow on maturity	(25,964,523)	3,602,298	(30,685,362)	513,964	545,638	58,939
Gap	32,993,266	(1,785,419)	31,514,045	301,443	(101,786)	3,064,983

	Total	December 31, 2014				
		By Remaining Period to Maturity				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 6,661,072	$ 1,145,968	$ 741,703	$ 899,379	$ 1,082,983	$ 2,791,039
Main capital outflow on maturity	(26,411,986)	3,400,107	(30,837,758)	469,261	501,395	55,009
Gap	33,073,058	(2,254,139)	31,579,461	430,118	581,588	2,736,030

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

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

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

Balance Sheet of Trust Account
December 31, 2015 and 2014

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

Trust Asset Lists

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

Income Statements of Trust Account

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

43. EXCHANGE RATE INFORMATION FOR FOREIGN FINANCIAL ASSETS AND LIABILITIES

The information regarding financial assets/liabilities denominated in significant foreign currencies held by the Group was as follows:

a. The Bank

	December 31					
	2015			2014		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Finance assets						
Monetary items						
Cash and cash equivalents						
CNH	$ 1,036,194	4.9967	$ 5,177,551	$ 1,688,540	5.1123	$ 8,632,323
USD	217,533	32.9000	7,156,836	185,884	31.6700	5,886,946
JPY	8,266,915	0.2732	2,258,521	3,409,959	0.2655	905,344
Due from the Central Bank and call loans to banks						
USD	845,249	32.9000	27,808,692	324,604	31.6700	10,280,209
CNH	583,560	4.9967	2,915,874	1,035,775	5.1123	5,295,193
GBP	23,000	48.7611	1,121,505	2,000	49.3229	98,646
Receivables						
USD	92,386	32.9000	3,039,499	120,190	31.67	3,806,417
JPY	927,768	0.2732	253,466	2,343,016	0.2655	622,071
EUR	3,687	35.9383	132,505	4,970	38.5376	191,532
Discounts and loans						
USD	3,617,225	32.9000	119,006,703	4,450,279	31.6700	140,940,336
CNH	4,271,107	4.9967	21,341,440	3,013,225	5.1123	15,404,510
EUR	210,508	35.9383	7,565,300	113,244	38.5376	4,364,191
Forward Exchange contract						
USD	7,237	32.9000	238,097	-	-	-
HKD	2,011	4.2448	8,536	-	-	-
Option contract						
USD	6,572	32.9000	216,219	15,990	31.6700	506,403
AUD	42	23.9923	1,008	402	26.0137	10,458
EUR	12	35.9383	431	68	38.5376	2,621

(Continued)

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

(Concluded)

b. SCB (HK)

	December 31					
	2015			2014		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**	**Foreign Currencies**	**Exchange Rate**	**New Taiwan Dollars**
Finance assets						
Monetary items						
Cash and cash equivalents						
USD	$ 67,223	32.9000	$ 2,211,648	$ 101,042	31.6700	$ 3,200,000
JPY	974,504	0.2732	266,238	1,038,803	0.2655	275,802
Due from the Central Bank and call loans to banks						
USD	2,344,360	32.9000	77,129,444	1,866,354	31.6700	59,107,431
EUR	51,617	35.9383	1,855,027	89,953	38.5376	3,466,573
Receivables						
USD	54,911	32.9000	1,806,572	51,678	31.6700	1,636,642
EUR	2,807	35.9383	100,879	2,008	38.5376	77,384
JPY	173,091	0.2732	47,288	184,573	0.2655	49,004
Discounts and loans						
USD	3,032,574	32.9000	99,771,685	3,176,332	31.6700	100,594,434
JPY	3,647,577	0.2732	996,518	3,669,811	0.2655	974,335
Financial liabilities						
Monetary items						
Payables						
USD	66,117	32.9000	2,175,249	63,429	31.6700	2,008,796
JPY	164,053	0.2732	44,819	175,899	0.2655	46,701
EUR	2,724	35.9383	97,896	1,927	38.5376	74,262
Due to the Central Bank and banks						
USD	455,657	32.9000	14,991,115	628,906	31.6700	19,917,453
Deposits and remittances						
USD	5,376,806	32.9000	176,896,933	4,544,973	31.6700	143,939,295
EUR	105,969	35.9383	5,964,644	101,630	38.5376	3,916,576
AUD	643,957	23.9923	15,450,010	748,871	26.0137	19,480,906

44. ADDITIONAL DISCLOSURES

Information of Significant transaction items (a.) and Other business investment (b.) are in follows:

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

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

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

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

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

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

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

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

9) Sale of non-performing loans: None.

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

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

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

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

c. Investment in Mainland China:

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

2) Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss: Not applicable.

d. Significant transactions and the amount among the parent and its subsidiaries: Table 6.

45. SEGMENT INFORMATION

Information reported to the chief operating decision maker focuses on the principal geographical areas and profit or loss of the segments. The Group's main reportable segments were Taiwan, Hong Kong and others.

The Group provides income before tax of each operating segment to the chief operating decision maker as the basis of resource allocation and assessment of segment performance.

The significant accounting policies of each operating segment are in line with the Group's significant accounting policies stated in Note 4.

The operating Segments information is as follows:

	For the Year Ended December 31, 2015				
	Taiwan	Hong Kong	Others	Other Adjustments	Total
Net interest	$ 10,861,030	$ 10,174,488	$ 68,438	$ -	$ 21,103,956
Net revenues other than interest	9,785,525	4,868,207	372,547	(4,691,211)	10,335,068
Net revenues	20,646,555	15,042,695	440,985	(4,691,211)	31,439,024
Provision for credit allowance	(599,984)	(19,734)	(5,592)	-	(625,310)
Operating expenses	(6,459,087)	(5,271,005)	(217,313)	6,767	(11,940,638)
Income before income tax	$ 13,587,484	$ 9,751,956	$ 218,080	$ (4,684,444)	$ 18,873,076

	For the Year Ended December 31, 2014				
	Taiwan	Hong Kong	Others	Other Adjustments	Total
Net interest	$ 10,465,132	$ 9,855,457	$ 50,491	$ -	$ 20,371,080
Net revenues other than interest	9,007,217	4,029,084	326,085	(4,419,436)	8,942,950
Net revenues	19,472,349	13,884,541	376,576	(4,419,436)	29,314,030
Provision for credit allowance	(797,500)	(51,966)	(24,524)	-	(873,990)
Operating expenses	(5,927,141)	(4,668,041)	(199,907)	2,620	(10,792,469)
Income before income tax	$ 12,747,708	$ 9,164,534	$ 152,145	$ (4,416,816)	$ 17,647,571

The Group did not periodically provide all information of assets of each operating segment to the operating decision maker, thus the measurement of assets were zero.

Main operating clients

The Group's revenue from single external client did not exceed 10% of the total revenue, thus main operating clients were not disclosed.

TABLE 1

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

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

Date			December 31, 2015					December 31, 2014				
Business			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		399,177	190,172,978	0.21	3,043,790	762.52	407,092	185,088,687	0.22	3,216,869	790.21
	Unsecured		361,217	162,006,389	0.22	3,368,258	932.47	262,131	170,389,440	0.15	3,443,540	1,313.67
Consumer banking	Housing mortgage (Note 4)		511,648	119,748,569	0.43	1,552,863	303.50	207,818	124,978,388	0.17	1,343,287	646.38
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small scale credit loans (Note 5)		8,914	442,820	2.01	16,959	190.25	12,742	492,540	2.59	36,469	286.21
	Other (Note 6)	Secured	260,178	106,398,932	0.24	1,091,542	419.54	57,169	100,252,521	0.06	799,327	1,398.18
		Unsecured	6,609	6,787,879	0.10	67,201	1,016.81	6,397	5,696,113	0.11	63,734	996.31
Total			1,547,743	585,557,567	0.26	9,140,613	590.58	953,349	586,897,639	0.16	8,903,226	933.89
			Nonperforming Receivables (Note 1)	Accounts Receivable	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Accounts Receivable	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Credit card			11,699	2,064,558	0.57	203,451	1,739.05	12,059	2,118,357	0.57	188,013	1,559.11
Accounts receivable factored without recourse (Note 7)			-	965,523	-	9,907	-	-	1,690,896	-	16,909	-
Excluded NPL as a result of debt consultation and loan agreements (Note 8)			-					-				
Excluded overdue receivables as a result of debt consultation and loan agreements (Note 8)			-					-				
Excluded NPL as a result of consumer debt clearance (Note 9)			-					-				
Excluded overdue receivables as a result of consumer debt clearance (Note 9)			45,112					50,615				

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

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

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

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

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

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

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

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

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

TABLE 2

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

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

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

Note: A consolidated entity; the related intercompany transaction was eliminated in the consolidated financial statements.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

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

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

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

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

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

TABLE 4

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

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

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

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

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

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

1. Investee company name, main business and products, total amount of paid-in capital, investment type, investment outflows and inflows, % ownership, investment gain (loss), carrying value as of December 31, 2013 and inward remittance of earnings:

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

2. Upper limit on investment in Mainland China:

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

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

(1) To directly invest.
(2) To invest via third place company.
(3) Others.

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

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

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

A. Financial report audited by international accounting firm associated with accounting firm in R.O.C.
B. Financial report audited by the accounting firm associated with the parent company in R.O.C.
C. Others.

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

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Amounts in Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statements Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
0	The Shanghai Commercial & Savings Bank, Ltd.	SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts receivables	$ 33,358	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts payables	138	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Deposits and remittances	268,872	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Other liabilities	197	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Interest expenses	2,602	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Service fee incomes, net	322,459	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Net revenues other than interest	790	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts receivables	245	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts payables	31	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Deposits and remittances	59,199	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Other liabilities	197	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Interest expenses	944	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Service fee incomes, net	11,891	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Net revenues other than interest	790	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Accounts payables	678	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Deposits and remittances	523,622	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Other liabilities	47	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Interest expenses	10,557	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Net revenues other than interest	170	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Other general and administrative	110	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Accounts payables	4	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Deposits and remittances	9,869	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Other liabilities	20	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Interest expenses	99	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Net revenues other than interest	79	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Other general and administrative	63,465	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Accounts payables	32	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Deposits and remittances	69,826	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Other liabilities	180	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Interest revenues	36	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Interest expenses	235	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Net revenues other than interest	720	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Other general and administrative	1,510	Note 4	-

(Continued)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statements Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
		CTS Travel International Ltd.	Represents the transactions from parent company to subsidiary	Deposits and remittances	$ 7,514	Note 4	-
		CTS Travel International Ltd.	Represents the transactions from parent company to subsidiary	Interest expenses	36	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Cash and cash equivalents	326,985	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Due from the central bank and call loans to banks	348	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Accounts payables	2,065	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Deposits and remittances	1,490,809	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Interest expenses	9,553	Note 4	-
1	SCSB Life Insurance Agency	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	268,872	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	138	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other liabilities	197	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts payables	33,358	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	2,602	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	790	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other general and administrative expense	322,459	Note 4	-
2	SCSB Property Insurance Agency	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	59,199	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	31	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other liabilities	197	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts Payables	245	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	994	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	790	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other general and administrative expense	11,891	Note 4	-
3	SCSB Asset Management Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	523,622	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	678	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other assets	47	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	10,557	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	170	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	110	Note 4	-
4	SCSB Marketing	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	9,869	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	4	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other assets	20	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	99	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	79	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	63,465	Note 4	-
5	China Travel Service (Taiwan)	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	32	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	69,826	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other assets	180	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	235	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest expenses	36	Note 4	-

(Continued)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statements Item	**Amount**	**Term**	**Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)**
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	$ 720	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	1,510	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from subsidiary to subsidiary	Cash and cash equivalents	853	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from subsidiary to subsidiary	Interests revenues	54	Note 4	-
		CTS Travel International Ltd.	Represents the transactions from subsidiary to subsidiary	Other liabilities	230	Note 4	-
		CTS Travel International Ltd.	Represents the transactions from subsidiary to subsidiary	Net revenues other than interest	114	Note 4	-
		CTS Travel International Ltd.	Represents the transactions from subsidiary to subsidiary	Other general and administrative expense	2,713	Note 4	-
6	CTS Travel International Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	7,514	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interests revenues	36	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from subsidiary to subsidiary	Accounts receivables	230	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from subsidiary to subsidiary	Net revenues other than interest	114	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from subsidiary to subsidiary	Net revenues other than interest	2,713	Note 4	-
7	Shancom Reconstruction Inc.	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	348	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Due from the Central Bank and call loans to banks	334,068	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	2,065	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Due to the Central Bank and banks	1,490,809	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenue	9,553	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from subsidiary to subsidiary	Deposits and remittances	853	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from subsidiary to subsidiary	Interest expense	54	Note 4	-

Note 1: The transactions between parent company and subsidiaries should indicate the number filled in the column like follows:

a. Parent company fill in 0.
b. Subsidiaries in accordance with the company are numbered sequentially from 1.

Note 2: There are three types of relations in companies and only have to mark their type in nature of relationship column:

a. Transactions from parent company to subsidiary.
b. Transactions from subsidiary to parent company.
c. Transactions from subsidiary to subsidiary.
d. Transactions from parent company to Indirect subsidiary.
e. Transactions from Indirect subsidiary to parent Company.

Note 3: The percentages are calculated by the consolidated total assets or the consolidated total net sales. If the account belongs to balance sheets, it will be counted by the percentage of its final amount divided by the consolidated total assets. Otherwise, if the account belongs to income statement, it will be counted by the percentage of its average amount divided by the consolidated total net revenue.

Note 4: All transactions with related parties were carried at arm’s length.

(Concluded)

TABLE 6-2

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEAR ENDED DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statements Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
0	The Shanghai Commercial & Savings Bank, Ltd.	SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts receivables	$ 7,314	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts payables	142	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Deposits and remittances	233,010	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Other liabilities	197	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Interest expenses	2,343	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Service fee incomes, net	238,770	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Net revenues other than interest	752	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts receivables	241	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts payables	68	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Deposits and remittances	93,112	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Other liabilities	597	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Interest expenses	1,128	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Service fee incomes, net	12,388	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Net revenues other than interest	752	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Accounts payables	104	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Deposits and remittances	380,646	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Other liabilities	47	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Interest expenses	6,201	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Net revenues other than interest	162	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Other general and administrative	100	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Accounts payables	5,611	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Deposits and remittances	13,457	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Other liabilities	20	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Interest expenses	106	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Net revenues other than interest	74	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Other general and administrative	63,268	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Accounts receivables	5	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Discounts and loans	10,000	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Accounts payables	39	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Deposits and remittances	59,132	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Other liabilities	1,510	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Interest revenues	9	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Interest expenses	388	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Net revenues other than interest	686	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Other general and administrative	1,488	Note 4	-

(Continued)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statements Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
		CTS Travel International Ltd.	Represents the transactions from parent company to subsidiary	Deposits and remittances	$ 5,516	Note 4	-
		CTS Travel International Ltd.	Represents the transactions from parent company to subsidiary	Interest expenses	30	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Cash and cash equivalents	686,339	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Due from the central bank and call loans to banks	28	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Accounts payables	2,555	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from subsidiary to parent company	Deposits and remittances	1,426,086	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from subsidiary to parent company	Interest revenues	5,773	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from subsidiary to parent company	Interest expenses	9,954	Note 4	-
1	SCSB Life Insurance Agency	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	233,010	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	142	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other liabilities	197	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts payables	7,314	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	2,343	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	752	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other general and administrative expense	238,770	Note 4	-
2	SCSB Property Insurance Agency	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	93,112	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	68	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other liabilities	597	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts Payables	241	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	1,128	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	752	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other general and administrative expense	12,388	Note 4	-
3	SCSB Asset Management Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	380,646	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	104	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other assets	47	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	6,201	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	162	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	100	Note 4	-
4	SCSB Marketing	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	13,457	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	5,611	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other assets	20	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	106	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	74	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	63,268	Note 4	-

(Continued)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statements Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
5	China Travel Service (Taiwan)	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	$ 39	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	59,132	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other assets	1,510	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts payables	5	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other financial liabilities	10,000	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	388	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest expenses	9	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	686	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	1,488	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd	Represents the transactions from subsidiary to subsidiary	Cash and cash equivalents	324	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd	Represents the transactions from subsidiary to subsidiary	Other liabilities	210	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd	Represents the transactions from subsidiary to subsidiary	Net revenues other than interest	114	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd	Represents the transactions from subsidiary to subsidiary	Other general and administrative expense	2,414	Note 4	-
6	CTS Travel International Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	5,516	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interests revenues	30	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from subsidiary to subsidiary	Accounts receivables	210	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from subsidiary to subsidiary	Net revenues other than interest	114	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from subsidiary to subsidiary	Net revenues other than interest	2,414	Note 4	-
7	Shancom Reconstruction Inc.	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	28	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Due from the Central Bank and call loans to banks	686,339	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	2,555	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Due to the Central Bank and banks	1,426,086	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenue	9,954	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest expenses	5,773	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from subsidiary to subsidiary	Deposits and remittances	324	Note 4	-

Note 1: The transactions between parent company and subsidiaries should indicate the number filled in the column like follows:

a. Parent company fill in 0.
b. Subsidiaries in accordance with the company are numbered sequentially from 1.

Note 2: There are three types of relations in companies and only have to mark their type in nature of relationship column:

a. Transactions from parent company to subsidiary.
b. Transactions from subsidiary to parent company.
c. Transactions from subsidiary to subsidiary.

Note 3: The percentages are calculated by the consolidated total assets or the consolidated total net sales. If the account belongs to balance sheets, it will be counted by the percentage of its final amount divided by the consolidated total assets. Otherwise, if the account belongs to income statement, it will be counted by the percentage of its average amount divided by the consolidated total net revenue.

Note 4: All transactions with related parties were carried at arm’s length.

(Concluded)