6.37 Earnings Per Share

Item	2014	2013
Before-tax net income (loss) (A)	$509,891	$419,105
Weighted-average number of shares outstanding (thousand shares)	739,982	720,246
Weighted-average number of shares outstanding after retroactive adjustment (thousand shares)(B)	739,982	738,972
Basic earnings per share (A)/(B)	$0.69	$0.57

Shareholders of the Bank resolved in the annual general shareholders' meeting held on June 19, 2014 the proposal to increase capital by capitalizing earnings, capital reserve and employee bonuses, which will result in the issuance of 19,302 thousand new shares (4,327 thousand shares through capitalisation of earnings, 14,421 thousand shares through capital reserve and 554 thousands through capitalisation of employee bonuses). The ex-dividend and ex-right date was set to be August 26, 2014. Weighted-average number of shares outstanding after retroactive adjustment as follows:

2014：

721,049 + 4,327 + 14,421 + 554 * 4/12 = 739,982 thousand shares

2013：

(720,246 * 1.026) = 738,972 thousand shares

7. FAIR VALUE AND HIERARCHY INFORMATION OF FINANCIAL INSTRUMENTS

7.1 Fair Value Information of Financial Instruments

Item	Dec. 31, 2014		Dec. 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	$4,107,916	$4,107,916	$3,329,141	$3,329,141
Due from the Central Bank and call loans to banks	23,171,136	23,171,136	23,220,274	23,220,274
Financial assets at fair value through profit or loss	10,975,714	10,975,714	1,590,421	1,590,421
Available-for-sale financial assets	26,141,249	26,141,249	19,249,602	19,249,602
Bills and bonds purchased under agreements to resell	13,385,318	13,385,318	3,460,558	3,460,558
Accounts receivable	855,286	855,286	757,500	757,500
Discounts and loans	182,883,017	182,883,017	178,261,475	178,261,475
Held-to-maturity financial assets	2,746,339	2,581,913	—	—
Other financial assets				
—Financial assets carried at cost	1,161,567	—	1,118,567	—
—Bond Investment with no active market	253,658	253,658	408,518	408,518
Financial Liabilities				
Due to Central Bank and other banks	$9,519,129	$9,519,129	$15,024,665	$15,024,665
Financial liabilities at fair value through profit or loss	23,237	23,237	5,621	5,621
Bills and bonds sold under agreements to repurchase	61,121	61,121	68,019	68,019
Accounts payable	2,872,063	2,872,063	2,747,219	2,747,219
Deposits and remittances	236,927,451	236,927,451	198,689,944	198,689,944
Bank debentures	7,000,000	7,000,000	6,000,000	6,000,000
Other financial liabilities	178,408	178,408	138,703	138,703

7.2 Financial Instruments not Measured at Fair Value Through Profit or Loss:

Measurement of and assumptions used for estimating the fair value of the Bank's and subsidiaries' financial instruments not measured at fair value through profit or loss are as follows:

(1) The carrying amounts of cash and cash equivalents, due from the Central Bank and call loans to banks, bills and bonds purchased under agreements to resell, accounts receivable, due to Central Bank and other banks, bills and bonds sold under agreements to repurchase, accounts payable and refundable deposits approximate their fair values due to their short maturities or the fact that the expected future receipts or receipts associated with these assets are similar to their carrying amounts.

(2) Discounts and loans (including non-performing loans): Interest rates offered by the Bank and subsidiaries for loans are generally based on the benchmark interest rate plus or minus certain adjustment (that is the floating rate) to reflect the market interest rate. Thus, their carrying amounts by taking into account the recoverability of the loans shall be reasonable approximation of their fair values. The present values of the expected cash flows arising from medium- and long-term, fixed-interest rate loans approximate their fair values. However, as such loans account for only a small percentage of all loans, their carrying amounts by taking into account the recoverability of the loans shall be reasonable approximation of their fair values.

(3) Held-to-maturity financial assets: When there is a quoted market price available in an active market, the fair value is determined using the market price. If there is no quoted market price for reference, a valuation technique or quoted price offer by the counterparties will be adopted to measure the fair value.

A. TWD Central Government Bond: Valuation of TWD central government bonds is based on the "fair values of subordinated debentures" provided by the OTC Securities Market.

B. TWD corporate bond and bank debentures: Valuation of TWD corporate bonds and bank debentures is based on the present value of expected cash flows discounted using the yield rate provided by the OTC Securities Market or the fair values of similar instruments published by the OTC Securities Market.

(4) Deposits and remittances: The Bank and subsidiaries take into account the characteristics unique to the banking industry to determine the fair value of these assets. Where the interest rate is stipulated on the basis of market interest rate (that is market price), the deposits generally have matures less than 12 months, and as such, their carrying amounts approximate their fair values. However, the fair value of long-term deposits shall be determined based on the present values of the expected future cash flows provided that the deposits have maturities of less than 3 years. It is thus reasonable to estimate the fair value of deposits and remittances on the basis of their carrying amounts.

(5) Bank debentures: The present value of future cash flows of bank debentures issued by the Bank, approximate their fair value and is also equivalent to their carrying amount.

(6) Other financial assets－bond Investment with no active market: investments in debt instruments with fixed returns or amounts to be received that are determinable but where no active market exists shall be measured at the amortized cost. An impairment loss is recognized where there is objective evidence indicating that an impairment has occurred in financial assets carried at amortized cost. If, in a subsequent period, the amount of the impairment loss decreased and such decrease is objectively related to an event occurred after the impairment was recognized, the amount of impairment loss recognized previously shall be reserved by. The amount of the reversal shall be recognized in the current income statement. The reversal shall not cause the carrying amount of the financial asset exceeding the amortized cost of the period before recognition of the impairment loss.

(7) Other financial assets－ financial assets carried at cost: As these assets have no quoted price in an active market, if the variability in the range of reasonable fair value estimate is significant or if probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating the fair value, the fair value of such assets cannot be reliably measured and as such, is not disclosed.

7.3 Financial Instruments Measured at Fair Value

Fair value refers to the amount at which an asset can be exchanged or a liability can be settled between two willing parties who have fully understood the terms under a fair trading arrangement.

The initial recognition of financial instruments is at fair value, which is often the transaction price. Subsequent appraisal is at fair value except for some financial instruments which are measured at the amortised cost. A quoted price in an active market is the best evidence of fair value upon subsequent appraisal of a financial instrument. In the absence of an active market, the Bank adopts a valuation technique or refers to prices quoted by Bloomberg or counterparties to determine the fair

value.

If the quoted market price of a financial instrument is available in an active market, the quoted price approximates its fair value. Market quotes published by major stock exchanges and quoted market prices of on-the-run central government bonds published by the OTC market are used to estimate the fair values of equity instruments listed on the stock (OTC) exchanges and debt instruments with an active market.

If market quotes are readily and frequently obtainable from the Stock Exchange Corporation, brokers, underwriters, Industrial Trade Unions, pricing service agencies or competent authorities, and that the price represents the actual and frequent transactions at arm's length, then a financial instrument is deemed to have an active market. Financial instruments not meeting the criteria above are regarded as not having an active market. In general, significant price variances between the purchase price and selling price, significantly increasing price variances or extremely low trading volumes are all indicators of a non-active market.

With the exception of financial instruments with an active market, the fair values of all other financial instruments were estimated using a valuation technique or with reference to the prices quoted by counterparties. Fair value measured by a valuation technique is usually estimated by reference to the fair values of other financial instruments with similar terms and characteristics, or by using cash flows discounting method, or using model calculation based on the market information (such as yield rate curves from OTC, average interest rate of commercial papers from Reuters) available on the consolidated balance sheet dates.

When assessing non-standardized financial instruments with lower complexity, derivative financial instruments such as debt instruments with no active market, interest rate swaps, foreign exchange swaps and options, the Bank uses valuation techniques and models which are extensively used by the market to estimate their fair value. The parameters used in the valuation model for these kinds of financial instruments are usually observable market information.

The fair values of financial instruments held by the Bank by type or nature are disclosed as follows:

Type	Dec. 31, 2014		Dec. 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets at fair value through profit or loss				
Stocks	$ —	$ —	$1,235	$1,235
Funds	7,375	7,375	—	—
Bills	10,691,968	10,691,968	1,510,437	1,510,437
Bonds	271,177	271,177	72,110	72,110
Derivative assets	5,194	5,194	6,639	6,639
Available-for-sale financial assets				
Stocks	$184,700	$184,700	$192,515	$192,515
Funds	56,303	56,303	60,923	60,923
Bonds	6,200,114	6,200,114	8,795,486	8,795,486
Negotiable certificate of deposit	19,700,132	19,700,132	10,200,678	10,200,678
Financial liabilities at fair value through profit or loss				
Derivative liabilities	$23,237	$23,237	$5,621	$5,621

7.4 Hierarchy Information of Financial Instruments Measured at Fair Value

(1) Definition of the three fair value hierarchies

A. Level 1 inputs

Refer to the quoted prices in an active market for identical financial instruments. An active market refers to a market that meets all of the following conditions: the goods traded in the market are homogeneous; willing sellers and buyers can be found at the same time; and the price information is available to the public. The fair values of the Bank's investments in shares listed on the stock/OTC exchange, beneficiary certificates, popular Taiwan government bonds and derivatives with quoted prices in an active market, are deemed as Level 1 inputs.

B. Level 2 inputs

Observable prices other than the quoted prices in an active market comprise direct (e.g. prices) or indirect (e.g. derived from prices) observable inputs obtained from an active market. The Bank's investments in off-the-run government bonds, corporate bonds, bank debentures, convertible bonds and the majority of derivative instruments belong to this category.

C. Level 3 inputs

The inputs adopted to measure fair value at this level are unobservable inputs for the instruments.

(2) Fair value hierarchy of financial instruments

Financial Instruments at Fair Value	December 31, 2014				December 31, 2013			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Non-derivative Financial Instruments								
Assets								
Financial assets at fair value through profit or loss								
Financial assets held for trading purposes								
Investment in stocks	$ —	$ —	$ —	$ —	$1,235	$1,235	$ —	$ —
Investment in funds	7,375	7,375	—	—	—	—	—	—
Investment in bonds	271,177	271,177	—	—	72,110	72,110	—	—
Investment in bills	10,691,968	—	10,691,968	—	1,510,437	—	1,510,437	—
Total	$10,970,520	$278,552	$10,691,968	$ —	$1,583,782	$73,345	$1,510,437	$ —
Available-for-sale financial assets								
Investment in stocks	$184,700	$184,700	$ —	$ —	$192,515	$192,515	$ —	$ —
Investment in bonds	6,200,114	2,618,385	3,581,729	—	8,795,486	2,529,728	6,265,758	—
Other	19,756,435	50,303	19,700,132	—	10,261,601	60,923	10,200,678	—
Total	$26,141,249	$2,859,388	$23,281,861	$ —	$19,249,602	$2,783,166	$16,466,436	$ —
Derivatives Financial Instruments								
Assets								
Financial assets at fair value through profit or loss	$5,194	$ —	$5,194	$ —	$6,639	$ —	$6,639	$ —
Liabilities								
Financial liabilities at fair value through profit or loss	$23,237	$ —	$23,237	$ —	$5,621	$ —	$5,621	$ —

(3) Changes in the composition of financial instruments classified in Level 3 for fair value measurement: not applicable.

(4) Transfer between Level 1 and Level 2:

No transfer between Level 1 and Level 2 financial assets and liabilities classified for fair value measurement purpose took place for the years ended 2014 and 2013.

(5) Sensitivity analysis of Level 3 fair value if reasonably possible alternative assumptions are used: not applicable.

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

8.1 Overview

The primary objectives of the Bank and subsidiaries' risk management approach are to service customers whilst ensuring that the related business targets are met, maintaining the overall risk appetite and ensuring compliance with external regulatory requirements. Ultimately, the Bank and subsidiaries aim to achieve effective risk diversification, transfer and hedging whilst creating a three-way win situation for customers, shareholders and employees. Major risks confronting the Bank including on- and off-balance-sheet credit risks, market risks (including interest rate, exchange rate, beneficiary securities and product risks) and liquidity risks.

The Bank and subsidiaries have put in place written risk management policies or risk control procedures, which were reviewed and adopted by the Board of Directors in order to effectively identify, measure, monitor and control credit, market and liquidity risks.

8.2 Risk Management Structure

The Risk Management Department of the Bank and subsidiaries manage risks in accordance with the risk management policies approved by the Board of Directors. The Risk Management Department works closely with business departments to identify, evaluate and hedge against the various financial risks. The Board of Directors puts in place written risk management policies, which cover specific risk exposures such as exchange rate risk, interest rate risk, credit risk, and risks arising from

derivative and non-derivative transactions. On the other hand, Internal Audit is jointly responsible for conducting independent audits on risk management practices and the control environment.

8.3 Credit Risk

(1) The sources and definition of credit risk

The Bank and subsidiaries are exposed to credit risk due to default on contracts by a client or a counterparty, which results in financial losses suffered by the Bank and subsidiaries. The sources of credit risks include on- and off-balance-sheet assets and liabilities. A significant portion of credit risks originate from discounts and loans, credit card business, due from other banks, acceptances, investments in debt instruments and derivatives. The major off-balance-sheet items which expose the Bank and subsidiaries to credit risk are financial guarantees, letters of credit and loan guarantees.

(2) Credit risk management policies

In order to ensure that credit risk is controlled with an acceptable level, the Bank's Credit Risk Management Guidelines provide that the scope of credit risk management shall cover the management of credit risk arising from on- and off-balance-sheet asset and liability items. One of the credit risk management objectives is to maintain adequate capital to cover credit risk to better manage credit risk faced by the Bank and subsidiaries. It is critical to ensure internal control procedures are appropriately carried out to ensure that credit approval and investments are appropriately managed, which in turn will ensure that the various credit exposures comply with the statutory requirements.

Credit risk management procedures and measurement of credit risk for the Bank's and subsidiaries' primary business activities are explained as follows:

A. Credit extension (including loan commitments and guarantees)

Explanations are provided as follows by the categories credit assets and credit rating:

(A) Types of credit assets

The Bank and subsidiaries classified credit assets into five categories. With the exception of normal credit assets which are classified as "Category One" assets, the remaining unsound credit that required special attention was evaluated based on the status of the creditor's right, loan collaterals and the length of time overdue, and classified as "Category Two- Special Mention", "Category Three- Substandard", "Category Four- Doubtful" and "Category Five- Loss". The Bank and subsidiaries have put in place the "Operational Guidelines for Evaluation of Credit Assets" and adopt the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" as the basis for managing problem loans and collection of overdue credit.

(B) Credit rating

The Bank and subsidiaries have formulated a credit rating scale and related rules based on business attributes and the size of operation to manage risks.

Corporate borrowers are grouped into eight categories according to their respective credit rating, while individual borrowers are grouped in terms of credit quality as follows according to the types of products and the borrower's credit rating (a) Home loan borrowers: four categories "excellent", "good", "fair" and "special approval"; (b) Others: seven categories of repayment capabilities- excellent, very strong, strong, satisfactory, weak, very weak and unrated.

B. Due from banks and call loan to banks

The Bank and subsidiaries assess the credit rating of the counterparty and refer to rating information provided by external rating agencies in Taiwan and overseas prior to undertaking a transaction. Each counterparty is assigned a rating and different levels of credit risk exposures.

C. Investment in debt instruments and derivatives

The Bank and subsidiaries manage credit risk arising from debt instruments by assessing the credit rating of debt instruments provided by external rating agencies, the credit quality of bonds, status of a region and counterparty credit risks in order to identify credit risk associated with these types of instruments.

The Bank and subsidiaries undertake derivative transactions with counterparties that are financial institutions. The majority of these financial institutions have investment-grade rating or above. The Bank and subsidiaries manage credit risk by controlling a counterparty's credit limit (including credit limit for call loans); any counterparty that is unrated or does not have an investment-grade rating must be assessed individually. If the counterparty is an individual customer, the risk exposure limit and terms applicable to such derivative instruments approved in accordance with general credit approval procedures are managed to control counterparty credit risk.

The Bank rates the credit quality of debt instruments and derivatives as follows:

(A) TWD debt instruments (without taking into account valuation adjustment and accumulated impairment loss)

Credit Rating
twAAA, government bond and NCD issued by the Central Bank
twAA＋ ～ twAA-
twA＋ ～ twA-
twBBB＋～ twBBB-
Below or unrated

(B) Foreign-currency debt instruments (without taking into account valuation adjustment and accumulated impairment loss)

Credit Rating
Aaa
Aa1 ～ Aa3
A1 ～ A3
Baa1 ～ Baa3
Below and unrated

(3) Credit risk hedging or mitigation policy

A. Collateral

The Bank and subsidiaries implement a series of policies and measures to reduce credit risk among which one common practice is to request the borrower to provide collateral. In order to protect our credit claims, the Bank and subsidiaries have stipulated guidelines governing the range of collaterals accepted by the Bank and the appraisal, management and disposal of collaterals. Such guidelines are used as the basis for managing the valuation of collaterals and calculation of the collateral to loan value amount. On the other hand, the loan agreement contains credit guarantee provision, collateral clauses and offsetting clauses to clearly define the acceptable terms with regard to decrease in credit limit, moving forward the maturity date or treating the whole outstanding balance as matured and offsetting the borrower's liabilities against the borrower's deposits, if any, held at the Bank or subsidiaries when a credit event occurs in order to reduce credit risk.

Collaterals provided as security for other non-credit loans shall be determined according to the nature of the financial instrument. Only asset-backed securities and other similar financial instruments may be secured by an asset pool.

B. Control of credit risk limit and risk concentration

The Bank and subsidiaries stipulate respective credit limits for loans granted to a single counterparty and a single group to avoid concentration of risks. The Bank's Investment Policy and Regulations Governing Control of Risks Associated with Equity Investments also include provisions stipulating limits on investments in a single individual (business entity) or a single affiliated enterprise (group). The Bank and subsidiaries have also put in place credit limits applicable to each respective industry, enterprise group and county to control asset concentration risks. Concentration of credit risk with respective to a single counterparty, enterprise group, affiliated enterprise, industry, and ultimately country is monitored by an integrated system.

C. Net settlement agreement

The Bank and subsidiaries settle transactions based on gross amounts but may separately enter into a net settlement agreement with the counterparty. In the event of counterparty default, all transactions with the counterparty will be terminated and be settled by net amount to further reduce credit risk.

(4) Maximum exposure to credit risk

The maximum exposure to credit risk arising from on-balance-sheet assets not secured by collateral or other credit

enhancement instruments is represented by the assets' carrying amount. The maximum exposure to credit risk arising from off-balance-sheet assets (not taking account collateral or other credit enhancement instruments and the maximum irrevocable credit risk exposure) is listed as follows:

Off-balance-sheet Items	Maximum Credit Exposure	
	December 31, 2014	December 31, 2013
Irrevocable loan commitments	9,747,027	9,631,130
Irrevocable credit card commitments	6,129	6,612
Stand-by letter of credit	1,377,645	1,357,740
Financial guarantees	5,504,422	4,128,681
Total	16,635,223	15,124,163

The Bank's and subsidiaries' management considers that, upon evaluation, it is possible to constantly control and minimise the credit risk exposure arising from off-balance-sheet items due to the fact that the Bank and subsidiaries adopt more stringent credit review procedures and conduct regular post-loan reviews.

(5) Concentration of credit risk exposures

Concentrations of credit risk arise when a number of counterparties or exposure have comparable economic characteristics, or such counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic or other conditions.

Credit risk concentrations arise from the Bank's and subsidiaries' assets, liabilities, or off-balance-sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories, which include credit, loans and deposits, call loan to banks, investments, receivables and derivatives. As of December 31, 2014 and 2013, there was significant concentration of credit risk arising from loans to the Kaohsiung City Government totaling $28,870,700 thousand, representing 15.05% of total loans and $42,018,671 thousand, representing 22.70% of total loans, respectively. Information on significant concentration of credit risks of the Bank's and subsidiaries' other credit assets (including discounts and loans, overdue accounts that are not transferred from loans, remittances purchased, guarantee receivable, L/C receivable, acceptances receivable and factoring receivable- non-recourse) by industry, region and type of collaterals is summarized as follows:

A. By industry:

Type of Industry	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%
1. Private enterprise	75,916,587	39.59	67,214,303	36.32
2. Public-sector enterprise	3,149,279	1.64	3,305,550	1.79
3. Governmental organisation	28,875,950	15.06	42,028,254	22.71
4. Not-for-profit organisation	89,963	0.05	248,077	0.13
5. Private individual	73,601,260	38.38	61,841,595	33.41
6. Financial institutions	10,140,934	5.28	10,445,516	5.64
Total	191,773,973	100.00	185,083,295	100.00

B. By region:

Region	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%
R.O.C.	176,860,118	92.23	171,333,240	92.57
Unite States	5,737,405	2.99	5,979,614	3.23
Asia	7,686,632	4.01	6,250,123	3.38
Europe	542,717	0.28	871,028	0.47
Africa	353,379	0.18	34,076	0.02
Oceania	593,722	0.31	615,214	0.33
Total	191,773,973	100.00	185,083,295	100.00

C. By Collateral

Type of Collateral	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%
Unsecured	75,714,292	39.48	84,216,257	45.50
Secured	116,059,681	60.52	100,867,038	54.50
— Financial collateral	6,750,996	3.52	6,134,460	3.31
— Accounts receivable	687,598	0.36	590,466	0.32
— Real estate property	95,795,013	49.95	81,597,125	44.09
— Guarantee	11,201,347	5.84	10,715,982	5.79
— Other	1,624,727	0.85	1,829,005	0.99
Total	191,773,973	100.00	185,083,295	100.00

(6) Credit quality and impairment assessment of financial assets

Financial assets held by the Bank and subsidiaries including cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, bills and bonds purchased under agreements to resell, refundable deposits, operating bond and clearing and settlement fund are assets having very low credit risk owing to the good credit rating of counterparties.

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

A. According to the concept of the analysis of credit quality of financial assets provided in IFRS 7, "past due" refers to the situation where the counterparty has failed to make payment when the contract matures. For example, if the principal or interest repayments are past due beyond the reasonable grace period, they are deemed "past due".

B. IFRS 7 also provides that "impairment" refers to the situation where financial assets have become impaired as of the reporting dates, that is, there is objective evidence indicating impairment.

C. For the purpose of analyzing the credit quality of financial assets, "impaired" financial assets are those as defined in (2) above and do not include all financial assets over which an provision for impairment loss has been made.

(A) Credit quality of accounts receivable

On-balance- sheet Receivables	Amount neither past due nor impaired（A）									Amount past due but not impaired (B)	Subtotal (A)+(B)	Amount Impaired (C)	Total (A)+(B)+(C)
	Credit card payments receivable	Accrued Revenue	Interest Receivable	Dividends Receivable	Acceptances Receivable	Factoring- non-recourse	Foreign Exchange Receivable	Other Receivables	Subtotal				
Dec. 31, 2014	206,831	135,240	367,201	—	118,283	—	91	7,596	835,242	3,046	838,288	70,661	908,949
Dec. 31, 2013	175,427	136,269	370,611	—	34,778	—	—	15,816	732,901	5,690	738,591	73,442	812,033

Receivables	Amount provided for impairment loss (D)			Net (A)+(B)+(C)-(D)
	With objective evidence of impairment	With no objective evidence of impairment	Subtotal	
December 31, 2014	41,939	11,724	53,663	855,286
December 31, 2013	45,475	9,058	54,533	757,500

(B) Credit quality of discounts and loans

December 31, 2014	Amount neither past due nor impaired (A)	Amount past due but not impaired (B)	Amount impaired (C)	Total (A)+(B)+(C)	Amount provided for impairment loss (D)		Net (A)+(B)+(C)-(D)
					With objective evidence of impairment	With no objective evidence of impairment	
On-balance-sheet Items							
Discounts and loans	182,771,951	587,582	1,372,731	184,732,264	362,154	1,487,093	182,883,017
Overdue accounts that are not transferred from loans	—	—	41,359	41,359	21,316	—	20,043
Off-balance-sheet Items							
Commitments and guarantees Guarantees receivable	5,481,072	23,350	—	5,504,422	—	80,300	5,424,122
L/C receivable	1,377,645	—	—	1,377,645	—	—	1,377,645
Total	189,630,668	610,932	1,414,090	191,655,690	383,470	1,567,393	189,704,827

December 31, 2013	Amount neither past due nor impaired (A)	Amount past due but not impaired (B)	Amount impaired (C)	Total (A)+(B)+(C)	Amount provided for impairment loss (D)		Net (A)+(B)+(C)-(D)
					With objective evidence of impairment	With no objective evidence of impairment	
On-balance-sheet Items							
Discounts and loans	176,773,121	678,748	2,090,701	179,542,570	596,369	684,726	178,261,475
Overdue accounts that are not transferred from loans	—	—	18,898	18,898	9,397	—	9,501
Off-balance-sheet Items							
Commitments and guarantees Guarantees receivable	4,104,659	24,022	—	4,128,681	—	51,300	4,077,381
L/C receivable	1,353,319	4,421	—	1,357,740	—	—	1,357,740
Total	182,231,099	707,191	2,109,599	185,047,889	605,766	736,026	183,706,097

(C) Credit quality of discounts and loans neither past due nor impaired according to individual client rating

December 31, 2014	Amount Neither Past Due Nor Impaired											
	Mortgages with "Excellent" credit rating	Mortgages with "good" credit rating	Mortgages with "fair" credit rating	Mortgages with special approval	Excellent repayment capabilities	Very Strong repayment capabilities	Strong repayment capabilities	Satisfactory repayment capabilities	Weak repayment capabilities	Very weak repayment capabilities	Unrated	Total
Consumer Finance												
−Residential mortgage	12,674,355	1,487,905	929,465	17,884,427	—	—	—	—	—	—	5,593,273	38,569,425
−Cash card	—	—	—	—	124,457	576,192	193,737	13,184	1,495	—	1,212	910,277
−Microcredit	—	—	—	—	36,174	491,758	145,220	133,951	9,941	4,159	48,508	869,711
−Student loan	—	—	—	—	—	—	—	—	—	—	5,817,221	5,817,221
−Other	—	—	—	—	2,143,324	15,587,088	4,089,311	2,916,512	1,027,361	194,845	332,754	26,291,195
Total	12,674,355	1,487,905	929,465	17,884,427	2,303,955	16,655,038	4,428,268	3,063,647	1,038,797	199,004	11,792,968	72,457,829

December 31, 2014	Amount Neither Past Due Nor Impaired									
	Loans to Municipal Government	Excellent repayment capabilities	Very Strong repayment capabilities	Strong repayment capabilities	Above-average repayment capabilities	Satisfactory repayment capabilities	Weak repayment capabilities	Very weak repayment capabilities	Unrated	Total
Corporate Finance										
−Secured	—	106,765	945,393	1,506,501	8,161,030	13,834,679	9,072,264	10,662,050	7,098,022	51,386,704
−Unsecured	32,499,577	2,024,069	2,835,895	2,661,780	7,114,953	7,969,941	2,882,642	3,094,223	4,703,055	65,786,135
Total	32,499,577	2,130,834	3,781,288	4,168,281	15,275,983	21,804,620	11,954,906	13,756,273	11,801,077	117,172,839

December 31, 2013	Amount Neither Past Due Nor Impaired											
	Mortgages with "Excellent" credit rating	Mortgages with "good" credit rating	Mortgages with "fair" credit rating	Mortgages with special approval	Excellent repayment capabilities	Very Strong repayment capabilities	Strong repayment capabilities	Satisfactory repayment capabilities	Weak repayment capabilities	Very weak repayment capabilities	Unrated	Total
Consumer Finance												
−Residential mortgage	12,926,951	1,501,339	1,064,522	9,695,158	—	—	—	—	—	—	5,890,663	31,078,633
−Cash card	—	—	—	—	352,115	560,920	118,691	8,647	364	549	—	1,041,286
−Microcredit	—	—	—	—	130,040	553,896	67,688	62,609	85,038	6,190	66,598	972,059
−Student loan	—	—	—	—	—	—	—	—	—	—	5,913,442	5,913,442
−Other	—	—	—	—	2,923,517	12,554,457	2,696,994	2,259,096	821,987	109,802	225,157	21,591,010
Total	12,926,951	1,501,339	1,064,522	9,695,158	3,405,672	13,669,273	2,883,373	2,330,352	907,389	116,541	12,095,860	60,596,430

December 31, 2013	Amount Neither Past Due Nor Impaired									
	Loans to Municipal Government	Excellent repayment capabilities	Very Strong repayment capabilities	Strong repayment capabilities	Above-average repayment capabilities	Satisfactory repayment capabilities	Weak repayment capabilities	Very weak repayment capabilities	Unrated	Total
Corporate Finance										
−Secured	—	58,807	1,053,776	1,513,714	6,739,028	12,083,103	8,151,153	9,751,961	6,974,948	46,326,490
−Unsecured	42,018,671	722,293	1,008,464	1,322,058	7,422,840	6,387,689	1,598,921	2,043,970	12,783,273	75,308,179
Total	42,018,671	781,100	2,062,240	2,835,772	14,161,868	18,470,792	9,750,074	11,795,931	19,758,221	121,634,669

(D) Credit quality of investment in securities

December 31, 2014	Amount Neither Past Due Nor Impaired				Amount past due but not impaired (B)	Amount impaired (C)	Total (A)+(B)+(C)	Amount provided for impairment loss (D)	Net (A)+(B)+(C)-(D)
	twAAA~twA- & AAA~A3	twBBB+~twBBB- & Baa1 ~ Baa3	Below or unrated	Subtotal (A)					
Available-for-sale financial assets	25,444,832	455,414	198,235	26,098,481	—	103,032	26,201,513	60,264	26,141,249
—Investment in bonds	5,744,700	455,414	—	6,200,114	—	—	6,200,114	—	6,200,114
—Investment in stocks	—	—	141,932	141,932	—	103,032	244,964	60,264	184,700
—Other	19,700,132	—	56,303	19,756,435	—	—	19,756,435	—	19,756,435
Held-to-maturity financial assets	2,746,339	—	—	2,746,339	—	—	2,746,339	—	2,746,339
—Investment in bonds	2,746,339	—	—	2,746,339	—	—	2,746,339	—	2,746,339
—Other	—	—	—	—	—	—	—	—	—
Other Financial Assets	126,420	38,200	1,200,564	1,365,184	—	125,940	1,491,124	75,899	1,415,225
—Investment in stocks	—	—	1,161,567	1,161,567	—	—	1,161,567	—	1,161,567
—Investment in bonds	126,420	38,200	38,997	203,617	—	125,940	329,557	75,899	253,658
—Other	—	—	—	—	—	—	—	—	—

December 31, 2013	Amount Neither Past Due Nor Impaired				Amount past due but not impaired (B)	Amount impaired (C)	Total (A)+(B)+(C)	Amount provided for impairment loss (D)	Net (A)+(B)+(C)-(D)
	twAAA~twA- & AAA~A3	twBBB+~twBBB- & Baa1 ~ Baa3	Below or unrated	Subtotal (A)					
Available-for-sale financial assets	18,184,727	811,437	253,438	19,249,602	—	—	19,249,602	—	19,249,602
—Investment in bonds	7,984,049	811,437	—	8,795,486	—	—	8,795,486	—	8,795,486
—Investment in stocks	—	—	192,515	192,515	—	—	192,515	—	192,515
—Other	10,200,678	—	60,923	10,261,601	—	—	10,261,601	—	10,261,601
Held-to-maturity financial assets	—	—	—	—	—	—	—	—	—
—Investment in bonds	—	—	—	—	—	—	—	—	—
—Other	—	—	—	—	—	—	—	—	—
Other Financial Assets	119,400	130,144	1,221,547	1,471,091	—	203,326	1,674,417	147,332	1,527,085
—Investment in stocks	—	—	1,118,567	1,118,567	—	—	1,118,567	—	1,118,567
—Investment in bonds	119,400	130,144	102,980	352,524	—	203,326	555,850	147,332	408,518
—Other	—	—	—	—	—	—	—	—	—

(7) Analysis of the aging of financial assets already past due but not yet impaired:

Delays in processing payments by borrowers and other administrative reasons could result in financial assets being past due but not yet impaired. According to the Bank and its subsidiary's internal risk management policies, financial assets past due within 90 days are not considered impaired, unless other evidences indicate otherwise.

The aging of financial assets already past due but not yet impaired is analysed as follows:

Item	December 31, 2014			December 31, 2013		
	Overdue for less than 1 month	Overdue for 1~3 months	Total	Overdue for less than 1 month	Overdue for 1~3 months	Total
Accounts receivable	1,562	1,484	3,046	3,926	1,764	5,690
－Credit cards	598	138	736	2,602	378	2,980
－Interest receivable	964	1,346	2,310	1,324	1,386	2,710
Discounts and loans	325,804	285,128	610,932	433,626	273,565	707,191
Consumer Finance	321,568	172,831	494,399	387,149	227,086	614,235
－Residential mortgage	194,503	80,643	275,146	204,101	90,684	294,785
－Cash card	979	－	979	2,687	294	2,981
－Microcredit	1,470	1,799	3,269	3,606	1,850	5,456
－Student loan	84,040	78,657	162,697	159,308	125,248	284,556
－Other	40,576	11,732	52,308	17,447	9,010	26,457
Corporate Finance	4,236	112,297	116,533	46,477	46,479	92,956
－Secured	2,961	90,507	93,468	25,132	14,663	39,795
－Unsecured	1,275	21,790	23,065	21,345	31,816	53,161

(8) Analysis of impairment of financial assets

A. Investment in bonds with no active market held by the Bank and subsidiaries were determined to have impaired upon assessment. As of December 31, 2014 and 2013, accumulated impairment recognised by the Bank and subsidiaries amounted to $75,899 thousand and $147,332thousand, respectively.

B. Analysis of impairment of discounts and loans and accounts receivable held by the Bank and subsidiaries by client were as follows:

Item		Total Discounts and Loans		Allowance for Doubtful Account	
		Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
With objective evidence of impairment	Individually assessed for impairment	251,695	1,195,438	175,805	423,170
	Collectively assessed for impairment	1,121,036	895,263	186,349	173,199
With no objective evidence of impairment	Collectively assessed for impairment	183,359,533	177,451,869	1,487,093	684,726
Total		184,732,264	179,542,570	1,849,247	1,281,095

Item		Total Accounts Receivable		Allowance for Doubtful Account	
		Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
With objective evidence of impairment	Individually assessed for impairment	66,647	69,390	34,323	43,591
	Collectively assessed for impairment	4,014	4,052	7,616(Note)	1,884
With no objective evidence of impairment	Collectively assessed for impairment	838,288	738,591	11,724	9,058
Total		908,949	812,033	53,663	54,533

(Note)：Including short-term advances-allowance for uncollectible accounts

(9) Foreclosed Collaterals Management Policy

Properties foreclosed by the Bank and subsidiaries were land and buildings. As of December 31, 2014 and 2013, the carrying amount of foreclosed properties was nil for all respective balance-sheet dates.

The foreclosed properties are sold where practicable. Proceeds from sale of foreclosed properties are offset against the outstanding balance. Foreclosed properties are listed under other assets on the balance sheet.

(10) Disclosures in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks":

A. Asset quality of non-performing loans and overdue accounts

Year / Month			December 31, 2014				
Type of Business			Amount of Non-Performing Loan (Note 1)	Total Loans	Non-Performing Loan Ratio (Note 2)	Allowance for Doubtful Accounts	Bad Debt Coverage Ratio (Note 3)
Corporate Finance	Secured		218,380	38,475,677	0.57	417,405	191.14
	Unsecured		218,828	72,655,327	0.30	1,079,561	493.34
Consumer Finance	Residential mortgages (Note 4)		180,201	39,215,152	0.46	222,112	123.26
	Cash cards		800	912,055	0.09	456	57.00
	Micro credit (Note 5)		40,193	1,388,082	2.90	36,566	90.98
	Other (Note 6)	Secured	176,540	30,108,233	0.59	89,575	50.74
		Unsecured	3,084	1,977,738	0.16	3,571	115.79
Loans total			838,026	184,732,264	0.45	1,849,247	220.67
			Amount of Overdue Accounts	Accounts Receivable Balance	Overdue Account Ratio	Allowance for Credit Loss	Bad Debt Coverage
Credit Card			67	198,891	0.03	1,217	1,816.42
Non-recourse factoring (Note 7)			—	—	—	—	—

Year / Month			December 31, 2013				
Type of Business			Amount of Non-Performing Loan (Note 1)	Total Loans	Non-Performing Loan Ratio (Note 2)	Allowance for Doubtful Accounts	Bad Debt Coverage Ratio (Note 3)
Corporate Finance	Secured		570,603	37,246,468	1.53	531,175	93.09
	Unsecured		84,878	80,455,133	0.11	581,432	685.02
Consumer Finance	Residential mortgages (Note 4)		172,476	31,704,820	0.54	101,021	58.57
	Cash cards		—	1,044,267	—	523	—
	Micro credit (Note 5)		48,198	1,469,984	3.28	20,091	41.68
	Other (Note 6)	Secured	198,721	25,533,161	0.78	45,710	23.00
		Unsecured	2,092	2,088,737	0.10	1,143	54.64
Loans total			1,076,968	179,542,570	0.60	1,281,095	118.95
			Amount of Overdue Accounts	Accounts Receivable Balance	Overdue Account Ratio	Allowance for Credit Loss	Bad Debt Coverage
Credit Card			283	164,964	0.17	1,792	633.22
Non-recourse factoring (Note 7)			—	—	—	—	—

Note 1: The amount of non-performing loans was presented in accordance with the "Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans". The amount included in overdue accounts for credit cards was represented in accordance with the Banking Bureau (4) Letter No.0944000378 dated July 6, 2005.

Note 2: Non-performing loan ratio = non-performing loans/ total loans. Overdue account ratio for credit cards = overdue accounts / balance of receivables.

Note 3: Coverage ratio for loans = allowance for doubtful accounts of loans/ amount of non-performing loans. Coverage ratio for credit card accounts receivables = allowance for credit loss /amount of overdue accounts.

Note 4: Residential mortgage is a form of financing secured by a residential property acquired (owned) by the borrower or his or her spouse or minor children, obtained by the borrower from the Bank for the purpose of purchasing the property or adding improvements to the dwelling.

Note 5: Micro credit is regulated by the Banking Bureau Letter (4) No. 09440010950, dated December 19, 2005. It is a type of finance other than credit obtained from credit cards or cash cards.

Note 6: Consumer finance – other, refers to other secured or unsecured consumer "loans other than residential mortgages", "cash cards and micro credit" and "excludes credit cards".

Note 7: Pursuant to the Banking Bureau (5) Letter No. 094000494 dated July 19, 2005, the amount of without recourse factoring will be recognized as overdue accounts within three months after the factor or insurance company resolved not to compensate the loss.

B. Non-performing loans or overdue receivables exempted from declaration to the competent authority:

Item	December 31, 2014		December 31, 2013	
	Balance of Non-performing Loans Exempt	Balance of Overdue Receivables Exempt	Balance of Non-performing Loans Exempt	Balance of Overdue Receivables Exempt
Amount exempt as a result of debt negotiation and performance in accordance with agreement (Note 1)	748	142	1,062	196
Amount exempt as a result of debt liquidation and restructuring plan (Note 2)	141,863	430	144,976	414
Total	142,611	572	146,038	610

Note 1: The amounts of non-performing loans and overdue receivables disclosed as a result of being exempt under debt negotiation arrangements pursuant to the Explanatory Letter Jin-Guan-Yin (1) No. 09510001270 dated April 25, 2006.

Note 2: The amounts of non-performing loans and overdue receivables disclosed as a result of being exempt under the debt liquidation and restructuring plan pursuant to the Explanatory Letter Jin-Guan-Yin (1) No. 09700318940 of the FSC dated September 15, 2008.

C. Concentration of credit risk exposures of the Bank and subsidiaries:

Year	December 31, 2014			December 31, 2013		
Ranking (Note 1)	Industry (Note 2)	Total Loans Outstanding (Note 3)	As a percent of current net worth (%)	Industry (Note 2)	Total Loans Outstanding (Note 3)	As a percent of current net worth (%)
1	A Group (Ship and Parts Manufacturing Industry)	2,696,646	23.80%	A Group (Sports Stadium Industry)	1,725,802	16.06%
2	B Group (Sports Stadium Industry)	1,504,268	13.28%	B Group (Real Estate Development Industry)	1,277,040	11.88%
3	C Group (Real Estate Development Industry)	1,433,370	12.65%	C Group (Ship and Parts Manufacturing Industry)	1,272,360	11.84%
4	D Group (Ship and Parts Manufacturing Industry)	1,320,316	11.65%	D Group (Real Estate Development Industry)	1,233,484	11.48%
5	E Group (Short term accommodation)	1,093,769	9.65%	E Group (Other Financial Intermediation Industry)	925,665	8.61%
6	F Group (Investment Consulting Industry)	1,088,956	9.61%	F Group (Real Estate Development Industry)	896,074	8.34%
7	G Group (Real Estate Development Industry)	1,059,992	9.36%	G Group (Investment Consulting Industry)	888,643	8.27%
8	H Group (Iron and Steel Rolls over Extends and Crowding Industry)	1,031,879	9.11%	H Group (Iron and Steel Rolls over Extends and Crowding Industry)	886,360	8.25%
9	I Group (Financial leasing industry)	903,730	7.98%	I Group (Real Estate Leasing and Sale Industry)	822,291	7.65%
10	J Group (Real Estate Leasing and Sale Industry)	894,503	7.89%	J Group (Other Unclassified Real Estate Industry)	756,000	7.03%

Note 1: The top ten enterprise groups other than governmental and public-sector enterprises according to their total amounts of outstanding loans.

Note 2: The term "enterprise group" refers to a group of corporate entities as defined by Article 6 of the "Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings".

Note 3: Total outstanding loan amount is the sum of balances of all types of loans (including import negotiation, export negotiation, bills discounted, overdraft, short-term loan, short-term secured loan, margin loans receivable, medium-term unsecured loan, medium-term secured loan, long-term unsecured loan, long-term secured loan and overdue loan), bills purchased, without recourse factoring, acceptances receivable and guarantees.

Note 4: Total loans as a percentage of current net worth: net worth for domestic banks is calculated using the net worth of the Head Office where net worth for branch(es) of a foreign bank in Taiwan shall be calculated using the net worth of the branch(es).