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BANK OF KAOHSIUNG

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Chairman

In 2015, deposits and loans enjoyed sustained growth under the full effort of the management team and all associates. The offshore services, treasury investment, and wealth management are also well performed. Earnings after taxation amounted to $591 million, indicating growth of 16.11% as compared with the same period of 2014. Earnings per share after taxation amounted to $0.76, an increase of 15.15% from 2014. Asset quality and financial structure improved with a better NPL ratio at 0.48% and a historic high bad debt coverage ratio at 249.73%, which was 220.67% at the end of the previous year.

In 2016, with a lower base period and the elimination of various negative factors (like the slowdown of economic growth in Mainland China, the fall of the international oil price, and the rise of the interest rate of the US FED), the domestic economy is expected to pick up its momentum. The Bank will continue to observe its corporate philosophy of "Conservative in operation, adjustment of structure, increase of profit, prompt for transformation, value internal control, and optimization of information" to further our competitive advantage, cut costs and increase profits efficiently and creates outstanding operation results.

Reviews of our operations in 2015 and our business plans for 2016 are described in following pages.

1.1 Operating Performance in 2015

1.1.1 Domestic and Foreign Economic and Financial Environment

1.1.1.1 Economic Outlook

In 2015, the global economy and the financial environment was on the downturn, with international oil prices and bulk commodities plummeting. This triggered financial turbulence in the emerging economies. Most countries responded by adjusting their interest rate downward, devaluing their currencies, and launching quantitative easing policies. The Taiwan economy was also affected. Exports shrank for consecutive months and domestic spending was in the doldrums. Annual economic growth was only 0.75%.

Huang Moan-sheng

President

1.1.1.2 Financial Situation

The US FED triggered an interest rate cut at the end of 2015. However, global economic growth is not as expected and most countries continued to cut their interest rate (even at negative rates) and devalue their currencies so as to stimulate the frail economy. The result was a great anxiety to the stock markets and foreign exchange markets worldwide. The Central Bank of Taiwan is no exception. It cut the interest rate twice so as to ease the money supply and devalue the local currency with an attempt to boost investment and mitigate declining exports. The Executive Yuan also launched certain measures to vitalize domestic consumption and cut the commodity tax on motor vehicles to stimulate demand in the domestic market.

1.1.2 Transformation of the Bank's Organization

1.1.2.1 The Legal Affairs Division was renamed the "Legal Compliance Division" with effect on January 27, 2015.

1.1.2.2 Collection of overdue loans, a function previously performed by the former Legal Affairs Division, was transferred to the "Loan Management Division". The "Debt Management Center" was established on January 27, 2015 for administering the collection of overdue loans.

1.1.3 Results of Business Plans and Operating Strategies for FY 2015

Unit：NT$/US$ 100 Million, %

FY / Item	2015	2014	Increase (or decrease) amount	Increase (or decrease) ratio
Deposit Business	2,338.04	2,164.55	173.49	8.02
Loan Business	1,768.64	1,763.00	5.64	0.32
Foreign Exchange Business (US$)	53.65	53.47	0.18	0.34
Commission & service fees	5.08	4.70	0.38	8.09

1.1.4 Execution of Business Target:

In 2015, the average deposits balance was NT$233.804 billion, or 109.77% of the deposits target; the average loans balance was NT$176.864 billion, or 100.49% of the loans target; foreign exchange business was US$5.365 billion, or 89.42% of the target; commission & service fees was NT$508 million, or 95.74% of the target; net income before tax was NT$642 million, or 121.54% of the target.

1.1.5 Analyses of Financial Revenue, Expenditure and Profitability

The changes in 2015 in budget settlement as compared with the same period of the previous year (2014) are shown below:

Unit : NT$ Million,%

Item		2015	2014 (re-compilation)	Increase (or decrease) amount	Increase (or decrease) ratio
Net interest revenue		2,482	2,468	14	0.57
Net non-interest revenue		782	897	(115)	(12.82)
Net revenue		3,264	3,365	(101)	(3.00)
Credit loss expenses		(371)	(691)	(320)	(46.31)
Operating expenses		(2,251)	(2,174)	77	3.54
Income before tax		642	500	142	28.40
Net income		591	509	82	16.11
EPS on after income tax		0.76	0.66	0.10	15.15
ROA	Before income tax	0.24	0.20	0.04	—
	After income tax	0.22	0.20	0.02	—
ROE	Before income tax	5.53	4.63	0.90	—
	After income tax	5.09	4.61	0.48	—

1.1.6 Status of R & D

We continue to study worldwide economic and financial conditions, and analyze the dynamic data of major industries in Taiwan. Analytical reports on economy, finance, and major industries are presented on a regular basis. For significant economic and financial topics that are related to banking operations and industries to which we have credit exposure, research papers are drafted as the reference for business development.

1.2 Business Plan in 2016

1.2.1 Business objectives and Important Operating Policies

1.2.1.1 Loans- Adjust the asset structure of loans within the limited scale of capital:

(1) Increase the proportion of loans to small and medium enterprises and give full support to the local industry.

(2) Expanding loans in foreign currencies to increase revenue.

1.2.1.2 Deposits – reducing the cost of capital:

(1) Continue to hold competitions on New Taiwan Dollar demand deposit for the purpose of adding demand deposit.

(2) Flexibly adjust the proportion of large denomination time deposits in consideration of the growth of general deposits of The Bank.

1.2.1.3 Non-interest revenues – increasing the percentage of revenue that does not require the input of capital:

(1) Mutual fund and insurance commission revenue are the twin engines of wealth management revenue.

(2) Stock investment is the operation that generates steady cash dividend and capital gains.

1.2.1.4 International banking – seizing the business opportunities in overseas markets and increasing the percentage of profit from international banking operations:

(1) Starting OBU trust services to increase fee revenue.

(2) The Bank increases the investment in securities denominated in foreign currencies at the OBU to increase the gains of financial operations.

1.2.1.5 Positive effort in the advocacy of eBanking – bolstering the development of mobility, convenience and personalized financial needs:

(1) Continue to upgrade Internet Banking and big data precision marketing.

(2) Advocacy of eBanking with the introduction of technology to reduce the workload of over-the-counter.

1.2.1.6 Organizational re-engineering:

(1) Bring the eBanking team into full play and promoting the automation of all the existing services for transformation to Bank 3.0.

(2) In response to the development of eBanking operations, the bank will fortify the quality of human resources and provide transformation training to staffs.

1.2.1.7 Internal control – taking care of both risk control and operational capacity:

(1) Continuing to improve the review mechanism and implementing self-inspection to prevent frauds.

(2) Supervisors of business units should improve the assistance and oversight on the operations of branches.

1.2.2 Expected Business Objective

1.2.2.1 Average Deposits Balances : NT$ 230.00 billion.

1.2.2.2 Average Loans Balances : NT$ 176.00 billion.

1.2.2.3 Foreign Exchange Sales : US$ 5.60 billion.

1.2.2.4 Commission and Service Fees : NT$ 0.542 billion..

1.3 Development Strategy in Future

1.3.1 Medium term goal: Transform the Bank's organization, expand operating size and grow to be an excellent bank among domestic banks.

The Bank will promote organizational re-engineering, increase operational performances for expanding operating size, causing business and finances to be stronger, and then the Bank will become an excellent bank among domestic banks.

1.3.2 Long term goal: The Bank shall become an excellent bank in Asia Pacific through consolidation and expanding the Bank's business territory.

Through consolidation, The Bank will expand the Bank's business territory and capital size while assuring shareholder's rights and to become an excellent bank in Asia Pacific.

1.4 The Impact of the external Competitive Environment, Regulatory Environment, and Macroeconomic Environment

1.4.1 External competitive environment

The application of advanced technologies changed the pattern and method of payments incrementally. The legislation of the "Act Governing Electronic Payment Institutions" and the "Act Governing the Issuance of Electronic Stored Value Cards" contributed to the sound operation and development of electronic issuance institutions, enhanced the function of payment tools and the convenience of payment. However, the Bank is then bound to confront the competition and challenges from non-financial institutions' third party payment businesses.

Further to the proactive action in launching Bank 3.0, the Bank also joined the Taiwan mobile payment company (twMP) in the mobile payment service and is one of the first 18 financial institutions offering mobile banking cards and credit cards. In addition, the bank unveiling a new generation of Internet Banking system so as to create an eBanking environment, save the time of customers and the cost of manpower of in over-the-counter business, bolster customer loyalty and search for a new mode operation for survival and profit.

1.4.2 Regulatory environment

The authority ordered domestic banks to strengthen their control capacity and risk affordability of risk exposure in Mainland China. The Bank has adjusted the provision for bad debts from the balance of Category I loans to Mainland China (including short-term trade financing) and liquidity reserves to above 1.5% by the end of December 2015.

According to the amendment of the Company Act, the recipients of non-profit distribution of employee bonuses and remunerations shall be explicitly stated in the Articles of Incorporation with the fixed amount or percentage of the current year profit for such purpose. The Bank will amended its Articles of Incorporation by explicitly stating the remunerations to employees and Directors and Supervisors in the General Meeting of Shareholders in 2016.

Due to the amendment of the Labor Standards Act, the ranking of claims of labor wages, pension and severance pay is in line with the first priority collateral. In handling secured Real Estate (owned by the borrower) loans with corporate borrowers, the Bank shall make inquiry "R08" with the Joint Credit Information Service Center at the consent of the corporate borrower and specify in the Credit Investigation Report the status of the contribution of the employers to the labor pension fund and related situations.

1.4.3 Macroeconomic environment

The global economy is still uncertain with hidden trouble, including the start of the US rising interest rate cycle, which may trigger the competing devaluation of the currencies in emerging economies. This is echoed by the sluggish economic growth in Mainland China and the falling international oil price. These factors will continue to affect the stability of global financial market. As such, the domestic financial market will confront challenges and uncertainty.

The Financial Supervisory Commission (FSC) continues its two-prone monitoring principle. On the one hand, the FSC seeks to deregulate the financial market pro-actively and encourage financial institutions to engage in innovative development. On the other hand, the FSC bolsters control by category so as to ensure compliance with laws and protection of consumers. The Central Bank does not rule out further cuts of the interest rate to maintain the QE policy for the effective control of the two-rate policy and ensure the momentum for domestic economic growth.

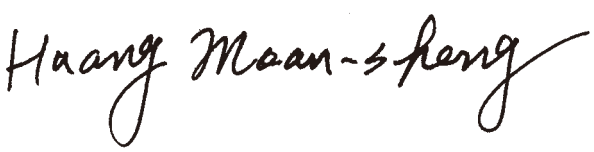
The Bank will continue its corporate philosophy of stable growth in business and develop the market of Taiwan in greater depth with the expansion of overseas banking business. This will help to enhance profitability and provide innovative and diversified financial services to the customers. The rights and privileges of the customers, shareholders, and employees will be the core value. Under the corporate philosophy of "Conservative in operation, adjustment of structure, increase of profit, prompt for transformation, value internal control, and optimization of information", The Bank will emerge as a domestic bank in good quality.

1.5 The Bank's Most Recent Credit Rating Result and Date of Rating

Fitch Australia Pty Ltd. Taiwan Branch announced that the Bank's long-term credit rating was "A+(twn)", and short-term credit rating "F1+(twn)". The outlook was rated as "stable" on March 21, 2016.

Chairman

President



Directors Team of BOK

Chairman
Ruey-Tsang Lee

Independent Director and Managing Director
Wen-Yuan Lin

Managing Director
Li-Ming Hsu

Managing Director
Chen-Cheng Chien

Independent Director
Mei-Yueh Ho

Independent Director
Tzen-Ping Su

Director
Richard Lee

Director
Chien-Tsai Chao

Director
Jueifang P. Chen

Director
Tsung-Kun Lee

Director
Chung-Hsin Liu

2.1 Date of Incorporation : Jan. 13, 1982

2.2 Company History

Formerly Known as “City Bank of Kaohsiung Co., Ltd.” and called “City Bank of Kaohsiung” for short, the Bank changed the Bank’s name to “Bank of Kaohsiung Co., Ltd.” on Jan. 1, 1994 and hereunder is abbreviated to “Bank of Kaohsiung” (BOK). In the beginning of the Bank’s establishment, the initial paid-in capital was NT$ 450 million, 99.994% of which was put up by the Kaohsiung City Government. After several capital increases in the past 34 years and the privatization, the total paid-in capital has amounted to NTD7,788,659,250 to Mar. 2016. In the past 34 years, in order to positively improve the operating constitution, strengthen the financial transparency and raise the Bank’s competence, BOK stocks were listed on the TSE on May 18, 1998. The Bank was privatized on Sep. 27, 1999 and was upgraded as a national bank under the approval of the Minister of Finance on May 31, 2001.

2.3 The status of the following operation in 2015 to the end of March 2016:

2.3.1 Mergers and Acquisition of Banks, direct investment in affiliates and reorganization: None.

2.3.2 Under the category of special financial holding companies: the Company does not fall into the category of special financial holding companies.

2.3.3 Where the directors and others are required to declare their equity holding pursuant to Article 25-3 of the Banking Act, their transactions or switching of shares in massive volume: None.

2.3.4 The effect of the change in the management, mode of operation, or significant change in the content of business on shareholders’ equity: None.

Under the leadership of board of directors and chairman of the board, chief operating team.

President
Moan-Sheng Huang

Exec. Vice President
Johnson Huang

Exec. Vice President
Jin-Ann Wang

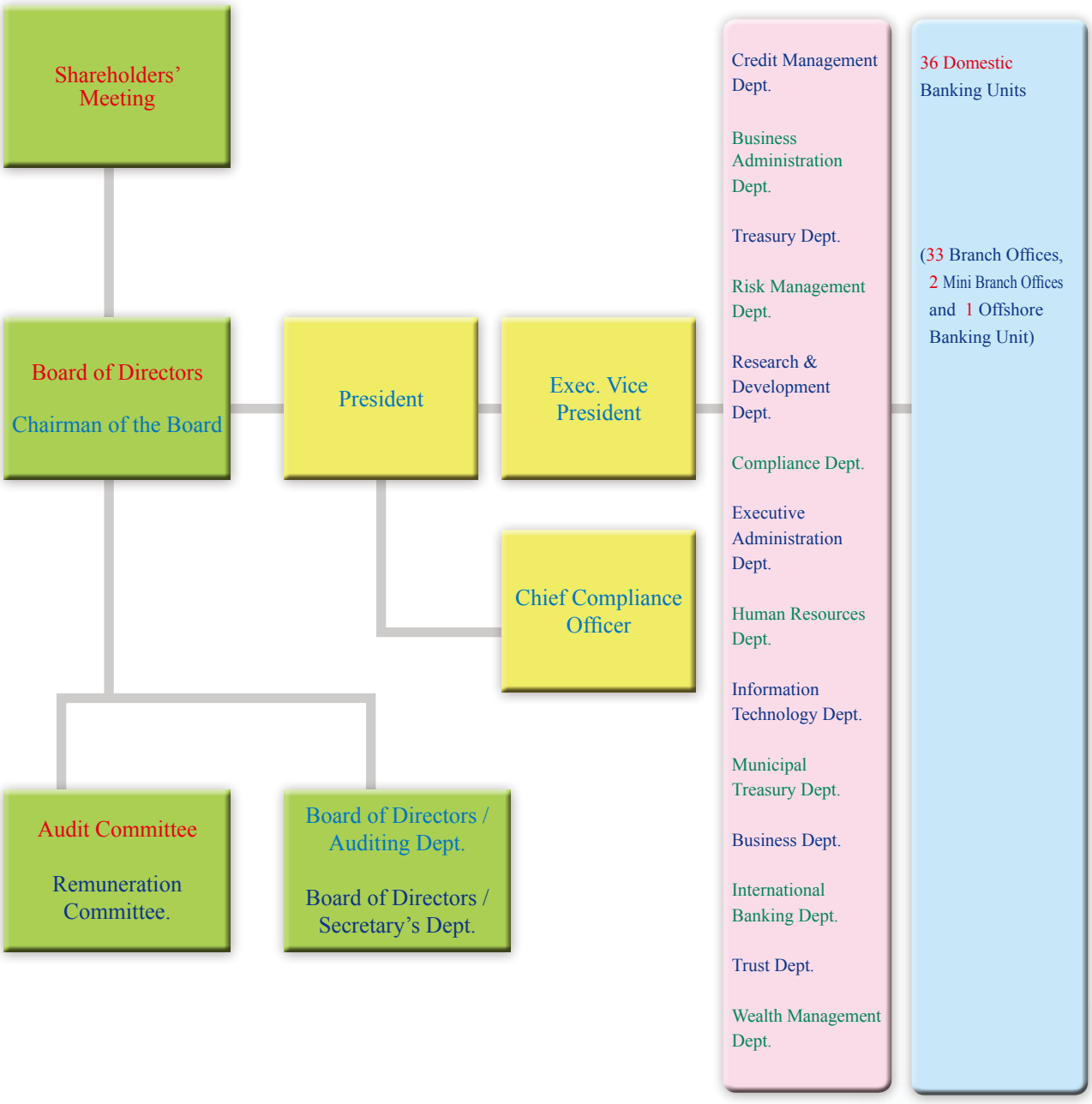
Chief Auditor
Chung-Chen Lin

Counsel and Chief Secretary
Tsui-Mei Hsu

Chief Compliance Officer
Te-Chin Chou

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

1. Credit Management Dept. :

   Planning, promotion, review, credit investigation, management for loans and credit cards, economic studies, appraisal of collateral, overdue loans reminder management and related business guidance and consulting.

2. Business Administration Dept. :

   Management, planning and accounting and statistics for budget and final accounts of the whole business of the Bank except credit, foreign exchange, and trust business; processing of public-benefit lotteries and agent services for other related business.

3. Treasury Dept. :

   Capital management; undertake, purchase & sell of marketable securities underwriting; purchase & sell of government bonds; brokerages, purchase & sell, certification and underwriting of short-term notes; acting as the agent for raising government bonds and handling related repayment; planning and execution of investment; and management of assets and liabilities.

4. Risk Management Dept. :

   Planning and supervision of the Bank's risk control.

5. Research & Development Dept. :

   Synthetic planning, research, development and innovation of operation. Assessment, application for new branches, relocation planning, application for manager's certificates, credit rating, compilation of annual reports.

6. Compliance Dept. :

   The planning, management, execution, review, oversight, and training of compliance affairs; administrative affairs in legal fields, such as the review of contracts and documents, legal consultation, provision of legal opinion, and litigation processing.

7. Executive Administration Dept. :

   General administration, cash payment and receiving, fixing and maintenance, property, documentation, seals, public relations, bill protection and security of branches, and other affairs irrelevant to financial business which are not managed by any unit of the head office.

8. Human Resources Dept. :

   Planning, assessment, management, business trips and leaves, training, wages, welfare, and retirement pay and pension of human resources and labor-capital relations.

9. Information Technology Dept. :

   Planning, design and operating management of automatization.

10. Municipal Treasury Dept. :

    Design and promotion for business of Municipal and City treasuries. Custody of City-owned securities. Guidance and supervision on branch business.

11. Business Dept. :

    Various types of deposits, loans, foreign exchange, domestic remittance, guarantee, cash payment and receiving, capital management, and other financial service.

12. International Banking Dept. :

    Managing, Planning and promotion of foreign remittance, deposits, loans, guarantee, cash payment and receiving and other foreign exchange business.

13. Trust Dept. :

    Handling trust business approved by the central competent authority with planning, promotion, and execution of subsidiary business.

14. Wealth Management Dept. :

    Programming, promotion and execution of wealth management business, management and appraisal of wealth management personnel, and guidance of the marketing planning and management of banking insurance.

3.2 Directors and Management Team

3.2.1 Directors

A. Information on Directors .

2016.4.24

Title	Nationality or registered	Name	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected (Joint Shareholding in Kaohsiung City Government)		Current Shareholding (Joint Shareholding in Kaohsiung City Government)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouse or within tow degree of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C.	Ruey-Tsang Lee (Representative of Kaohsiung City Government)	2015.11.20	2017.06.18	2012.11.01	325,855,912	45.19	350,041,588	44.94	0	0	0	0	Political Deputy Minister, Ministry of Finance Director General of National Property Administration, Ministry of Finance Director General of Finance Bureau, Kaohsiung City Government Secretary General, Kaohsiung City Government	Director, Waterland Securities Co., Ltd., Taiwan Finance Corporation Co., Ltd.	None	None	None
Independent Director and Managing Director	R.O.C.	Wen-Yuan Lin	2014.06.19	2017.06.18	2008.06.19	0	0	0	0	0	0	0	0	Chairman, China Steel Corporation Chairman, Taiwan Styrene Monomer Co.	Chairman, Eastern Intergrated Marketing Inc.; Director, Taiwan Styrene Monomer Co., South Kosan Co., Ltd., Right Way Industrial Co., Ltd.	None	None	None
Managing Director	R.O.C.	Li - Ming Hsu (Representative of Kaohsiung City Government)	2014.06.19	2017.06.18	2009.06.18	325,855,912	45.19	350,041,588	44.94	0	0	0	0	Director-general of Information Department, Director, Research,Development and Evaluation Commission, Kaohsiung City Government	Deputy Mayor, Kaohsiung City Government	None	None	None
Managing Director	R.O.C.	Chen-Cheng Chien (Representative of Kaohsiung City Government)	2015.12.17	2017.06.18	2014.06.19	325,855,912	45.19	350,041,588	44.94	0	0	0	0	Deputy Director General Finance Bureau, Kaohsiung City Government	Director General Finance Bureau Kaohsiung City Government; Supervisor, Kaohsiung Rapid Transit Corporation	None	None	None
Independent Director	R.O.C.	Mei-Yueh Ho	2014.06.19	2017.06.18	2008.06.19	0	0	0	0	0	0	0	0	The Administrative Committee of the Executive Yuan and Council for Economic Planning And Development	Independent Director, KINPO Electronics Inc., AU Optronics Corporation, Advanced Semiconductor Engineering Inc.	None	None	None
Independent Director	R.O.C.	Tzen-Ping Su	2014.06.19	2017.06.18	2011.06.16	0	0	0	0	0	0	0	0	Chairman, Central News Agency, CNA	Chairman, Advance Media Social Enterprise Co.; Director, Mainfarm trading Co., Chia Tai Enterprise Co. LTD.	None	None	None
Director	R.O.C.	Richard Lee (Representative of Kaohsiung City Government)	2014.06.19	2017.06.18	2011.06.16	325,855,912	45.19	350,041,588	44.94	0	0	0	0	Arbitrator, The Arbitration Association of The Republic of China	Chairman, Chu Long Bao Industry Co. Ltd. ; Partner Attorney, Yuan Chen Law Office ; Supervisor, Taiwan Styrene Monomer Co., Hwang Yen Health Preserving business Co. Ltd.	None	None	None
Director	R.O.C.	Chien-Tsai Chao (Representative of Kaohsiung City Government)	2014.06.19	2017.06.18	2009.06.18	325,855,912	45.19	350,041,588	44.94	0	0	0	0	President, Tang Eng Iron Works co., Ltd.	Director, Chyang Dah Stainless co., Ltd. Chairman, Teng Wang Enterprise	None	None	None
Director	R.O.C.	Jueifang P. Chen (Representative of Kaohsiung City Government)	2014.06.19	2017.06.18	2005.03.15	325,855,912	45.19	350,041,588	44.94	0	0	0	0	MBA, Northern Arizona University Executive director, Bank of Kaohsiung Corporate Union	Assistant Vice President & Assistant General Manager, Trsut Dept., Bank of Kaohsiung	None	None	None
Director	R.O.C.	Tsung-kun Lee (Representative of Bank of Kaohsiung Corporate Union)	2014.06.19	2017.06.18	2014.06.19	815,099	0.11	925,596	0.12	0	0	0	0	Executive director, Bank of Kaohsiung Corporate Union Division Chief Research & Development Dept., Bank of Kaohsiung	Director, Bank of Kaohsiung Corporate Union; Staff Officer, Human Resources Dept., Bank of Kaohsiung	None	None	None
Director	R.O.C.	Chung-Hsin Liu (Representative of Jinn Her Enterprise Co., Ltd.)	2014.06.19	2017.06.18	2014.06.16	29,361,446	4.07	41,195,800	5.29	0	0	0	0	Deputy Director General Finance Bureau, Kaohsiung City Government	–	None	None	None

Note：1. The names of juridical person shareholders, please refer to page 12 "Major Shareholders of the institutional."
2. Chairman Ruey-Tsang Lee was appointed to be Managing Director by the juridical person shareholder, Kaohsiung City Government, on Nov.1, 2012~Nov.19, 2015 , and elected as Chairman on Nov. 20, 2015.
3. Managing Director Li- Ming Hsu was appointed to be Supervisor by the juridical person shareholder, Kaohsiung City Government, on July 6, 2007~Jun.19, 2008, elected as Director on Jun. 18, 2009, and elected as Managing Director on Sep. 17, 2012.
4. Managing Director Chen-Cheng Chien was appointed to be Director by the juridical person shareholder, Kaohsiung City Government, on Jun.19, 2014~Dec.16, 2015 , and elected as Managing Director on Dec. 17, 2015.
5. Jinn Her Enterprise Co., Ltd. was appointed to be Supervisor on Jun. 16, 2011, elected as Director on Jun. 19, 2014.
6. Above "Other Position" data is base on Apr. 6, 2016.

B. Major shareholders of the institutional shareholders.

Name of institutional shareholders	Major shareholders of theinstitutional shareholders
Kaohsiung City Government	Belong to government agencies.
Bank of Kaohsiung Corporate Union	Belong to corporation aggregate.
Jinn Her Enterprise Co., Ltd.	Yong-Yu Tsai (21.64%), Yong-Quan Tsai (20.73%), His-Hui Chen (18.70%), Hsiung-Tien Tsai (12.12%), Sung-Han Tsai (9.88%), Jung-Tai Tsai (9.81%), Xiu-Xiang Chang Tsai (6.38%)

Note : Major shareholders of the major shareholders that are juridical persons : None.

C. Professional qualifications and independence analysis of directors.

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the business Needs of the Bank in a public or private Junior college, College or university	A Judge, Public Prosecutor, Attorney, CPA, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Bank	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Bank	1	2	3	4	5	6	7	8	9	10	
Ruey-Tsang Lee			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Wen-Yuan Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Li- Ming Hsu			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Chen-Cheng Chien		✓	✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Mei-Yueh Ho			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Tzen-Ping Su			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Richard Lee		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Chien-Tsai Chao			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Jueifang P. Chen			✓		✓	✓	✓	✓	✓	✓	✓	✓		0
Tsung-kun Lee			✓		✓	✓	✓	✓	✓	✓	✓	✓		0
Chung-Hsin Liu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0

Note : Please tick the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office.

1. Not an employee of the Bank or any of its affiliates.
2. Not a director or supervisor of the Bank affiliates. The same does not apply, however, in cases where the person is an independent director of the Bank, its parent company, or any subsidiary in which the Bank holds, directly or indirectly, more the 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding share of the Bank or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding share of the Bank or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Bank.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Bank or to any affiliate of the Bank, or a spouse therof. But, exclude the members of the remuneration committee, they exercise Article 7 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Bank.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Management Team

2016.4.24

Title	Nationality	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degree of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	R.O.C.	Moan-Sheng Huang	2013.01.09	11,262	0.0014	0	0	0	0	General Manager and Chief, Landbank	None	None	None	None
Exec. Vice President	R.O.C.	Jin-Ann Wang	2014.02.27	86,758	0.0111	0	0	0	0	Vice President and General Manager, Bank of Kaohsiung	Director, Kaohsiung Bank General Insurance Agency Co., Ltd.	None	None	None
Exec. Vice President and Vice President and General Manager, Risk Management Dept., and Research & Development Dept.	R.O.C.	Johnson Huang	2014.02.27	26,978	0.0035	0	0	0	0	Vice President and General Manager, Bank of Kaohsiung	Director, Kaohsiung Bank General Insurance Agency Co., Ltd.	None	None	None
Chief Auditor	R.O.C.	Chung-Chen Lin	2011.01.18	34,087	0.0044	0	0	0	0	Chief Auditor, Bank of Kaohsiung	None	None	None	None
Counsel and Chief Secretary	R.O.C.	Tsui-Mei Hsu	2014.02.27	98,144	0.0126	0	0	0	0	Chief Secretary, Bank of Kaohhsiung	Director, Kaohsiung Bank General Insurance Agency Co., Ltd.	None	None	None
Chief Compliance Officer and Vice President and General Manager, Compliance Dept.	R.O.C.	Te-Chin Chou	2015.01.27	31,678	0.0041	0	0	0	0	Vice President and General Manager, Bank of Kaohsiung	Supervisor, Kaohsiung Bank Insurance Agency Co.,Ltd. and Kaohsiung Bank General Insurance Agency Co., Ltd.	None	None	None
Vice President and General Manager, Business Administration Dept.	R.O.C.	Anna Hsu	2012.07.01	26,816	0.0034	0	0	0	0	Vice President and General Manager, Bank of Kaohsiung	None	None	None	None
Vice President and General Manager, Credit Management Dept.	R.O.C.	Ting-Lien Lin	2012.07.01	49,158	0.0063	0	0	0	0	Vice President and General Manager, Bank of Kaohsiung	Supervisor, Kaohsiung Bank Insurance Agency Co., Ltd. and Kaohsiung Bank General Insurance Agency Co., Ltd.	None	None	None
Vice President and General Manager, Human Resources Dept., and Executive Administration Dept.	R.O.C.	Shiu-Hui Liu	2015.03.02	29,972	0.0038	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
Vice President and General Manager, Treasury Dept. and General Manager, OBU Branch	R.O.C.	J.C. Shou-Jen Chen	2008.04.01	128,751	0.0165	0	0	0	0	Vice President and General Manager, Bank of Kaohsiung	None	None	None	None
Vice President and General Manager, Information Technology Dept.	R.O.C.	I-Fen Chen	2011.02.24	100,730	0.0129	0	0	0	0	Vice President and General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Municipal Treasury Dept.	R.O.C.	Mei-Ling Chen	2012.07.01	61,411	0.0079	0	0	0	0	Vice President and General Manager, Bank of Kaohsiung	Director, Kaohsiung Bank Insurance Agency Co., Ltd. and President, Kaohsiung Bank General Insurance Agency Co., Ltd.	None	None	None
General Manager, International Banking Dept.	R.O.C.	Shuen-Hua Chen	2012.09.07	26,158	0.0034	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Trust Dept.	R.O.C.	Ching-Hui Lin	2015.03.02	25,439	0.0033	0	0	0	0	Deputy General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Wealth Management Dept.	R.O.C.	Yuan-Chin Shiang	2013.03.01	81,302	0.0104	0	0	0	0	General Manager, Bank of Kaohsiung	Director and President, Kaohsiung Bank Insurance Agency Co., Ltd. And Director , Kaohsiung Bank General Insurance Agency Co., Ltd.	None	None	None
General Manager, Business Dept.	R.O.C.	Jung-Tai Chang	2015.03.02	25,540	0.0033	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Gangshan Benjhou Branch	R.O.C.	Ming-Hung Wu	2012.12.17	65,737	0.0084	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Feng Shan Branch	R.O.C.	Tung-Chiang Sung	2013.03.01	26,084	0.0033	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Chien Chin Branch	R.O.C.	Ying-Mien Hsu	2014.04.01	27,950	0.0036	0	0	0	0	Deputy General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, San Min Branch	R.O.C.	Yi-Chen Yu	2014.04.01	30,932	0.0040	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Tso Ying Branch	R.O.C.	Shu-Z. Chen	2014.04.01	8,153	0.0010	0	0	0	0	Deputy General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Hsiao Kang Branch	R.O.C.	Hsien-Kuo Chen	2015.05.01	31,471	0.0040	85,081	0.0109	0	0	General Manager, Bank of Kaohsiung	None	General Manager	Li-Hwa Chen	Spouse

Title	Nationality	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degree of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
General Manager, Tao Yuan Branch	R.O.C.	Chuan-Pin Kao	2009.10.22	25,270	0.0032	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Chien Chen Branch	R.O.C.	Yen-Ching Hsien	2014.04.01	43,005	0.0055	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Yu Chang Branch	R.O.C.	Hueng-Fen Yen	2014.04.01	33,384	0.0043	0	0	0	0	General Manager, Bank of Kaohsiung	Director, Ochi Technology Co., Ltd.	None	None	None
General Manager, Wan Nei Branch	R.O.C.	Shiow-Lien Su	2015.03.02	97,745	0.0125	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Pin Tung Branch	R.O.C.	Chiu-Lan Hsu	2014.04.01	33,218	0.0043	0	0	0	0	Deputy General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Kwei Lin Branch	R.O.C.	Chiu-Chin Huang	2015.03.02	41,611	0.0053	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Liu Ho Branch	R.O.C.	Hsien-Cheng Huang	2015.03.02	134,637	0.0173	61,123	0.0078	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Nan Tze Branch	R.O.C.	Wei-Min Wu	2011.10.26	28,894	0.0037	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Ku Shan Branch	R.O.C.	Chi-Jen Lin	2016.03.01	34,535	0.0044	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Chien Kuo Branch	R.O.C.	Tzu-Dan Yen	2015.03.02	29,270	0.0038	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Chiu Ju Branch	R.O.C.	Trey-Shin Lee	2016.03.01	59,588	0.0077	1,006	0.0001	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Yen Cheng Mini Branch	R.O.C.	Mei-Chu Chang	2014.04.01	44,094	0.0057	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Tsao Ya Branch	R.O.C.	Ching-Tsan Chen	2011.10.26	31,068	0.0040	29,244	0.0038	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Banciao Branch	R.O.C.	Te-Ching Wan	2011.10.26	52,162	0.0067	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Tai Nan Branch	R.O.C.	Wen-Lueh Su	2015.03.02	32,562	0.0042	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, San To Branch	R.O.C.	Wen-Hau Sher	2014.04.01	31,006	0.0040	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Da Fa Branch	R.O.C.	Chia-Hung Chen	2014.04.01	5,977	0.0008	17,584	0.0023	0	0	Deputy General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Ta Chih Branch	R.O.C.	Don Huang	2012.09.07	33,152	0.0043	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Tai Chung Branch	R.O.C.	Hwa-Jen Lee	2016.03.01	33,342	0.0043	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Chi Chin Mini Branch	R.O.C.	Yao-Huan Lin	2014.04.01	27,292	0.0035	0	0	0	0	Deputy General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Nan Kaohsiung Branch	R.O.C.	Shih-Hung Huang	2014.04.01	10,335	0.0013	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Dali Branch	R.O.C.	Yu-Huey Tsao	2015.03.02	28,634	0.0037	0	0	0	0	Deputy General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Hsin Chu Branch	R.O.C.	Hsien- Chung Liao	2010.03.08	24,995	0.0032	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Shih Fu Branch	R.O.C.	Pi-Jung Ko	2015.03.02	65,638	0.0084	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Chung Ho Branch	R.O.C.	Chuck Chen	2012.09.07	34,270	0.0044	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Taipei Branch	R.O.C.	Wen-Lung Ting	2012.09.07	31,350	0.0040	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Min Cheng Branch	R.O.C.	Li-Hwa Chen	2012.04.03	85,081	0.0109	31,471	0.0040	0	0	General Manager, Bank of Kaohsiung	None	General Manager	Hsien-Kuo Chen	Spouse
General Manager, Pei Kaohsiung Branch	R.O.C.	Ming-Ta Yang	2015.03.02	22,693	0.0029	0	0	0	0	General Manager, Bank of Kaohsiung	None	None	None	None
General Manager, Po Ai Branch	R.O.C.	Hui-Wen Chiu	2016.03.01	8,458	0.0011	0	0	0	0	Deputy General Manager, Bank of Kaohsiung	None	None	None	None

3.3 Remuneration of Directors, President, and Vice President.

3.3.1 Remunerations of Directors (Independent Directors)

Unit：NT$ Thousand in 2015.1.1~ 2015.12.31

Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income (%)		Relevant remuneration received by directors who are also employees												Ratio of total compensation (A+B+C+D+E+F+G) to net income (%)		Compensation paid to directors from an invested company other than the company's subsidiary
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Business expenses (D)				Salary, Bonuses and Allowances (E)		Severance Pay (F)		Bonus to Employee (G)				Exercisable Employee Stock Options (H)		Acquired Number of New Restricted Employee Shares					
																BOK		Companies in the financial statements									
		BOK	Companies in the financial statements	BOK	Companies in the financial statements	BOK	Companies in the financial statements	BOK	Companies in the financial statements	BOK	Companies in the financial statements	BOK	Companies in the financial statements	BOK	Companies in the financial statements	Cash	Stock	Cash	Stock	BOK	Companies in the financial statements	BOK	Companies in the financial statements	BOK	Companies in the financial statements		
Chairman	Ruey-Tsang Lee (Representative of Kaohsiung City Government)	14,498	Note4	0	Note4	8,562	Note4	882	Note4	4.05%	Note4	3,320	Note4	200	Note4	0	107	Note4	Note4	0	Note4	0	Note4	4.66%	Note4	337
Independent Director and Managing Director	Wen-Yuan Lin																									
Managing Director	Li- Ming Hsu (Representative of Kaohsiung City Government)																									
Managing Director	Chen-Cheng Chien (Representative of Kaohsiung City Government)																									
Independent Director	Mei-Yueh Ho																									
Independent Director	Tzen-Ping Su																									
Director	Richard Lee (Representative of Kaohsiung City Government)																									
Director	Chien-Tsai Chao (Representative of Kaohsiung City Government)																									
Director	Jueifang P. Chen (Representative of Kaohsiung City Government)																									
Director	Tsung-kun Lee (Representative of Bank of Kaohsiung Corporate Union)																									
Director	Chung-Hsin Liu (Representative of Jinn Her Enterprise Co., Ltd.)																									
Chairman	Toong-Min Chen (Representative of Kaohsiung City Government)																									
	Kaohsiung City Government																									
	Bank of Kaohsiung Corporate Union																									
	Jinn Her Enterprise Co., Ltd.																									

Note : 1. The Bank provides included the rental fees of Chairman's Professional practice site, rental fees of business car and expenses of fuel and driver was offered total NT$1,959 thousand.
2. Chairman Toong-Min Chen at 2015.11.20 outgoing chairman, took over as chairman from the Ruey-Tsang Lee.
3. No actual retirement pension was given in 2015.
4. The amount of "Companies in the financial statements" is identical to the amount in the cell for "BOK".

Range of Remunerations

Unit：NT$ Thousand

Range of Remunerations	Name of Directors			
	Total of A+B+C+D		Total of A+B+C+D+E+F+G	
	BOK	Companies in the financial statements (I)	BOK	All investees (J)
under 2 million	Ruey-Tsang Lee, Li- Ming Hsu, Chen-Cheng Chien, Richard Lee, Chien-Tsai Chao, Jueifang P. Chen, Tsung-kun Lee, Chung-Hsin Liu, Bank of Kaohsiung Corporate Union Jinn Her Enterprise Co., Ltd.	Ruey-Tsang Lee, Li- Ming Hsu, Chen-Cheng Chien, Richard Lee, Chien-Tsai Chao, Jueifang P. Chen, Tsung-kun Lee, Chung-Hsin Liu, Bank of Kaohsiung Corporate Union Jinn Her Enterprise Co., Ltd	Ruey-Tsang Lee, Li- Ming Hsu, Chen-Cheng Chien, Richard Lee, Chien-Tsai Chao, Tsung-kun Lee, Chung-Hsin Liu, Bank of Kaohsiung Corporate Union Jinn Her Enterprise Co., Ltd	Ruey-Tsang Lee, Li- Ming Hsu, Chen-Cheng Chien, Richard Lee, Chien-Tsai Chao, Tsung-kun Lee, Chung-Hsin Liu, Bank of Kaohsiung Corporate Union Jinn Her Enterprise Co., Ltd.
2 million(included) ~ 5 million(uncluded)	Wen-Yuan Lin, Mei-Yueh Ho, Tzen-Ping Su	Wen-Yuan Lin, Mei-Yueh Ho, Tzen-Ping Su	Wen-Yuan Lin, Mei-Yueh Ho, Tzen-Ping Su, Jueifang P. Chen	Wen-Yuan Lin, Mei-Yueh Ho, Tzen-Ping Su, Jueifang P. Chen
5 million(included) ~ 10 million(uncluded)	Kaohsiung City Government, Toong-Min Chen	Kaohsiung City Government, Toong-Min Chen	Kaohsiung City Government, Toong-Min Chen	Kaohsiung City Government, Toong-Min Chen
10 million(included) ~ 15 million(uncluded)	—	—	—	—
15 million(included) ~ 30 million(uncluded)	—	—	—	—
30 million(included) ~ 50 million(uncluded)	—	—	—	—
50 million(included) ~ 100 million(uncluded)	—	—	—	—
over 100 million	—	—	—	—
Total	23,942	23,942	27,569	27,569

Item / FY	Ratio of Remunerations of Directors to Net Income after Tax (%)		Remarks
	BOK	Companies in the consolidate financial statements	
2015	4.66	4.66	1. The Bank's policy for payment of compensation: pursuant to the company's management policy and Company Act, and subject to the resolution of the Bank's shareholders' meeting, compensation committee and board of directors. 2. The Bank's standard and portfolio for payment of compensation : (1) Monthly compensation to the Bank's directors: the maximum limit to be NT$2,400,000 subject to the resolution of the shareholders' meeting. The standard governing monthly compensation per person shall be subject to the decision of the board of directors. Board of directors is authorized to approve according to the usual level of other banks. (2) Distribution of earnings: subject to "the Bank's Articles of Incorporation", but independent directors are not eligible for the distribution. (3) Bonus to directors who are also employees shall be subject to the "Rules Governing Distribution of Bonus to the Bank's Staff". 3. The Bank's procedure for fixing compensation: to be enforced upon approval of the shareholders' meeting, compensation committee and board of directors. 4. The Bank's payment of compensation for correlation between business performance and future risk: There is some correlation among the distribution of bonus to directors, bonus distributed to directors who are also employees, and the Bank's business performance. If a director is involved in illegal activities that caused damages to the Bank, aside from the Audit Committee exercise of supervision power and reporting the illegal act to the authorities, the Bank shall take necessary punitive action against the director according to applicable laws. 5. Percentage of remunerations of directors to net income after tax was 4.66% in FY 2015 increase by 0.17% compared to FY 2014, Increase compared with 2015 was due to 2014 the outgoing chairman of severance pay due..
2014 (re-compilation)	4.49	4.49	
Comparison	0.17 (Explanation 5)	0.17 (Explanation 5)	

3.3.2 Compensation of President and Vice President

Unit：NT$ Thousand in 2015.1.1~ 2015.12.31

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Bonus of Employee (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Exercisable Employee Stock Options		Acquired Number of New Restricted Employee Shares		Compensation paid to the president and vice president from an invested company other than the company's subsidiary
		BOK	Companies in the financial statements	BOK	Companies in the financial statements	BOK	Companies in the financial statements	BOK		Companies in the financial statements		BOK	Companies in the financial statements	BOK	Companies in the financial statements	BOK	Companies in the financial statements	
								Cash	Stock	Cash	Stock							
President	Moan-Sheng Huang	11,567	Note2	729	Note2	3,811	Note2	0	361	Note2	Note2	2.78%	Note2	0	Note2	0	Note2	None
Exec.Vice President	Jin-Ann Wang																	
Exec. Vice President	Johnson Huang																	
Chief Auditor	Chung-Chen Lin																	
Chief Compliance Officer	Te-Chin Chou																	

Note：1. The Bank provides included the rental fees of President's Professional practice site, rental fees of business car and expenses of fuel and driver was offered total NT$1,657 thousand.
2. The amount of "Companies in the financial statements" is identical to the amount in the cell for "BOK".

Range of Remunerations

Unit：NT$ Thousand in 2015.1.1~ 2015.12.31

Range of Remunerations	Name of President and Vice Presidents	
	BOK	All investees (E)
under 2 million	—	—
2 million(included) ~ 5 million(uncluded)	Moan-Sheng Huang , Jin-Ann Wang, Johnson Huang, Chung-Chen Lin, Te-Chin Chou	Moan-Sheng Huang ,Jin-Ann Wang, Johnson Huang, Chung-Chen Lin, Te-Chin Chou
5 million(included) ~ 10 million(uncluded)	—	—
10 million(included) ~ 15 million(uncluded)	—	—
15 million(included) ~ 30 million(uncluded)	—	—
30 million(included) ~ 50 million(uncluded)	—	—
50 million(included) ~ 100 million(uncluded)	—	—
over 100 million	—	—
Total	16,468	16,468

Item / FY	Ratio of Remunerations of President & Exec. Vice President to Net Income after Tex (%)		Remarks
	BOK	Companies in the consolidate financial statements	
2015	2.78	2.78	1. The Bank's policies for payment of remuneration: The Bank's President is responsible for handling the Bank's general affairs pursuant to the orders of the Chairman and subject to the resolutions of the Board of Directors. The Vice President is responsible for assisting the President in handling the Bank's general affairs. The payment of their remuneration shall be subject to the resolutions of the Bank's Compensation Committee and Board or Directors. 2. The Bank's standard and portfolio for payment of remuneration: (1) Salary: The standard for monthly payment of salary to the President shall be subject to the resolutions of the Bank's Compensation Committee and Board or Directors. The monthly payment of salary to the Vice President, Auditor General, and Head Office's Chief Compliance Officer shall be subject to the Bank's "Directions Governing Employee's Position Ranking & Grading and Salary Payment" and "Table of Payment for Supervisory Differential Pay." (2) Bonus: It is conducted in accordance with the "Implementation Guidelines Governing the Business Bonus Approving and Issuing." (3) Employees' Compensation: It is conducted in accordance with "Rules Governing the Distribution of Employees' Compensation." 3. The procedure for the Bank to decide on remuneration: It will be implemented upon approval of the Bank's Compensation Committee and Board or Directors. 4. The correlation between the Bank's payment of remuneration/business performance and future risks: There is a correlation between the bonus and employees' compensation of the President, Vice President, Auditor General, and Head Office's Chief Compliance Officer and the Bank's business performance. In cases where the President, Vice President, Auditor General, and Head Office's Chief Compliance Officer are involved in illegal activities resulting in losses to the Bank, the Board of Directors shall, by resolution, discharge them from their positions and terminate the distribution of remuneration, and take necessary measures in accordance with relevant laws and regulations. 5. The total remuneration to the President and Vice President accounting for net income after tax this year was 2.78%, decreased by 0.10% compared to 2014, which was due to the increase in the net income after tax in 2015 compared to 2014.
2014 (re-compilation)	2.88	2.88	
Comparison	(0.10) (Explanation 5)	(0.10) (Explanation 5)	

3.3.3 Employees' bonuses to Managers

Unit：NT$ Thousand in 2015.12.31

Title		Name	Bonus —in Stock	Bonus —in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President	Moan-Sheng Huang	3,052	0	3,052	0.52
	Exec. Vice President	Jin-Ann Wang				
	Exec. Vice President and Vice President and General Manager, Risk Management Dept., and Research & Development Dept.	Johnson Huang				
	Chief Auditor	Chung-Chen Lin				
	Counsel and Chief Secretary	Tsui-Mei Hsu				
	Chief Compliance Officer and Vice President and General Manager, Compliance Dept.	Te-Chin Chou				
	Vice President and General Manager, Business Administration Dept.	Anna Hsu				
	Vice President and General Manager, Credit Management Dept.	Ting-Lien Lin				
	Vice President and General Manager, Human Resources Dept., and Executive Administration Dept.	Shiu-Hui Liu				
	Vice President and General Manager, Treasury Dept. and General Manager, OBU Branch	J.C. Shou-Jen Chen				
	Vice President and General Manager, Information Technology Dept.	I-Fen Chen				
	General Manager, Municipal Treasury Dept.	Mei-Ling Chen				
	General Manager, International Banking Dept.	Shuen-Hua Chen				
	General Manager, Trust Dept.	Ching-Hui Lin				
	General Manager, Wealth Management Dept.	Yuan-Chin Shiang				
	General Manager, Business Dept.	Jung-Tai Chang				
	General Manager, Gangshan Benjhou Branch	Ming-Hung Wu				
	General Manager, Feng Shan Branch	Tung-Chiang Sung				
	General Manager, Chien Chin Branch	Ying-Mien Hsu				
	General Manager, San Min Branch	Yi-Chen Yu				
	General Manager, Tso Ying Branch	Shu-Z. Chen				
	General Manager, Hsiao Kang Branch	Hsien-Kuo Chen				
	General Manager, Tao Yuan Branch	Chuan-Pin Kao				
	General Manager, Chien Chen Branch	Yen-Ching Hsien				
	General Manager, Yu Chang Branch	Hueng-Fen Yen				
	General Manager, Wan Nei Branch	Shiow-Lien Su				
	General Manager, Pin Tung Branch	Chiu-Lan Hsu				
	General Manager, Kwei Lin Branch	Chiu-Chin Huang				
	General Manager, Liu Ho Branch	Hsien-Cheng Huang				
	General Manager, Nan Tze Branch	Wei-Min Wu				
	General Manager, Ku Shan Branch	Trey-Shin Lee				
	General Manager, Chien Kuo Branch	Tzu-Dan Yen				
	General Manager, Chiu Ju Branch	Hwa-Jen Lee				
	General Manager, Yen Cheng Mini Branch	Mei-Chu Chang				
	General Manager, Tsao Ya Branch	Ching-Tsan Chen				
	General Manager, Banciao Branch	Te-Ching Wan				
	General Manager, Tai Nan Branch	Wen-Lueh Su				
	General Manager, San To Branch	Wen-Hau Sher				
	General Manager, Da Fa Branch	Chia-Hung Chen				
	General Manager, Ta Chih Branch	Don Huang				
	General Manager, Tai Chung Branch	Yeh-Shing Wang				
	General Manager, Chi Chin Mini Branch	Yao-Huan Lin				
	General Manager, Nan Kaohsiung Branch	Shih-Hung Huang				
	General Manager, Dali Branch	Yu-Huey Tsao				
	General Manager, Hsin Chu Branch	Hsien- Chung Liao				
	General Manager, Shih Fu Branch	Pi-Jung Ko				
	General Manager, Chung Ho Branch	Chuck Chen				
	General Manager, Taipei Branch	Wen-Lung Ting				
	General Manager, Min Cheng Branch	Li-Hwa Chen				
	General Manager, Pei Kaohsiung Branch	Ming-Ta Yang				
	General Manager, Po Ai Branch	Wei-Lin Hsu				

Note: Employees' bouns amount listed, the Department of the FY 2015 by the board of managers of the proposed allotment of employee compensation amount.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

A total of 10 meetings of the board of directors were held in FY 2015. Director attendance was as follows :

Title	Name	Attendance in Person	By proxy	Attendance ratio (%)	Remarks
Chairman	Ruey-Tsang Lee (Representative of Kaohsiung City Government)	7	3	70	2015.11.20 original Managing Director appointed as Chairman
Independent Director and Managing Director	Wen-Yuan Lin	7	3	70	
Managing Director	Li- Ming Hsu (Representative of Kaohsiung City Government)	5	2	50	2015.12.17 original Directors appointed as Managing Director
Managing Director	Chen-Cheng Chien (Representative of Kaohsiung City Government)	5	3	50	
Independent Director	Mei-Yueh Ho	9	1	90	
Independent Director	Tzen-Ping Su	10	0	100	
Director	Richard Lee (Representative of Kaohsiung City Government)	9	0	90	
Director	Chien-Tsai Chao (Representative of Kaohsiung City Government)	7	1	70	
Director	Jueifang P. Chen (Representative of Kaohsiung City Government)	10	0	100	
Director	Tsung-kun Lee (Representative of Bank of Kaohsiung Corporate Union)	10	0	100	
Director	Chung-Hsin Liu (Representative of Jinn Her Enterprise Co., Ltd.)	9	1	90	
Chairman	Toong-Min Chen (Representative of Kaohsiung City Government)	8	0	100	2015.11.20 retiring, should Attendance 8 times

Others:

1. The effort of directors in preventing a "conflict of interest":
   (1) 6th board of directors' meeting of the 12th term (2015.3.26)
   Discussed the removal of limit on business strife limitation on Chairman Toong-Min Chen. Related party Chairman Toong-Min Chen avoided participation in the discussion.
   (2) 8th board of directors' meeting of 12th term (2015.6.17)
   Discussed the short-term guarantee loan amount applied by Kaohsiung City Shipping Co., Ltd. Related Party Chairman Toong-Min Chen, Managing Director Ruey-Tsang Lee, Managing Director Li-Ming Hsu, Director Chen-Cheng Chien, Director Richard Lee, Director Chien-Tsai Chao, and Director Jueifang P. Chen avoided participation in the discussion.
   (3) 9th board of directors' meeting of 12th term (2015.8.27)
   Discussed the loan bidding of Kaohsiung City government, reinvestment, and affiliated units of 2016. Related Party Chairman Toong-Min Chen, Director Chen-Cheng Chien, Director Richard Lee, Director Chien-Tsai Chao, and Director Jueifang P. Chen avoided participation in the discussion.
   (4) 10th board of directors' meeting of 12th term (2015.9.30)
   A. Discussed the loan bid rate case of Kaohsiung City government, reinvestment, and affiliated units of 2016. Related Party Chairman Toong-Min Chen, Director Chien-Tsai Chao, and Director Jueifang P. Chen avoided participation in the discussion.
   B. Discussed the proposal of leasing the city-owned properties for business operation from the interested party Kaohsiung City Government. Related Party Chairman Toong-Min Chen, Director Chien-Tsai Chao, and Director Jueifang P. Chen avoided participation in the discussion.
   (5) 12th board of directors' meeting of 12th term (2015.12.17)
   A. Discussed the proposal of leasing the building of Chien Guo branch for business operation. Related party Managing Director Wen-Yuan Lin avoided participation in the discussion.
   B. Discussed assigning Chairman Ruey-Tsang Lee to serve as the 8th term legal representative Director of "Taiwan Finance Corporation" and the 9th term legal representative Director of "Waterland Securities" that the Bank reinvests in order to fill the original term of former Chairman Toong-Min Chen. Related Party Chairman Ruey-Tsang Lee avoided participation in the discussion.
   C. Discussed assisting Kaohsiung City to handle loans for qualified sale household of "Self-Government Ordinance for Kaohsiung City New Tsao Yia Area Land Disposition." Related party Chairman Ruey-Tsang Lee, Director Richard Lee, Director Chien-Tsai Chao, and Director Jueifang P. Chen avoided participation in the discussion.

2. Progress assessment of the 2015 agenda – empowerment of the Board of Directors:
   All members of the Bank's Board of Directors execute business with care and loyalty, and perform their duty according to the relevant laws and the Bank's articles of incorporation to protect the Bank's and shareholders' interests and rights.

3.4.2 Audit Committee operating scenario

The 12th annual meeting of the Audit Committee 8th 2015, the Audit Committee attended the scenario as follows:

Title	Name	Attendance in Person	By proxy	Attendance ratio (%)	Remarks
Convener	Mei-Yueh Ho	8	0	100	
Audit Committee	Wen-Yuan Lin	7	1	87.5	
Audit Committee	Tzen-Ping Su	8	0	100	

Other mentionable items:
1. Matters listed in Article 14-5 of the Securities and Exchange Act and resolutions not approved by the audit committee but were approved by more than two thirds of all Audit Committee: None.
2. The effort of audit committee in preventing a "conflict of interest": Discussed the proposal of leasing the building of Chien Guo branch for business operation. Related party Managing Director Wen-Yuan Lin avoided participation in the discussion.
3. The communication between independent directors and internal audit supervisors and CPAs who serve as external auditors:
   (1) Operation reports of internal auditing are periodically submitted to the Audit Committee for discussion, and internal audit supervisors all participate in the meeting.
   (2) When financial reports are submitted to the Audit Committee, CPAs who serve as external auditors are invited to the meeting and required to respond to the questions made by independent directors.

3.4.3 For the Disclosures Required by the "Guidelines for Bank Corporate Governance" : Please refer to www.bok.com.tw.

3.4.4 The Differences between the Corporate Governance Practice of the Bank and the "Guidelines for Bank Corporate Governance":

Item	Operation			The Difference from Coporate Governace Best Practice Principles for Banking Industry and Reason
	Yes	No	Summary Description	
A. Equity Structure and Shareholder Rights				
1. Did the bank expressly provide internal operation procedures that process the recommendations from, questions from, and litigations with shareholders and implement these rules according to procedures?	✓		The bank has installed hot lines and e-mail boxes exclusively for shareholders' suggestions and resolutions.	In accordance with the "Guidelines for Bank Corporate Governance" article 19.
2. Is the bank in touch with major shareholders who own actual controlling interests of the bank and the ultimate entity with controlling interest?	✓		The major shareholder of the Bank is Kaohsiung City Government, holding 44.94% of the Bank's shares. Its representative also performs his duty pursuant to the rules governing investment by Kaohsiung City Government in the Bank.	In accordance with the "Guidelines for Bank Corporate Governance" article 20 and 27.
3. Did the bank create and enforce the risk control mechanisms and the firewall between itself and affiliated corporations?	✓		The bank controls its affiliated enterprises in accordance with the guidelines governing the Bank's supervision of subsidiaries.	In accordance with the "Guidelines for Bank Corporate Governance" article 19.
B. Organization and Responsibilities of the Board of Directors				
1. Aside from creating the Remuneration Committee and the Audit Committee as required by law, did the bank create other functional committees voluntarily?		✓	The bank didn't create other functional committees voluntarily.	The bank didn't create other functional committees voluntarily.
2. Did the bank review the independence of the CPAs that perform the audit function on a regular basis?	✓		1. Assessments: The bank engaged Crowe Horwth CPAs as auditor in 2015. The CPAs and auditor of the firm do not act as a director, supervisor, or employee of the Bank; nor have they own, directly or indirectly, more that 1% of the Bank's outstanding share capital or become one of the Bank's top ten natural person shareholders. The auditor's firm issued a declaration of independence. 2. Frequency of assessment: The assessment of independence is reported to the Board of Directors once a year.	In accordance with the "Guidelines for Bank Corporate Governance" article 38.

Item	Operation			The Difference from Coporate Governace Best Practice Principles for Banking Industry and Reason
	Yes	No	Summary Description	
C. Establishment of Communication Channels with Materially Related Parties				
Did the communication channels of the Bank and the related parties?	✓		1. According to the Banking Act, the Bank will ask any materially related party to complete the materially related party's information form immediately after he / she is hired, and also provide the materially related party with the credit extension restrictions provided by the Banking Act and the competent authorities. 2. Have the materially related party's information as documented checked, verified and updated by the materially related party periodically. The Bank's communication with the materially related party is free from any interruption. 3. The bank has appointed a spokesperson, installed toll-free hot line and email box to provide suggestion and explanation about questions to the Bank's customers and shareholders. Meanwhile, the Bank also holds the community wealth management symposiums and provides the in-house staff with the information about the corporate governance irregularly, and discloses the financial information in MOPS.	In accordance with the "Guidelines for Bank Corporate Governance" article 22 and 23.
D. Disclosure of Information				
1. Did establishment of a website where information on financial operations and corporate governance is disclosed?	✓		The bank has established a website (www.bok.com.tw) where information on financial operations and corporate governance of the Bank is disclosed.	In accordance with the "Guidelines for Bank Corporate Governance" article 69.
2. Did use of other methods for information disclosure?	✓		Users can click and log in to the English website of the Bank through the URL listed above. The Bank has appointed a spokesperson. The spokesperson is Hsu Tsui-Mei, who also serves as a consultant and chief secretary. The Bank has also designated a unit dedicated to serving as a point of contact for the Market Observation Post System. Business units in charge of all services perform the gathering and disclosure of information as required.	In accordance with the "Guidelines for Bank Corporate Governance" article 67 and 68.
E. Did important Information of Corporate Governance Practice of the Bank： 1. With investor related: The major shareholder of the Bank is Kaohsiung City Government, holding 44.94% of the Bank's shares. Its representative also performs his duty pursuant to the rules governing investment by Kaohsiung City Government in the Bank. 2. Employee rights: Please refer to page 51 "5.6.1D. Fulfillment of Employee Rights". 3. Right of related parties: Please refer to page 21 "C. Establishment of Communication Channels with Materially Related Parties". 4. Training record of directors in 2015 : Please refer to Page 27 Appendix Training record of directors in 2015". 5. Execution of risk management policies and risk measuring standards : Please refer to page 132~138 & 160~171 "This Bank's risk management systems". 6. Execution of customers' policies : In order to improve the services provided to customers and communication with customers, we have a toll free hot line, and customer service window setup exclusively for credit, financial derivatives and negotiation mechanisms for consumers' financial debt. 7. Purchase of liability insurance by the Bank for directors and managers : The Bank has purchased "Directors & Officers Liability Insurance" from ShinKong Insurance Co., Ltd. On Jun. 2, 2015. 8. The Bank made a donation to political parties or stakeholders or a group of public welfare: Please refer to Page 49 "Social Responsibility and Moral Behavior of the Bank", In addition, the Bank has never made a donation to political parties or stakeholders.				
F. Did the banks corporate governance self-assessment report commissioned by the company or other professional institutions of governance evaluation report? The Bank did not make the corporate governance self-assessment report.				

3.4.5 Duty and Implementation of the Remuneration Committee

3.4.5.1 Members of the Remuneration Committee

Position	Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as Members of the Remuneration Committee	Remarks
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the business Needs of the Bank in a public or private Junior college, College or university	A Judge, Public prosecutor, attorney, CPA, or Other professional or technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Bank	Have Work Experience in the Areas of Commerce, Law, finance, or accounting, or Otherwise Necessary for the Business of the Bank	1	2	3	4	5	6	7	8		
Convener	Tzen-Ping Su			✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Independent Director	Wen-Yuan Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Mei-Yueh Ho			✓	✓	✓	✓	✓	✓	✓	✓	✓	2	

Note：Please tick the corresponding boxes if the members have been any of the following during the two years prior to being elected or during the term of office.

1. Not an employee of the Bank or any of its affiliates.
2. Not a director or supervisor of the Bank or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Bank, its parent company, or any subsidiary in which the Bank holds, directly or indirectly, more the 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding share of the Bank or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding share of the Bank or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Bank.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Bank or to any affiliate of the Bank, or a spouse therof.
8. Not been a person of any conditions defined in Article 30 of the Company Law.

3.4.5.2 Duties of the Remuneration Committee

A. Drafting and periodically reviewing the policies, regulations, standards, and structures of performance evaluation and remuneration for directors and managers.

B. Periodically evaluating and drafting the remuneration for directors and managers.

3.4.5.3 Implementation of the Remuneration Committee

A. Members of the Remuneration Committee: 3 persons.

B. Term: From Jun. 19, 2014 to Jun.18, 2017. A total of 2 meetings (A) of the Remuneration Committee were held in FY 2015, members attendance was as follows:

Title	Name	Attendance in Person (B)	By proxy	Attendance ratio (%) (B/A)	Remarks
Convener	Tzen-Ping Su	2	0	100%	
member	Wen-Yuan Lin	2	0	100%	
member	Mei-Yueh Ho	2	0	100%	

Other matters that should be recorded:

1. If the Board of Directors refuses to accept or modify the suggestions of the compensation committee, the meeting date, term, agenda content, resolution and the bank's treatment of the compensation committee's opinion should be clearly stated (for example, if the Board of Directors approved a compensation structure that is better than the Compensation Committee's recommendation, the circumstance and the reason of the difference should be clearly stated): The Board takes the advice of the Remuneration Committee and approves the Committee's proposal on remuneration distribution.
2. If the members have opposite opinion or reservations against the resolution of the Compensation Committee and such opposing opinion or reservations have been recorded or documented, the meeting date, term, agenda content, the opinion of all members, of the Compensation Committee, and the treatment of the members' opinion should be clearly stated: None.

3.4.6 The Bank Performing its Social Responsibility

Item	Operation			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Description	
A. Implementing and promoting corporate governance				
1. Did the bank codify corporate social responsibility policies or regulations and review their implementation?	✓		The Bank prepares a CSR report annually starting from 2015 to disclose specific measures and the implementation result of corporate social responsibility.	In accordance with the "CSR Best Practice Principles for TWSE/ GTSM Listed Companies" article 7 and 9.
2. Did the bank provide the courses of social responsibility training on a regular basis?	✓		In order to implement corporate ethics and promotional matters, relevant courses are held annually (such as business rules and professional ethics seminars) and directors and employees are sent irregularly to participate in relevant professional courses held by professional training institutions.	In accordance with the "CSR Best Practice Principles for TWSE/ GTSM Listed Companies" article 8.
3. Did the bank create a business unit that is dedicated to promoting corporate social responsibility or a (non-dedicated) business unit that is partially dedicated to this function, and did the Board authorize top management to process this matter and report the outcome to the Board?	✓		The Bank has created a business unit dedicated to promoting CSR. The Executive Administration Dept. is responsible for coordinating and planning matters related to CSR and reporting to the board of directors in regular basis.	In accordance with the "CSR Best Practice Principles for TWSE/ GTSM Listed Companies" article 7 and 9.
4. Did the bank codify a reasonable remuneration policy and integrate the performance review of employees with corporate social responsibility policies, and create clear and effective reward and discipline regulations?	✓		1. The Bank set by managers and other remuneration defined as: (1) Attract outstanding professional elite, expand the depth and breadth of operations, strengthen corporate governance cum enhance corporate image. (2) Just stay positive, to maintain internal harmony, strengthen external competitiveness. (3) Incentive to develop their potential, and actively create surpluses in pursuit of equitable remuneration shareholders. 2. The behavior of the implementation of corporate governance, performance appraisal laid down for employees' annual performance appraisal service points "that follow. 3. The behavior of the implementation of reward and punishment, matters have incentives for employees' employees incentives and disincentives "that specification.	In accordance with the "CSR Best Practice Principles for TWSE/ GTSM Listed Companies" article 9.
B. Develop Sustainable Environment				
1. Did the bank condition devoted to enhancing the effective use of all resources and making use of recycled materials that pose the least impact to the environment?	✓		The Bank is committed to improving the efficiency in energy usage, including: 1. Saving electricity: The Bank uses T5 or LED lighting fixtures that are energy-efficient, sets the air conditioning one or two degrees higher than required, and maintains equipment and cleans filters on a regular basis. After business hours, employees turn off power of office equipment or unplug them. 2. Saving water: The Bank uses human-sensing urinals to adjust the amount of flush. 3. Saving fuel: While dispatching corporate cars, the company arranges car pools by principle. The Bank encourages walking or taking public transportation on business trips. 4. Saving paper: The Bank promotes the use of electronic bills. The Bank uses web-based bulletin boards to make pronouncements. The Bank reduces the amount of photocopies. Internal documents are passed on from one person to another, rather than photocopied. Office papers are double-sided as much as possible. Internal document transmission is done with reusable envelopes and Manila paper bags. 5. After the toner powder in the toner cartridges of photocopiers and the printers is exhausted, The Bank sends the empty toner cartridges back to their vendors and specifies the use of environment-friendly toner powder.	In accordance with the "CSR Best Practice Principles for TWSE/ GTSM Listed Companies" article 12.
2. Did the bank condition established appropriate environment management system according to industry characteristics?	✓		The Bank enacted "Management Directions for Wenhua Building of Bank of Kaohsiung" to protect the public safety and environmental hygiene.	In accordance with the "CSR Best Practice Principles for TWSE/ GTSM Listed Companies" article 13.

Item	Operation			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Description	
3. Did the bank condition watch out for impact that weather changes have on operational activities and sets forth strategies in regards to the Bank's energy saving, carbon reduction and greenhouse gas volume reduction?	✓		1. Old lighting fixtures shall be replaced by T5 or LED energy-saving lighting fixtures and light tubes. 2. Implementing recycling diligently and shipping waste papers and outdated publications to paper plant for recycling and reusing on a regular basis. 3. Promoting a paperless policy. All businesses and forms are conducted electronically. A4 paper usage in 2015 was reduced by close to 130,000 pieces. 4. The air-conditioner is turned on at 08:30 every day and turned off when getting off the work or at 18:30 at the latest. Old and power consuming air-conditioners are replaced by new energy-saving air conditioners in regular basis.	In accordance with the "CSR Best Practice Principles for TWSE/GTSM Listed Companies" article 17.
C. Protection of Social Wellness				
1. Does the bank provide applicable policies and procedures based on labor laws and international human rights conventions?	✓		The Bank has create a business unit that is dedicated to promoting CSR. The Executive Administration Dept. is responsible for coordinating and planning matters related to CSR.	In accordance with the "CSR Best Practice Principles for TWSE/GTSM Listed Companies" article 18.
2. Has the bank created mechanisms and channels for employees to complain and process the complaints properly?	✓		The Bank employees and complaints, in addition to setting "Sexual Harassment Prevention and complaint processing elements" proper sexual harassment at the outside, and an electronic communication (complaint) mailbox to accept employee complaints events.	In accordance with the "CSR Best Practice Principles for TWSE/GTSM Listed Companies" article 18.
3. Does the bank create a safe and healthy work environment for employees and offer regular safety and health education to employees?	✓		The Bank provides a working environment with employee safety and health in accordance with the "Occupational Safety and Health Act". Also, in accordance with the "Regulations for Labor Health Protection", starting from 2002, The Bank pays for employee health examinations. The examination items and terms are both more favorable than the provisions under the "Labor Health Protection Regulation".	In accordance with the "CSR Best Practice Principles for TWSE/GTSM Listed Companies" article 21.
4. Has the bank created a mechanism for regular communication with employees and notify employees of operational changes that could cause significant impact to employees in reasonable ways?	✓		For the establishment of the communication mechanism between itself and the employees, The Bank has a mail box for the opinions of the employees, and holds labor-management meetings.	In accordance with the "CSR Best Practice Principles for TWSE/GTSM Listed Companies" article 22.
5. Has the bank created effective career competence development training plans for employees?	✓		The Bank on the basis of annual training plan, regular and irregular handling of the line within a year, foreign study and training courses to enrich their own employees can learn and career skills.	In accordance with the "CSR Best Practice Principles for TWSE/GTSM Listed Companies" article 21.
6. Has the bank created policies that protect the interest of consumers and complaint procedures in terms of R&D, procurement, operation, and service processes?	✓		1. The Bank annually on the operation of the system of consumer protection and enforcement effectiveness, self-vetting evaluation of the whole bank, and according to the evaluation results to improve the review. 2. Execution of customers' policies：In order to improve the services provided to customers and communication with customers, we have a toll free hot line, and customer service window setup exclusively for credit, financial derivatives and negotiation mechanisms for consumers' financial debt.	In accordance with the "CSR Best Practice Principles for TWSE/GTSM Listed Companies" article 23.
7. Does the bank comply with applicable laws and international standards on the marketing and marking of products and services?	✓		The Bank on the marketing activities of products and services, has developed "in advertising, and sales promotion activities to attract business management approach", documents the business and marketing activities, both through the business should comply with the responsible authority in charge of the law, the head office of Justice the competent regulatory compliance and total body competent to comply with the relevant laws and regulations, Fang was released to use.	In accordance with the "CSR Best Practice Principles for TWSE/GTSM Listed Companies" article 24.
8. Before the bank conduct business with suppliers, has the bank evaluated whether its suppliers have records of adverse impacts on the environment and society?	✓		The Bank assessment of the commercial activities, qualified suppliers and without adverse records are included in screening considerations.	In accordance with the "CSR Best Practice Principles for TWSE/GTSM Listed Companies" article 26.

Item	Operation			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Description	
9. Does the contract between the bank and its major supplier contain the clause that the bank may terminate or revoke the contract at any time when the supplier is involved in acts that are against corporate social responsibility polices and also cause significant impact to the environment and the society?	✓		1. The Bank to fulfill corporate social responsibility of business attitude, not the cause of the environmental and social impact of the major suppliers to trade. 2. Relevant clauses are stipulated in the contracts, requiring firms to bear the corporate social responsibility collectively, which are not limited to products, environmental safety, professional hygiene, and industry safety, comply with commitments and bear the responsibility of violation.	In accordance with the "CSR Best Practice Principles for TWSE/ GTSM Listed Companies" article 26.
D. Reinforce Information Revelation				
Does the bank disclose information on corporate social responsibility with relevance and reliability on its website or the Market Observation Post System?	✓		Disclose information related to enterprise social responsibility in the annual report.	In accordance with the "CSR Best Practice Principles for TWSE/ GTSM Listed Companies" article 28.
E. A Bank that has set forth its own corporate social responsibility (CSR) in accordance to "CSR Best Practice Principles for TWSE/GTSM Listed Companies", please describe any difference between real execution and principles that have been set forth: The Bank has not set forth "Corporate Social Responsibility (CSR) Practice Principles" before Mar. 2016.				
F. Other important information beneficial for understanding the operation of business' social responsibility: Please refer to page 49 "social responsibility and moral behavior of The Bank".				
G. If the Bank's products or reports on corporate social responsibility have passed the verification standard set by related certification organization, further clarification shall be provided: None.				

3.4.7 The Bank Practice and measures for its Ethical Corporate Management

Item	Operation			Deviations from"Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and reasons
	Yes	No	Summary Description	
A. Codifying ethical corporate management best practice principles and plans				
1. Does the bank expressly provide the policies and measures on ethical management in its regulations and documents to external parties, and the commitment on implementing operational policies by the Board and the management?		✓	The Bank has not set forth regulations in Ethical Corporate Management Best Practice before Mar. 2016.	The Bank has not set forth regulations in Ethical Corporate Management Best Practice before Mar. 2016.
2. Does the bank provide plans that prevent unethical acts and expressly provide operational procedures, code of conducts, disciplinary actions against infractions, and complaint regulations, in all such plans?	✓		The Bank to implement the principles of integrity management objectives for the business were laid down rules and regulations supporting the management and treatment manuals, and the implementation of the relevant assessment and incentive mechanisms.	In accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/ GTSM-Listed Companies" article 6.
3. Does the bank take preventive actions against high-risk and unethical business activities defined in Article 7 Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", or other measures against unethical activities in other business fields?	✓		The Bank except for charitable donations or sponsorships and other matters by setting "donation job points" think outside the norms and regulations on the business research mechanism stipulated higher risk of bad faith conduct preventive tool, in order to implement the principles of integrity management.	In accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/ GTSM-Listed Companies" article 7.
B. Implementing ethical operations				
1. Does the bank evaluation the record of ethics of its transaction counterparties and expressly provide ethical conduct clauses in contracts signed with its transaction counterparties?	✓		The Bank conducts its business in transparency and fairness, and has no business with parties lacking integrity. The integrity clause shall be explicitly stated in the agreement in the future to prevent any transaction with parties that have records on integrity violation.	In accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/ GTSM-Listed Companies" article 9.

Item	Operation			Deviations from"Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and reasons
	Yes	No	Summary Description	
2. Does the bank have a dedicated (non-dedicated) business unit that promotes ethical business practices and reports to the Board, and does this unit regularly report its operation to the Board regularly?		✓	1. The Bank doesn't have a dedicated (non-dedicated) business unit that promotes ethical business practices, but has followed the principles of integrity management, internal control, regulatory compliance systems and related corporate governance standards, and supervision of the implementation of the case by the management to guard against malpractice occurred. 2. The Bank Audit Office in accordance with regulations for the business checks, and Lack of improvement and implementation of internal control situation Chen regular board of directors to oversee the business operations following the implementation of the principle of integrity.	The Bank doesn't have a dedicated business unit that promotes ethical business practices, but has followed the principles of integrity management supervise business execution.
3. Has the bank drafted policies that prevent conflict of interest, provide proper channels of complaints, and implement them?	✓		Article 17 of Rules of Procedure for Board of Directors Meetings: A director may present his opinion and answer relevant questions but is prohibited from participating in discussion of or voting on any proposal where the director or the juristic person that the director represents is an interested party, and such participation is likely to prejudice the interests of the company; neither shall a director vote on such proposal as a proxy of another director in such circumstances.	In accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" article 19.
4. Has the bank created an effective accounting system and internal control regulations for implementing ethical business practice, and has the internal audit unit performed regular audits, or has the bank outsourced internal audit to CPAs?	✓		1. The Bank has established the relevant accounting system and internal control system for substantiating the principles of integrity management; also, has it timely reviewed and amended for the compliance of all departments in order to prevent malpractice from occurring. 2. The Bank's Internal Audit Unit has the implementation of the related accounting system and internal control system audited in accordance with regulations. There was not any major nonconformity but minor nonconformity found in the investigation in 2015. The Bank had follow-up and reviewed the corrective action performed for the said minor nonconformities, and reported to the Board of Directors on a regular basis in order to continue to oversee the company's business activities in conformity with the principles of business integrity.	In accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" article 20.
5. Does the bank provide internal and external training courses regarding ethical business practices on a regular basis?	✓		The Bank regularly participate in organized study trip outside agency business integrity or corporate social responsibility and other related study or training staff from higher order.	In accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" article 22.
C. The operation of the reporting regulations of the bank				
1. Has the bank created substantive reporting and reward regulations, established useful channels of reporting, and appointed exclusive personnel to deal with reported individuals?	✓		The Bank's auditing function, Compliance Dept., Human Resources Dept., can accept the reports and complaints of the breach of integrity. In addition, The Bank has instituted the "Banking Personnel Reward and Punishment Regulation" basing on which the misconduct of the banking personnel shall be punished.	In accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" article 23.
2. Has the bank designated standard operation procedures and confidentiality mechanisms for the investigation of reported incidents?		✓	The Bank to implement the principles of integrity management objectives, at present, although the mechanisms are not yet finalized, but the audit unit and all related business management department can accept the report matters, and to fulfill our responsibility of confidentiality.	The Bank hasn't designated standard operation procedures and confidentiality mechanisms for the investigation of reported incidents.
3. Has the bank taken measures that protect the whistleblower from improper treatment?	✓		The Bank audit unit and all related business management department received the report matters are to fulfill the responsibility of confidentiality to protect whistleblowers.	In accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" article 23.
D. Improving information disclosure				
Does the bank disclose the content of its ethical business practice and the result of its implementation information on its website or the Market Observation Post System?		✓	The Bank has not set forth regulations in Ethical Corporate Management Best Practice before Mar. 2015.	The Bank has not set forth regulations in Ethical Corporate Management Best Practice before Mar. 2016.
E. A Bank that has set forth its own Ethical Corporate Management Best Practice Principles in accordance to "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies", please describe any difference between real execution and principles that have been set forth: The Bank has not set forth regulations in Ethical Corporate Management Best Practice before Mar. 2016.				
F. Other material information helpful to the understanding of the bank's ethical corporate management best practice principles (for example, the revision of said principles codified by the bank.): None.				

3.4.8 Corporate governance guidelines and related bylaws: The Bank stipulated Corporate Governance Guidelines on November 2015. Please visit https://www.bok.com.tw/-113 for relevant contents.

3.4.9 Other material information useful to the understanding of corporate governance and its implementation: See page 20 3.4.4 The Differences between the Corporate Governance Practice of the Bank and the "Guidelines for Bank Corporate Governance", E. Did important Information of Corporate Governance Practice of the Bank.

Appendix: Training record of directors in 2015

Period	Title	Name	Training Record		
			Class Name	Hours	Unit in Charge
Q1	Chairman	Toong-Min Chen	Advanced seminar for Practical Work of Directors and Supervisors (including independents): "Directors, Supervisors and Analysis of Comprehensive Income Tax"	3	Securities & Futures Institute
Q2	Chairman	Toong-Min Chen	From the famous: "New Hope between both sides of the Straits – on Development and Cooperation in Corporate Social Responsibility"	3	Taiwan Academy of Banking and Finance(TABF)
			Leaders Forum on Corporate Ethics of Listed Companies	3	Taiwan Stock Exchang
	Independent Director and Managing Director	Wen-Yuan Lin	Seminar on Liability Insurance for Directors, Supervisors, and Managers;Emergency Rescue and Business Continuity	3	Taiwan Corporate Governance Association
	Independent Director	Mei-Yueh Ho	Review of Financial Statements and Internal Control by Directors and Supervisors without a Financial Background	3	Securities & Futures Institute
	Independent Director	Tzen-Ping Su	Advanced seminar for Practical Work of Directors and Supervisors (including independents): "Employee Reward Strategy and the Use of Tools"	3	Securities & Futures Institute
			"Corporate Governance 2.0 – Global View Point and Taiwan Experience" Symposium	3.5	Taiwan Academy of Banking and Finance(TABF)
			Review of Financial Statements and Internal Control by Directors and Supervisors without a Financial Background	3	Securities & Futures Institute
	Director	Chung-Hsin Liu	Advanced seminar for Practical Work of Directors and Supervisors (including independents): "How to Make the Performance of the Functional Committees of the Board an Input to Corporate Performance"	3	Securities & Futures Institute
Q3	Independent Director	Mei-Yueh Ho	The US Anti-Trust Act and Taiwanese Enterprises – Why you should be concerned and what you should know	3	Taiwan Corporate Governance Association
			Corporate Risk Management and the Prevention and Detection of Corrpution	3	Taiwan Corporate Governance Association
	Director	Richard Lee	Seminar of corporate governance – "Compartive Analysis of Legal Risks Inherent to Investment in Taiwan and Mainland China – Case Study"	3	Taiwan Securities Association
	Director	Jueifang P. Chen	Keep abreast of the trend of corproate governance and CSR for better busines opportunities	3	Securities & Futures Institute
			Seminar on Compliance for Insider Equity Transations of Listed Companies	3	Taiwan Stock Exchang
	Director	Tsung-kun Lee	Seminar on Compliance for Insider Equity Transations of Listed Companies	3	Taiwan Stock Exchang
			2015 Training of Professional Skills for Labor Directors	7.5	Ministry of Labor
	Director	Chung-Hsin Liu	Symposium of Directors and Supervisors of TWSE/ GTSM-Listed Companies – Corporate Ethical Risk Control and New Horizons of Social Responsibility	3	Taiwan Stock Exchang
Q4	Chairman	Ruey-Tsang Lee	Seminar on the Development Trend of Financial Digitization	6.5	Taiwan Academy of Banking and Finance(TABF)
			Key Personnel Training Program for Banking Development in Asia – Forum on Development in Asia	3.5	Taiwan Academy of Banking and Finance(TABF)
	Chairman	Toong-Min Chen	Seminar on Cross-Straits Finance – "Emergence of the Internet: The Trend and Application of the HP Financial Inclusion System"	7.8	Taiwan Academy of Banking and Finance(TABF)
	Independent Director and Managing Director	Wen-Yuan Lin	Corporate Governance – The importance of Recovery from Disaster from the perspective of the 10 Billion Compensation Case	3	Taiwan Corporate Governance Association
	Independent Director	Mei-Yueh Ho	Global CEO Outlook 2015: Update of important auditing standards and applicable laws	3	Taiwan Corporate Governance Association
	Director	Chung-Hsin Liu	Seminar on Practical Work of Directors and Supervisors (including independents)	12	Securities & Futures Institute

3.4.10 Implementation Status of the Internal Control System

A. Declaration Enforcement of the Internal Control System.

Bank of Kaohsiung
Declaration Enforcement of the Internal Control System
Attn : Financial Supervisory Commission

Feb. 17, 2016

We, the Undersigned, hereby on behalf of Bank of Kaohsiung Co., Ltd. declared that during the period beginning Jan. 1, 2015 until Dec. 31, 2015, we did faithfully build the internal control systems and enforce risk control in accordance with "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries". Further through detached and independent Audit Department, we conducted audit with audit reports duly submitted to the Board of Directors and Audit Committees on a periodic basis. We evaluated the effectiveness of its Internal Control System in accordance with the Guidelines for the Establishment of the Internal Control System by Public Companies (the Guidelines) set forth by the Securities and Futures Commission of the Financial Supervisory Commission. Through prudent assessment, all units of the Bank did faithfully enforce the internal control and legal compliance except for those events listed on the attached table. The Statement of the Internal Control System will be a prominent feature of our annual report and prospectus, and will be released to the public. Should any statement herein involve forgery, concealment or any other illegality, Articles 20, 32, 171 and 174 of the "Security and Exchange Act" shall apply.

Declarants

Chairman Lee Ruey-Kang

President Huang Maan-sheng

Chief Auditor Lin Cheng-chen

Chief Compliance Officer Ye-Chin Chou

(The content of the report is in conformity with the original declaration)

Matters Requiring Improvements and Improvement Plan for Bank of Kaohsiung Internal Control System

(Base Date : 2015.12.31)

Matters Requiring Improvements	Improvement Measures	Estimated Time of Improvement Completion
The public treasury department undertook bills exchange exceeded NT$500,000 on August 12 2014 and July 30 2015, which were not reported to Investigation Bureau, Ministry of Justice within stipulated period that violates Paragraph 1 of Article 7 of "Money Laundering Control Act," and Article 4 of "Regulations Governing Cash Transaction Reports(CTR) and Suspicious Transaction Reports(STR) by Financial Institutions".	For the purpose of law compliance and preventing similar situation from happening again, the Bank not only corrected the report of "large volume bills exchange," but also adopted following improvement measures: 1. Revising the control and management process for reporting large volume bill exchange: (1) Where the New Taiwan Bills exchange reaches NT$500,000, the customer shall fill in "New Taiwan Bills Exchange List." (2) Recording the personal identification document provided by customers in the "Media Reporting Registration Form for Large Volume Bills Exchange" and completing reporting operation of "large volume bills exchange." (3) When delivering bills to customers, supervisor or other colleagues shall conduct review and delivery operation. (4) The number of bills exchanges and media reporting done shall be specified in "Inquiry Balance Sheet of Cash-in-Hand Statement," and the "New Taiwan Bills Exchange List" shall be stapled with the Sheet and kept for reference. 2. The Bank has listed the performance of money laundering prevention laws and operation norms as critical items of internal audit, self-audit and law compliance self-assessment and enhancing the laws and regulations promotion training in order to supervise the implementation of all units.	1. The Bank has revised regulations governing large volume bills exchange reporting operation on October 27 2015 and sent letters for implementing improvement. 2. The audit office of the Bank will keep track the implementation.

B. Independent Auditor's Report on Internal Control System.

12F, 21 Linshen 2nd Road,
Kaohsiung, Taiwan R. O. C.
TEL:(07)3312133
FAX:(07)3331710

Crowe Horwath (TW) CPAs
Member Crowe Horwath International

Bank of Kaohsiung Co., Ltd.

Independent Auditor's Report

Mar. 17, 2016

To: The Board of Directors of the Bank of Kaohsiung Co., Ltd.

We have audited the accompanying financial statements of Bank of Kaohsiung Co., Ltd. As of December 31, 2015 subject to generally accepted auditing standards. We have also examined the internal audit design and execution for business operation in FY 2015, the compliance with regulatory system, the appropriateness of allowance for credit loss, and the accuracy of statements and data filed with the competent authority. It is the responsibility of the Board of Directors to supervise the management in establishing and maintaining a proper Internal Control System, while our responsibility is to express opinions and issue a report on the Internal Control System based on our audits.

We conduct our audits subject to the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries". that is published by the Financial Supervisory Commission. The Measures require that we exercise the necessary inspection procedure including evaluating the controlled environment of the bank, major business risk, the nature of accounting and managing records and the design of Internal Control System; also, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. We believe that our audits provide a reasonable basis for our opinion on the effectiveness of the Internal Control System.

Except for the potential improvements recommended for the findings in the report, in our opinion, based on our audits, the Internal Control System, the execution of regulatory requirements, the appropriateness of allowance for credit loss, and the accuracy of statements and data filed with the competent authority of the Bank of Kaohsiung are with a proper control mechanism installed and with an effective design and execution maintained as of December 31, 2015.

The audit report is issued to help the Board of Directors supervise the management of the Bank in improving internal control and for the reference of the bank component authority in extraordinary management.

Crowe Horwath (TW) CPAs

CPA：Shu-Man Tsai

Tsai Shu Man

CPA：Ling-Wen Huang

HUANG LING WEN

（The content of the report is in conformity with the audit report）

3.4.11 Penalty Received by The Bank for Unlawful Practices Over the Past Two Years and as The Date of Publication of Annual Report, and Corrective Action Taken Against Major Defects

3.4.11.1 Indictment by Prosecutors Against the Responsible Person or Staff Members because of a Crime Committed on Duty: None.

3.4.11.2. Penalty for Violation of Acts:

A. Penalty:

The public treasury department of the Bank did not report "large volume currency transaction" to Investigation Bureau of Ministry of Justice within the stipulated period, which violates Paragraph 1 of Article 7 of Money Laundering Control Act. A fine of NT$200,000 was imposed by Financial Supervisory Commission pursuant to Paragraph 3 of Article 7 of the same Act on January 22, 2016.

B. Major defects:

The public treasury department undertook bills exchange exceeded NT$500,000 on August 12, 2014 and July 30, 2015, which were not reported to Investigation Bureau, Ministry of Justice within stipulated period that violates Paragraph 1 of Article 7 of "Money Laundering Control Act," and Article 4 of "Regulations Governing Cash Transaction Reports(CTR) and Suspicious Transaction Reports(STR) by Financial Institutions".

C. Improvement:

For the purpose of law compliance and preventing similar situation from happening again, the Bank not only corrected the report of "large volume bills exchange," but also adopted following improvement measures:

(A)Revising the control and management process for reporting large volume bill exchange:

a. Where the New Taiwan Bills exchange reaches NT$500,000, the customer shall fill in "New Taiwan Bills Exchange List."

b. Recording the personal identification document provided by customers in the "Media Reporting Registration Form for Large Volume Bills Exchange" and completing reporting operation of "large volume bills exchange."

c. When delivering bills to customers, supervisor or other colleagues shall conduct review and delivery operation.

d. The number of bills exchanges and media reporting done shall be specified in "Inquiry Balance Sheet of Cash-in-Hand Statement," and the "New Taiwan Bills Exchange List" shall be stapled with the Sheet and kept for reference.

(B) The Bank has listed the performance of money laundering prevention laws and operation norms as critical items of internal audit, self-audit and law compliance self-assessment and enhancing the laws and regulations promotion training in order to supervise the implementation of all units.

3.4.11.3 Penalty for Violation of the Article 61-1 Banking Law: None.

3.4.11.4 The Major Occasional Frauds, Contingencies (Fraud, Theft, Embezzlement, and Robbery, False Transaction, Forged Document and Marketable Securities, Kick Back, Natural Disaster Loss, Loss from External Factors, Hacker Attack, Data Theft, and Disclosure of Confidential Information and Customer Data and Such Major Incidents) or Security Accidents Resulting from the Failure to Practice Security Works, or the Incidents Which Resulted in Loss Over NT$50 Million Over the Past Two Years:

3.4.11.5 Disclosure of Other Events as Required by the Financial Supervisory Commission, Executive Yuan : None.

3.4.12 Improtant Decisions Resolved in the Regular Shareholders' Meeting, Regular Board of Director's Meeting and Special Meeting as in FY 2015 and up to March 2016.

3.4.12.1 Improtant Resolutions in the Regular Shareholders' Meeting and the Execution of the Resolutions Reached :

The Resolutions	The Execution of the Resolutions
1. Earnings distribution for FY 2014.	Earnings distribution for FY 2014, have been completed subject to the resolution.
2. Surplus and Employee bonuses transfer capital NT$385,145,380 for FY 2014.	Industry in August 18, 2015 capital increase.
3. Handling the removal of limit on business strife limitation on Chairman Toong-Min Chen.	Passed the removal of limit on business strife limitation on Chairman Toong-Min Chen.

3.4.12.2 Improtant Resolutions in the Regular Board of Director's Meeting and Extraordinary Meeting

Date	The Resolutions
Mar. 26, 2015	Passed the 2014 (from January 1 2014 to December 31 2014) consolidated and individual financial report of the Bank, as well as the draft of auditor's report proposed by Crowe Horwath (TW) CPAs.
Mar. 26, 2015	Passed the 2014 (from January 1 2014 to December 31 2014) earning distribution draft.
Mar. 26, 2015	Passed 2014 earnings and employee bonus transferring to capital increase and issuing new shares for the purpose of enriching capital.
Aug. 27, 2015	Passed the newly enacted "Guidelines for Ethical Conducts of Bank of Kaohsiung (draft)" for the purpose of guiding the conducts of directors and managers of the Bank to match ethical standards.
Sep. 30, 2015	Passed the donation of NT$450,000 to sponsor the charity campaigns held by BOK Social Welfare and Charity Foundation.
Sep. 30, 2015	Passed continuing to appoint Crowe Horwath (TW) CPAs to conduct 2016 "Financial and Taxation Audit Certification" and 2015 "Internal Control System Project Audit" of the Bank.
Nov. 05, 2015	Passed newly enacted "Corporate Governance Guidelines" of the Bank.

3.4.13 The Documented Disagreement or Written Statement of the Directors Against the Important Resolutions Reached by the Board of Directors in FY 2015 and up to Mar. 2016:

Date	The Important Resolutions	The Summary of Objection
None	None	None

3.4.14 Summarization of Resignation and Dismissal of Parties (Including Directors, President, Financial Supervisor, Accounting Supervisor and Internal Audit Supervisor) Related to the Bank in FY 2015 and up to Mar. 2016:

Position	Name	Date of Employment	Date of Dismissal	Reason for Resignation or Dismissal
Chairman	Toong-Min Chen	Nov. 1, 2012	Nov. 19, 2015	Retired

3.5 Information Regarding Fee

Range of Information Regarding Fee

The Name of the Office of CPA	The Name of the CPA		Audit Period	Remark
Crowe Horwath (TW) CPAs	Shu-Man Tsai	Ling-Wen Huang	2015.1.1~2015.12.31	None

Unit：NT$ Thousand

Fee Iterm / Range of Amount	Audit Fee	Non-Audit Fee	Amount
under 2 million	None	95	95
2 million (included) ~ 4 million	2,180	None	2,180
4 million (included) ~ 6 million	None	None	None
6 million (included) ~ 8 million	None	None	None
8 million (included) ~ 10 million	None	None	None
over 10 million	None	None	None

Unit：NT$ Thousand

The Name of the Office of CPA	The Name of the CPA	Audit Fee	Non-Audit Fee					CPA Audit Period	Remark
			System Design	Business Registration	Human Resources	Others	Sub-Total		
Crowe Horwath (TW) CPAs	Shu-Man Tsai	2,180	0	0	0	95 (Note)	95	2015. 1.1~ 2015.12.31	None
	Ling-Wen Huang								

Note: The balance stated as "Non-Audit Fee – Others" at NT$95 thousand refers to the appointed CPA's certification fee of offsetting bad debt, and business tax deduction for certification fee, and capital increase audit fee.

3.6 Alternation of CPA

3.6.1 About the Former CPA

Alternated date	None			
Alternated reason	None			
Please specify whether the appointment is terminated or unaccepted by the appointer or CPA.	Related parties / Situation		CPA	Appointer
	Voluntary termination of appointment		None	None
	No further acceptance (continuation) of appointment		None	None
Opinion and reason for any audit report other than unqualified opinion in the last two years	None			
Any disagreement with the Bank	Yes	—	Accounting principles or practices	
		—	Disclosure of financial statement	
		—	Scope or steps of audit	
		—	Others	
	No	V		
	Remarks	None		
Other disclosures	None			

3.6.2 About the Successive CPA

The name of the office of CPA	None
The name of the CPA	None
Date of appointment	None
Before the successive CPA is appointed, if it inquired such accountant about the accounting treatment method of specific transactions or the applicable accounting principles and his / her possible opinion on the financial report, it shall disclose the matters it inquired about and the result thereof	None
The successive CPA's written opinion in connection with the discrepancy of opinion between it and the former CPA	None

3.6.3 The Former CPA's Written Response to the Matters Referred to in Article 10.5(1) and Article 10.5(2). (iii) of the "Criteria Governing Information to be Published in Annual Reports for Bank": None.

3.7 Chairman, President or Managers Responsible for Financial or Accounting Business Assume Positions in the Office of CPA Certified the Bank's Financial Statement or in the Affiliates Thereof in the Latest Year: None.

3.8 Changes in Shareholding of Directors, Managers and Persons who Must Declare their Shares Pursuant to Article 11 of "Regulations Governing a Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights achieve a Particular Ratio of a bank." for FY 2015 and up to Mar. 2016.

3.8.1 Change of Shares

Title	Name	2015.1.1 ~ 2015.12.31		2016.1.1 ~ 2016.3.31	
		Change in Shareholding	Increase (decrease) on Pledged Shares	Change in Shareholding	Increase (decrease) on Pledged Shares
Chairman	Ruey-Tsang Lee	0	0	0	0
Independent Director and Managing Director	Wen-Yuan Lin	0	0	0	0
Managing Director	Li- Ming Hsu	0	0	0	0
Managing Director	Chen-Cheng Chien	0	0	0	0
Independent Director	Mei-Yueh Ho	0	0	0	0
Independent Director	Tzen-Ping Su	0	0	0	0
Director	Richard Lee	0	0	0	0
Director	Chien-Tsai Chao	0	0	0	0
Director	Jueifang P. Chen	16,130	0	0	0
Director	Tsung-kun Lee	6,021	0	0	0
Director	Chung-Hsin Liu	0	0	0	0
President	Moan-Sheng Huang	9,802	0	0	0
Exec. Vice President	Jin-Ann Wang	10,835	0	0	0
Exec. Vice President and Vice President and General Manager, Risk Management Dept., and Research & Development Dept.	Johnson Huang	8,151	0	0	0
Chief Auditor	Chung-Chen Lin	8,836	0	0	0
Counsel and Chief Secretary	Tsui-Mei Hsu	11,346	0	0	0
Chief Compliance Officer and Vice President and General Manager, Compliance Dept.	Te-Chin Chou	8,136	0	0	0
Vice President and General Manager, Business Administration Dept.	Anna Hsu	8,111	0	0	0
Vice President and General Manager, Credit Management Dept.	Ting-Lien Lin	8,921	0	0	0
Vice President and General Manager, Human Resources Dept., and Executive Administration Dept.	Shiu-Hui Liu	7,852	0	0	0
Vice President and General Manager, Treasury Dept. and General Manager, OBU Branch	J.C. Shou-Jen Chen	12,592	0	0	0
Vice President and General Manager, Information Technology Dept.	I-Fen Chen	11,127	0	0	0
General Manager, Municipal Treasury Dept.	Mei-Ling Chen	9,655	0	0	0
General Manager, International Banking Dept.	Shuen-Hua Chen	7,878	0	0	0
General Manager, Trust Dept.	Ching-Hui Lin	7,507	0	0	0
General Manager, Wealth Management Dept.	Yuan-Chin Shiang	10,454	0	0	0
General Manager, Business Dept.	Jung-Tai Chang	7,511	0	0	0
General Manager, Gangshan Benjhou Branch	Ming-Hung Wu	8,659	0	0	0
General Manager, Feng Shan Branch	Tung-Chiang Sung	5,419	0	0	0

Title	Name	2015.1.1 ~ 2015.12.31		2016.1.1 ~ 2016.3.31	
		Change in Shareholding	Increase (decrease) on Pledged Shares	Change in Shareholding	Increase (decrease) on Pledged Shares
General Manager, Chien Chin Branch	Ying-Mien Hsu	6,305	0	0	0
General Manager, San Min Branch	Yi-Chen Yu	7,827	0	0	0
General Manager, Tso Ying Branch	Shu-Z. Chen	6,272	0	0	0
General Manager, Hsiao Kang Branch	Hsien-Kuo Chen	8,146	0	0	0
General Manager, Tao Yuan Branch	Chuan-Pin Kao	7,487	0	0	0
General Manager, Chien Chen Branch	Yen-Ching Hsien	8,924	0	0	0
General Manager, Yu Chang Branch	Hueng-Fen Yen	8,161	0	0	0
General Manager, Wan Nei Branch	Shiow-Lien Su	10,946	0	0	0
General Manager, Pin Tung Branch	Chiu-Lan Hsu	7,020	0	0	0
General Manager, Kwei Lin Branch	Chiu-Chin Huang	12,145	0	0	0
General Manager, Liu Ho Branch	Hsien-Cheng Huang	11,637	0	0	0
General Manager, Nan Tze Branch	Wei-Min Wu	6,733	0	0	0
General Manager, Ku Shan Branch	Chi-Jen Lin	3,283	0	0	0
General Manager, Chien Kuo Branch	Tzu-Dan Yen	7,236	0	0	0
General Manager, Chiu Ju Branch	Trey-Shin Lee	9,176	0	0	0
General Manager, Yen Cheng Mini Branch	Mei-Chu Chang	7,810	0	0	0
General Manager, Tsao Ya Branch	Ching-Tsan Chen	7,717	0	0	0
General Manager, Banciao Branch	Te-Ching Wan	8,660	0	0	0
General Manager, Tai Nan Branch	Wen-Lueh Su	8,105	0	0	0
General Manager, San To Branch	Wen-Hau Sher	6,588	0	0	0
General Manager, Da Fa Branch	Chia-Hung Chen	5,191	0	0	0
General Manager, Ta Chih Branch	Don Huang	8,291	0	0	0
General Manager, Tai Chung Branch	Hwa-Jen Lee	8,197	0	0	0
General Manager, Chi Chin Mini Branch	Yao-Huan Lin	6,067	0	0	0
General Manager, Nan Kaohsiung Branch	Shih-Hung Huang	6,648	0	0	0
General Manager, Dali Branch	Yu-Huey Tsao	7,444	0	0	0
General Manager, Hsin Chu Branch	Hsien- Chung Liao	7,370	0	0	0
General Manager, Shih Fu Branch	Pi-Jung Ko	9,347	0	0	0
General Manager, Chung Ho Branch	Chuck Chen	8,162	0	0	0
General Manager, Taipei Branch	Wen-Lung Ting	7,990	0	0	0
General Manager, Min Cheng Branch	Li-Hwa Chen	9,945	0	0	0
General Manager, Pei Kaohsiung Branch	Ming-Ta Yang	6,108	0	0	0
General Manager, Po Ai Branch	Hui-Wen Chiu	5,318	0	0	0
Corporate shareholders on behalf of the Directors (Note)	Kaohsiung City Government	15,713,423	0	0	0
Corporate shareholders on behalf of the Directors (Note)	Jinn Her Enterprise Co., Ltd.	3,988,605	37,017,446	2,175,000	0
Corporate shareholders on behalf of the Directors (Note)	Bank of Kaohsiung Corporate Union	39,305	0	50,000	0

Note: Major shareholder, who owns more than 1% of the Bank's outstanding shares.

3.8.2 Information of Share Transfer

Name	Reason of Pledged Shares	Date of change	The counterparties of share transfer	Relation of the Transaction Counterparties and Directors, Supervisors of Bank and Persons who Must Declare their Shares Pursuant to Article 11 of "Regulations Governing a Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights achieve a Particular Ratio of a bank."	Number	Amount on Pledged Shares
None	None	None	None	None	None	None

Note: There is no case of share pledges in FY 2015 and up to the Mar. 2016.

3.8.3 Information of Pledged Shares

Name	Reason of Pledged Shares	Date of change	The counterparties of share transfer	Relation of the Transaction Counterparties and Directors, Supervisors of Bank and Persons who Must Declare their Shares Pursuant to Article 11 of "Regulations Governing a Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights achieve a Particular Ratio of a bank."	Number	Amount on Pledged Shares
None	None	None	None	None	None	None

Note: There is no case of share pledges in FY 2015 and up to the Mar. 2016.

3.9 Information Disclosing the Relationship Between Any of the Bank's Top Ten Shareholders as Defined

2016.4.24

Name	Shareholding		Spouse & Minor Shareholding		Shares Held through Other Parties		Names and Relationship of Any of the Top Ten Shareholders being a Related Party as Defined or spouse or relatives within 2nd degree of relationship	
	Shares	%	Shares	%	Shares	%	Name	Relationship
Kaohsiung City Government	350,041,588	44.94%	0	0	0	0	None	None
Jinn Her Enterprise Co., Ltd.	41,195,800	5.29%	0	0	0	0	Foundation Kaohsiung Jinn Her social welfare charity foundations His-Hui Chen Hsiung-Tien Tsai	Chairman Yong-Yu Tsai Director Director
Chun-Chin Shih	20,454,635	2.63%	16,754,996	2.15%	0	0	Mei-Yuan Yu	Spouse
Foundation Kaohsiung Jinn Her social welfare charity foundations	19,855,283	2.55%	0	0	0	0	Jinn Her Enterprise Co., Ltd. His-Hui Chen	Chairman Yong-Yu Tsai Director
Mei-Yuan Yu	16,754,996	2.15%	20,454,635	2.63%	0	0	Chun-Chin Shih	Spouse
Yuan Yang Logistics Co., Ltd.	10,429,000	1.34%	0	0	0	0	None	None
Citigroup (Taiwan) commercial banks entrusted with the custody dimensional assessment of emerging market investment fund accounts	5,699,230	0.73%	0	0	0	0	None	None
His-Hui Chen	4,916,557	0.63%	1,152,215	0.15%	0	0	Jinn Her Enterprise Co., Ltd. Foundation Kaohsiung Jinn Her social welfare charity foundations Hsiung-Tien Tsai	Director Director Son
Standard Chartered international commercial banking department entrusted with the custody ISHARES MSCI Emerging Markets ETF core investment accounts	4,779,043	0.61%	0	0	0	0	None	None
Hsiung-Tien Tsai	4,360,543	0.56%	0	0	0	0	Jinn Her Enterprise Co., Ltd. His-Hui Chen	Director Mother

3.10 The Shareholding and Syndicated Shareholding of an Identical Invested Business Held by the Bank, Directors, President, Exec. Vice Presidents, Heads of Departments and Branches and the Bank Directly or Indirectly Governed Business

Mar. 31, 2016

Unit：Shares ; %

Name	The Bank's Investments		Investments of Directors, Supervisors, President, Exec. Vice Presidents, Heads of Departments and Branches and the Bank Directly or Indirectly Governed Business		Syndicated Investments	
	Shares	%	Shares	%	Shares	%
Taipei Forex Inc.	700,000	3.53179	0	0	700,000	3.53179
Taiwan Futures Exchange Corporation	891,260	0.30000	0	0	891,260	0.30000
Taiwan Finance Corporation	51,616,500	10.00000	0	0	51,616,500	10.00000
Waterland Securities Co.,Ltd.	44,925,210	4.93684	0	0	44,925,210	4.93684
Taiwan Asset Management Corporation	7,500,000	0.56754	0	0	7,500,000	0.56754
Taiwan Financial Asset Services Co.,Ltd.	5,000,000	2.94118	0	0	5,000,000	2.94118
Kaohsiung Rapid Transit Corporation	643,031	0.23080	0	0	643,031	0.23080
Kaohsiung Bank General Insurance Agency Co.,Ltd.	500,000	100.00000	0	0	500,000	100.00000
Kaohsiung Bank Insurance Agency Co.,Ltd.	300,000	100.00000	0	0	300,000	100.00000
Financial Information Services Co.,Ltd.	5,937,750	1.13750	0	0	5,937,750	1.13750
Taiwan Depository & Clearing Corporation	285,365	0.08298	0	0	285,365	0.08298
Sunny Asset Management Corporation	347	0.00578	0	0	347	0.00578
Taiwan High Speed Rail Corp.	4,320,000	0.07707	0	0	4,320,000	0.07707
iPASS Corporation	4,000,000	5.39084	0	0	4,000,000	5.39084
TWMP Co., Ltd.	300,000	0.50000	0	0	300,000	0.50000

4.1 Capital and Shares

4.1.1 Source of Capital

A. Issued Shares

Unit：NT$

Year / Month /Date	Par Value	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount	Shares	Amount	Sources of Capital	Others
May 31, 2016	—	1,500,000,000	15,000,000,000	778,865,925	7,788,659,250	Initial capital and capital increase by cash, by capital reserve, by special reserve, and by earnings in the past years.	—

Note: The bank did not offset any source of capital by monetary claims and skills.

B. Capital Increase Information

Unit：NT$

FY	Authorized Capital / Paid-in Capital	Remark	Authorized by the Competent Authority
1983	— 450,000,000	Initial capital	MOF,Tai-Tsai-Rong-No.18127 (Jul. 8, 1981)
1988	— 650,000,000	Capital increase NT$200 million by cash	MOF,Tai-Tsai-Rong-No.770059046 (Feb. 26, 1988)
1989	— 850,000,000	Capital increase NT$200 million by cash	MOF,Tai-Tsai-Rong-No.770430291 (Nov .23, 1988)
1990	— 1,050,000,000	Capital increase NT$200 million by cash	MOF,Tai-Tsai-Rong-No.800078016 (Mar. 2, 1991)
1994	— 1,534,740,000	1. Capital increase NT$190 million by special reserve 2. Capital increase NT$294 million and 740 thousand by cash	MOF,Tai-Tsai-Rong-No.84707685 (Mar. 27, 1995)
1996	— 2,153,079,500	Capital increase NT$618 million and 339.5 thousand by cash	MOF,Tai-Tsai-Rong-No.84377510 (Sep. 6, 1995)
1997 (1997.6.4)	— 2,367,968,260	Capital increase NT$214 million and 888.76 thousand by cash	MOF,Tai-Tsai-Rong-No.86056443 (Mar. 11, 1997)
1998 (1997.10.9)	— 3,867,968,260	Capital increase NT$1.5 billion by cash (Public solicit)	MOF,Tai-Tsai-Rong-No.86164514 (Jun. 10, 1997)
1999 (1999.3.1)	— 4,486,843,180	Capital increase NT$618 million and 874.92 thousand by special reserve	MOF,Tai-Tsai-Rong-No.87419912 (Dec. 30, 1998)
2002 (2002.8.19)	— 4,576,580,040	Capital increase NT$89 million and 736.86 thousand by earnings	MOF,Tai-Tsai-Rong-No-0910030462 (Jul. 10, 2002)
2004 (2004.8.16)	— 5,034,238,040	Capital increase NT$457 million and 658 thousand by capital reserve	MOF, Tai-Tsai-Rong-(2)-No.0930020109 (Jun. 28, 2004)
2005 (2005.6.23)	15,000,000,000 5,034,238,040	Register authorized capital	FSC, Jin-Kuan-Yin-(2)-No.0948010949 (Jul. 27, 2005)
2008 (2008.8.26)	15,000,000,000 5,257,981,950	Capital increase NT$223 million and 743.9 thousand by earnings	FSC, Jin-Kuan-Cheng-(1)-No.0970032868 (Jul. 9, 2008)
2011 (2011.8.7)	15,000,000,000 5,869,475,790	1. Capital increase NT$78 million and 869.72 thousand by earning 2. Capital increase NT$525 million and 798.19 thousand by capital surplus 3. Capital increase NT$6 million and 825.93 thousand by employees' bonuses	FSC, Jin-Kuan-Cheng-No.1000031062 (Jul. 13, 2011)
2011 (2011.10.26)	15,000,000,000 7,069,475,790	Capital increase NT$1.2 billion by cash	FSC, Jin-Kuan-Cheng-No.1000040741 (Sep. 8, 2011)
2013 (2013.09.12)	15,000,000,000 7,210,491,900	1. Capital increase NT$127 million and 250.56 thousand by earning 2. Capital increase NT$13 million and 765.55 thousand by employees' bonuses	FSC, Jin-Kuan-Cheng-No.1020026476 (Jul.15, 2013)
2014 (2014.10.06)	15,000,000,000 7,210,491,900	1. Capital increase NT$43 million and262.95 thousand by earning 2. Capital increase NT$144 million and209.83 thousand by capital surplus 3. Capital increase NT$5 million and549.19 thousand by employees' bonuses	FSC, Jin-Kuan-Cheng-No.1030028076 (Jul.31, 2014)
2015 (2015.10.01)	15,000,000,000 7,788,659,250	1. Capital increase NT$347 million and 965.15 thousand by earning 2. Capital increase NT$37 million and 180.23 thousand by employees' bonuses	FSC, Jin-Kuan-Cheng-No.1040026302 (Jul. 21, 2015)

C. Type of Stock

2016.4.24

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Stocks	778,865,925	721,134,075	1,500,000,000	Listed on the TSE

4.1.2 Status of Shareholders

2016.4.24

Item	Government Agencies	Financial Institutions	Other Juridicial Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	1	49	21,972	84	22,107
Shareholding	350,041,588	2,948,303	84,065,150	302,472,885	39,337,999	778,865,925
Percentage	44.94	0.38	10.79	38.85	5.04	100

4.1.3 Shareholding Distribution Status

A. Common Shares (The Par Value for each share is NT$10)

2016.4.24

Class of Shareholding (Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 — 999	8,390	1,913,569	0.25
1,000 — 5,000	7,579	21,661,116	2.78
5,001 — 10,000	2,297	15,827,103	2.03
10,001 — 15,000	1,184	14,657,850	1.88
15,001 — 20,000	469	8,245,922	1.06
20,001 — 30,000	810	19,869,320	2.55
30,001 — 50,000	506	19,397,581	2.49
50,001 — 100,000	410	27,555,076	3.54
100,001 — 200,000	237	32,384,301	4.16
200,001 — 400,000	110	29,657,107	3.81
400,001 — 600,000	46	22,047,591	2.83
600,001 — 800,000	15	10,777,006	1.38
800,001 — 1,000,000	8	7,229,309	0.93
Over 1,000,001	46	547,643,074	70.31
Total	22,107	778,865,925	100.00

B. Preferred Shares : None.

4.1.4 List of Major Shareholders

2016.4.24

Shareholders's Name	Shareholding	
	Shares	Percentage
Kaohsiung City Government	350,041,588	44.94%
Jinn Her Enterprise Co., Ltd.	41,195,800	5.29%
Chun-Chin Shih	20,454,635	2.63%
Foundation Kaohsiung Jinn Her social welfare charity foundations	19,855,283	2.55%
Mei-Yuan Yu	16,754,996	2.15%
Yuan Yang Logistics Co., Ltd.	10,429,000	1.34%
Citigroup (Taiwan) commercial banks entrusted with the custody dimensional assessment of emerging market investment fund accounts	5,699,230	0.73%
His-Hui Chen	4,916,557	0.63%
Standard Chartered international commercial banking department entrusted with the custody ISHARES MSCI Emerging Markets ETF core investment accounts	4,779,043	0.61%
Hsiung-Tien Tsai	4,360,543	0.56%

Note: Major shareholder means who owns more than 1% of the Bank's outstanding shares or is one of the top ten shareholders.

4.1.5 Market Price, Net Worth, Earnings, and Dividends Per Share for the Past Two Years

Unit：NT$

Item \ FY			2014 (re-compilation)	2015	2016.3.31
Market Price Per Share (Note 1)	Highest		9.88	10.20	9.38
	Lowest		8.78	7.83	8.32
	Average		9.39	9.04	8.76
Net Worth Per Share (Note 2)	Before Distribution		15.29	15.28	15.53
	After Distribution		15.31	—	—
Earnings Per Share	Weighted Average Shares		739,981,441	776,697,078	778,865,925
	Diluted Earnings Per Share		0.69	0.76	0.21
	Adjusted Diluted Earnings Per Share		0.66	—	—
Dividends Per Share	Cash Dividend		0.03	0.03	—
	Stock Dividends	Dividends from Retained Earnings	0.47	0.52	—
		Dividends from Capital Surplus	0	0	—
	Accumulated Undistributed Dividends		0	0	—
Return on Investment	Price / Earnings Ratio (Note 3)		14.23	11.89	—
	Price / Dividend Ratio (Note 4)		313.00	301.33	—
	Cash Dividend Yield Rate (%) (Note 5)		0.32	0.33	—

Note: 1. The highest and lowest market prices each year. The average market price each year is computed with trading value and volume of the corresponding year.
2. The computation is based on the total shares outstanding at the end of the year and approved appropriation in the subsequent Shareholders' Meeting.
3. Price / Earnings ratio = Average Market Price / Earnings per Share.
4. Price / Dividend ratio = Average Market Price / Cash dividends per Share.
5. Cash Dividend Yield Rate = Cash Dividend per Share / Average Market Price

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy : Please refer to page 108 for "Notes to Financial Statements 6.25 Retained Earnings".

B. The FY 2016 shareholders meeting has resolved to distribute dividends in the following order:

The Banks expect to distribute a cash dividend of NT$0.03, a stock dividend of NT$0.52, total of NT$0.55 per share to shareholders for FY 2015.

4.1.7 The Impact of Stock Dividend Distribution Resolved by the 2016 Shareholders Meeting on the Banks Operating Performance and Earnings Per Share (EPS):

The 2016 shareholders meeting will resolve to distribute stock dividends total of NT$ 405.01 million, which means that the stock dividend ratio is 5.2% (52 new shares to 1,000 existing shares). The EPS after stock dividend distribution will be NT$ 0.72. Compared with the basic EPS NT$0.76 , there will be no significant impact on the EPS. Stock dividend dictribution has no impact on the Bank's operating performance yet.

4.1.8 Employees Bonus and Directors Remuneration

A. Information relating to employees bonus and directors remuneration in the Articles of Incorporation please refer to page 111 for "Notes to Financial Statements 6.35 Employees Bonus Expense".

B. (1) Estimate foundation of employees bonus and directors remuneration:

This Banks management estimated employee bonus and remuneration to directors pursuant to the Articles of Incorporation.

(2) The share calculation basis of employee remuneration apportioned with shares and the accounting disposition when the actual apportioned amount is different from the estimated number:

The difference shall be identified as accounting change. The accounts will be adjusted in the same with resolution of Board of Directors and stated as income for the current period.

C. The board of directors passed the 2015 apportioned remuneration:

(1) The remuneration amount for employees and directors apportioned with cash or shares. If the amount is different from the estimated amount in the year of recognizing expenses, the number of difference, reasons and disposition shall be disclosed:

Employee remuneration cash amount: NT$ 0.
Employee remuneration shares amount: NT$ 34,249,026.
Director remuneration amount: NT$ 8,562,256.

Employee compensation compared with the estimated amount listed decrease $350,974, representing an estimated compensation of directors to reduce the amount of column $77,744; Department differences caused by changes in accounting estimates, the amount of the difference between profit or loss adjusted fiscal FY 2015.

(2) The employee remuneration amount apportioned with shares and that amount accounting for the proportion of the net profit after tax in this term's single or individual financial report and the total number of employee remuneration: 5.47%.

D. The actual apportionment of employee, director and supervisor remuneration (including apportioned shares, amount and share price) of 2014. The number of difference, reasons and disposition shall be clarified if the remuneration is different from the recognized employee, director and supervisor remuneration:

(1) Earnings distribution for employee bonus for FY 2014: NT$ 32,904,505, Shares 3,718,023 and Price 8.85.

(2) Remuneration to directors and supervisors appropriated from retained earnings for FY 2014: NT$ 8,226,126.

(3) Corresponded with the decision of the Board of Director.

4.1.9 Buyback of Treasury Stock : None.

4.2 Financial Bonds, Preferred Stocks, Overseas Depository Receipts, Employees Stock Options Receipts, New Restricted Employee Shares Compensation, Merger and Acquisitions

4.2.1 Financial Bonds

Item	Subordinate debt (2013-01)	Subordinate debt (2013-02)	Subordinate debt (2014-01)	Subordinate debt (2014-02)	Subordinate debt (2014-03)
Date & No Approved by the Central Competent Authority	FSC, Jin-Kuan-Yin-Guo-No. 10200181590 (July 9, 2013)	FSC, Jin-Kuan-Yin-Guo-No. 10200181590 (July 9, 2013)	FSC, Jin-Kuan-Yin-Guo-No. 10200341440 (Dec. 10, 2013)	FSC, Jin-Kuan-Yin-Guo-No. 10200341440 (Dec. 10, 2013)	FSC, Jin-Kuan-Yin-Guo-No. 10200341440 (Dec. 10, 2013)
Date of Issuance	Aug. 6, 2013	Sep. 5, 2013	Mar. 25, 2014	Oct. 29, 2014	Dec. 23, 2014
Par	5 million	1 million	10 million	10 million	10 million
Place of Issuance and Trade	Republic of China	Republic of China	Republic of China	Republic of China	Republic of China
Currency	New Taiwan Dollars	New Taiwan Dollars	New Taiwan Dollars	New Taiwan Dollars	New Taiwan Dollars
Price of Issuance	100%	100%	100%	100%	100%
Total Amount	1.3 billion	0.7 billion	1.2 billion	0.65 billion	0.15 billion
Interest	Fixed rate 2.10%	Fixed rate 2.10%	Indicator Rate (Note) +0.85% Floating Interest Rate	Fixed rate 2.35%	Fixed rate 2.35%
Tenor	7 years, maturity date：Aug. 6, 2020	7 years, maturity date：Sep. 5, 2020	7 years, maturity date：Mar. 25, 2021	7 years, maturity date：Oct. 29, 2021	7 years, maturity date：Dec. 3, 2021
Senior / Subordinate debt	Subordinate debt	Subordinate debt	Subordinate debt	Subordinate debt	Subordinate debt
Guarantor	None	None	None	None	None
Trustee	None	None	None	None	None
Underwriter	Sino Pac securities, Yuan Ta securities, Master Link securities	Sino Pac securities, Yuan Ta securities	Sino Pac securities, Yuan Ta securities, Master Link securities	Yuan Ta securities	Sino Pac securities
Certified Lawyers	None	None	None	None	None
Certified Public Accountants	None	None	None	None	None
Certification Institution	None	None	None	None	None
Repayment	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding Balance	1.3 billion	0.7 billion	1.2 billion	0.65 billion	0.15 billion
Year 2008 Paid-in Capital	7.0 billion 69.47million 5 thousand 7 hundred and ninety	7.0 billion 69.47million 5 thousand 7 hundred and ninety	7.2 billion 10.49 million 1 thousand and 9 hundred.	7.2 billion 10.49 million 1 thousand and 9 hundred.	7.2 billion 10.49 million 1 thousand and 9 hundred.
Year 2008 Total Stockholders' Equity	10.9 billion 4.61 million 3 thousand 9 hundred and ten	10.9 billion 4.61 million 3 thousand 9 hundred and ten	10.7 billion49.04 million 1 thousand 9 hundred and seventy.	10.7 billion49.04 million 1 thousand 9 hundred and seventy.	10.7 billion49.04 million 1 thousand 9 hundred and seventy.
Performance	Normal	Normal	Normal	Normal	Normal
Redemption or Early Exercise Term	None	None	None	None	None
Convertible and Swap Term	None	None	None	None	None
Restricted Clause	None	None	None	None	None
Fund Utilization Plans	Corporate with Medium and Long Term Loans	Corporate with Medium and Long Term Loans	Corporate with Medium and Long Term Loans	Corporate with Medium and Long Term Loans	Corporate with Medium and Long Term Loans
Ratio of the Registered Value of Issue plus Outstanding Balance against the Net Value after Settlement of the Year previous to the Year of Issue (%)	55.02%	55.02%	74.43%	65.12%	65.12%
Whether Include Qualified Capital and the Corresponding Category	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
Credit Rating Agency, Date and Rating	Fitch Australia Pty Ltd. Taiwan Branch：A-(twn), Nov. 10, 2015.	Fitch Australia Pty Ltd. Taiwan Branch：A-(twn), Nov. 10, 2015.	Fitch Australia Pty Ltd. Taiwan Branch：A-(twn), Nov. 10, 2015.	Fitch Australia Pty Ltd. Taiwan Branch：A-(twn), Nov. 10, 2015.	Fitch Australia Pty Ltd. Taiwan Branch：A-(twn), Nov. 10, 2015.

Note: The indicator rate means the three-month Taipei Inter Bank Offer Rate (TAIBOR) posted on the website of the Bankers Association (http://www.ba.org.tw) in the TAIBOR section, at the time that is 2 Taipei business days prior to the start of the relevant interest period.

4.2.2 Preferred Stocks, Overseas Depository Receipts, Employees Share Options Receipts, New Restricted Employee Shares Compensation, Merger & Acquisitions : None.

4.3 Financing Plans and Implementation

4.3.1 Finance Plans

Up to Q1 of 2016, with respect to each uncompleted public issue or private placement of securities and financial debentures, and to such issues and placements that were completed in the most recent three years but have not yet fully yielded the planned benefits：None.

4.3.2 Implementation : None.

5.1 Business Scope

5.1.1 Main areas of business operations

Business Item	Major Business
Wealth Management Business	With Respect to High Net Worth Customers, the Personnel of Wealth Management Provide the Financial Planning or Allocation of Assets Per Customers' Requirements and Offer Various Financial Products and Services Included in the bank Business Lines Approved by the Competent Authority.
Loan Business	Consumer Banking Product : Mortgage Loans, Simple Credit Loans, Operating Fund Financing, Individual Credit Loans, Tuition Loan, Credit Cards and Credit Card Processing etc.
	Corporate Banking Product : Operating Fund Financing, Loans for Capital Expenditure, Project Loans, Issuance of Local Letters of Credit, Letter of Credit Issuance, Export Negotiation, Guarantees and Acceptances etc.
Electronic Financial Business	Chip Combo Card, Internet Banking, Web ATM, Telephone Voice Service, Financial XML–based operating Platform for Collecting Banks, Domestic ATM Acquiring Affairs in Union Pay Card in Taiwan, Electronic Payment System of Kaohsiung City Treasury, Mobile Banking, etc.
Foreign Exchange Business	Export, Import, Outward and Inward Remittance, Foreign Currency Deposit (and OBU Foreign Check Deposit), Foreign Currency Loans, and Payment Secured by Foreign Currency, Transaction of Derivative Financial Products.
Trust Business	Trust of Real Estate, Trust of Securities, Money Trust, Trust of Money Claim and Guaranted Right of Object, Assumption of Executor and Administrator Of Estates of Deceased Person, Discretionary Investment Business, Act as Agent for Issuance, Transfer and Registration of Marketable Securities, and Payment and Distribution of Dividends, Interests and Bonus, Provide Advisory Service on Issuance and Offering of Marketable Securities, Subscription Business of Portfolio, Custody Services, Safe-Deposit Box Rental Service etc.
Investing Business	Transactions of Stocks, Beneficiary Certificates for Funds, Short-Term Bills, Preferred Stocks with Fixed Income, Negotiable Certificate of Deposit of the Central Bank, Government Bond, Corporate Bond, Beneficiary Securities and Asset-Backed Securities.
Gold passbook business	Gold passbook single purchase, resale, withdraw; regular fixed purchase, resale and inter-account transfers and other services.

5.1.2 Weightings and Changes of Key Business Assets against Total Assets

Unit : NT$ Million, %

Major Business	2015.12.31		2014.12.31	
	Amount	%	Amount	%
Total Assets	263,140	100.00	269,093	100.00
Consumer Banking Business	69,811	26.53	73,601	27.35
Corporate Banking Business	98,152	37.30	111,131	41.30

5.1.3 Weightings and Changes of Key Business Revenue against Total Operating Revenue

Unit : NT$ Million, %

Item	2015.1.1-2014.12.31		2014.1.1-2013.12.31	
	Amount	%	Amount	%
Total Operating Revenue	6,047	100.00	6,097	100.00
Revenue on Loan Business	4,283	70.83	4,066	66.69
Revenue on Investing Business	973	16.09	809	13.27
Revenue on Wealth Management Business	382	6.32	366	6.00
Revenue on Deposit Business	31	0.51	30	0.49
Revenue on Foreign Exchange Business	21	0.35	24	0.39

5.1.4 Business Plan for 2016

A. Loans- Adjust the asset structure of loans within the limited scale of capital:

(1) Increase the proportion of loans to small and medium enterprises and give full support to the local industry.

(2) Expanding loans in foreign currencies to increase revenue.

B. Deposits – reducing the cost of capital:

(1) Continue to hold competitions on New Taiwan Dollar demand deposit for the purpose of adding demand deposit.

(2) Flexibly adjust the proportion of large denomination time deposits in consideration of the growth of general deposits of The Bank.

C. Non-interest revenues – increasing the percentage of revenue that does not require the input of capital:

(1) Mutual fund and insurance commission revenue are the twin engines of wealth management revenue.

(2) Stock investment is the operation that generates steady cash dividend and capital gains.

D. International banking – seizing the business opportunities in overseas markets and increasing the percentage of profit from international banking operations:

(1) Starting OBU trust services to increase fee revenue.

(2) The Bank increases the investment in securities denominated in foreign currencies at the OBU to increase the gains of financial operations.

E. Positive effort in the advocacy of eBanking – bolstering the development of mobility, convenience and personalized financial needs:

(1) Continue to upgrade Internet Banking and big data precision marketing.

(2) Advocacy of eBanking with the introduction of technology to reduce the workload of over-the-counter.

F. Organizational re-engineering:

(1) Bring the eBanking team into full play and promoting the automation of all the existing services for transformation to Bank 3.0.

(2) In response to the development of eBanking operations, the bank will fortify the quality of human resources and provide transformation training to staffs.

G. Internal control – taking care of both risk control and operational capacity:

(1) Continuing to improve the review mechanism and implementing self-inspection to prevent frauds.

(2) Supervisors of business units should improve the assistance and oversight on the operations of branches.

5.1.5 Market Analyses

A. Regions Where the bank Operates

The bank focuses primarily on the domestic market. Until the end of 2015, the bank has 40 business units (exclusive of OBU), 29 of which are located in Kaohsiung City, 1 in Pingtung City, Tainan City, Taoyuan City, and Hsinchu City, 2 in New Taipei City and Taichung City, and 3 in Taipei City.

B. Future Supply and Demand and Growth of the Market in which the bank is Engaged

(1) Future supply and demand of market

With the increasing popularity of transaction patterns such as Internet and mobile payment, financial-technology innovations have become a trend. The banking industry faces a challenge as third-party payments and other non-financial sectors step into the financial sector with more and more impact. To prepare for such a great change that has never happened before, not only are more resources needed to be invested, but what really needs to be overcome is the traditional way of thinking. The banks have to combine technologies to develop community-based, personal services and exercise more imagination in connection with people's lives to meet customers' needs.

(2) Growth of the bank

In the short run, the market interest rate is still expected to fall further. Since the room for significant growth of interest rates at the bank is limited, in order to increase profit, the bank will aggressively adjust our loan portfolio to improve the interest rate spread. At the same time, we will adjust our deposit structure to lower the cost of capital and increase profit.

C. The bank Competitive Niche

The bank prime competitive strength resides in its identity as a "local bank" operating for thirty-four years domestically and engaged in developing local business and plentiful local resources.

D. Advantageous and Disadvantageous Factors of the bank Prospect, and Response Measures

(1) Favourable Factors

(A) The Kaohsiung City Government holds 44.94% of the bank ownership interest, providing stable management as well as consistent sources of deposit and loan businesses.

(B) The bank has capitalized on the distinct industry characteristics of the Kaohsiung region, and developed its SMEs lending for many years. It has accumulated a customer base that generates consistent revenues, and a loan portfolio that grows progressively year after year. The bank is well-positioned in the local market.

(C) The bank is actively developing the wealth management business for higher fee-based income and diversifies earnings.

(2) Unfavourable Factors

(A) Small business size and weak bargaining power makes the bank susceptible to market competition and lower interest margins.

(B) The growth of major economies was less than expected, and they also successively implemented quantitative easing monetary policies, which enlarged the risks in the turmoil of the global financial foreign exchange market and economic recession and was unfavorable to the Bank's business development.

(C) Speed the promotion of Bank 3.0. Small and medium banks are limited by resources, which was harmful to investments in IT equipment.

(3) Response Measures

(A) Continue enhancing and adjusting asset and liability portfolio, in hopes of expanding the interest spread for deposits and generating income.

(B) Continue enhancing upgrading the proportion of loans to SMEs, fostering local SMEs, increasing the bank's income and creating a win-win situation.

(C) In the face of the changing financial environment, adhere to the business strategy of "stable growth, high profit," carefully expand relevant investments and loan businesses, and implement risk management mechanisms.

(D) Select an appropriate digitization development strategy, gradually optimize the information, develop a digital financial management environment, and maintain the competitiveness of the Bank.

5.1.6 Overview of Research and Business Development of Financial Products

A. The Scale and Performance of Major Financial Products and Corresponding New Functional Units in the Past Two Years

(1) Scale of Major Financial Products

Unit : NT$ Million

Major Financial Products	2014.12.31 Balance	2015.12.31 Balance	2016.03.31 Balance
Loans to SMEs	50,555	49,643	48,364
Tuition Loan	6,178	5,911	5,686
Simple Credit Loans	947	828	749
Specific Money Trusts Earmarked for Investing Foreign and Domestic Securities	16,679	16,796	17,143
Trust Assets	19,112	19,394	20,099

(2) New Business Units : None. Administration Dept.

B. Expenditure & Results of R & D in the past two years and Future Plans

(1) Expenditure of R & D

Unit：NT$ Million

Year	2015	2014
Amount	0.60	0.67

(2) Results of R & D

Business Item	Financial Products
Deposit Business	The bank is offering “Mobile Banking” and “Action Debit Card”.
Loan Business	The bank is offering “August 1 Gas Explosion Financing,” “Culture and Creativity Industry Advantage Loan,” “General Consumer Loan,” “the Bank of Going Titanium Card,” and “Phone credit card”.

(3) Future Plans of R & D

Unit : NT$ Million in 2016.3.31

Plans of R & D	Progress	Fees of R& D	Time of Work-Down	Key Point of Success
None	None	None	None	None

5.1.7 Plans for Long-term and Short-term Business Development

A. Short-term Business Development

(1) Loan Business

(A) In order to promote the loan to SMEs aggressively and control risk, the bank continues promoting transfer of SMEs credit guarantee bond business. The promotional strategies include adjustment of license and drafting the incentive programs to upgrade business entities’ willingness to be enrolled in the programs.

(B) The Bank presented the “Good Quality and Preferred Interest” wealth management loan to augment the utilization of capital and satisfy the capital needs of the customers and it has established related bonus plans.

(C) The Bank also presented the loans for the advocacy of artistic and cultural creative industry for assisting innovation, research and development of enterprises for accessibility to working capital. The results are positive. The Bank also supports the government in its policy of financing small and medium enterprises and strategic loans (previous the Small Cap Business Loan) and avails itself as the “local”, “professional”, and “good quality” bank really for the help of small and medium enterprises.

(2) Trust Business

Continue promoting preferential project of “Specific Money Trusts Earmarked for Investing Foreign and Domestic Securities”, and actively expand the business of “Wealth Keeping Trust”, “Nursing Trust”,“Insurance Claims Trust”, “Independent management and employment of money trust”, “Real estate trading price trust business”, “trust of real estate trust for co-construction of houses” and “trust of securitits”.

(3) Deposit Business

(A) Upgrade the demand deposit weight, and improve deposit structure to reduce the bank working fund cost.

(B) Construct mobile banking electronic financial platform to meet the financial needs of customers anytime and anywhere, to develop customer relationships, and to enhance the bank’s competitiveness.

(4) Foreign Exchange Business

(A) Forward the foreign exchange business.

(B) Planned to provide online services of deposits, remittances and L/C issuance that amount over NTD 500 thousand.

(C) Planned Tainan branch opened in April 2015 designated foreign exchange bank business.

(5) Wealth Management Business

Organize the wealth management personnel training sessions internally to enhance wealth management personnel's professional qualification and compliance, and organize wealth management seminars for customers and irregular feedback campaigns externally to cultivate the interaction between the bank and customers more thoroughly.

(6) Municipal Treasury Business

Continue to promote the functions of "Public Treasury Service Net" coping with the demand of all agencies in order to reduce the personnel burden and expenses of all relevant fees.

(7) Electronic Banking

In order to strengthen the bank's electronic financial services platform, the bank will continuously promote the upgrade of online banking, mobile banking, and mobile payment.

(A) The bank is planning for the new generation of "online banking system creation": it integrates the existing "online banking" and "corporate finance network" functions." It upgrades digitized electronic financial service functions.

(B) Introduce the bank's "mobile bank card services": The bank cooperates with Taiwan Mobile Payment Co., Ltd., and the bank retains that company to provide the "PSP TSM platform" and "twMP" digital wallet services.

(8) Treasury Management Business

The bank is developing structured instruments in foreign currencies to offer customers a wide range of financial investment instruments.

(9) Offshore Banking Business

The bank is offering trust service based on overseas bonds and offshore funds to further diversify its offerings of offshore wealth management products.

B. Long-Term Development

(1) Loan Business

Target loan to SMEs generating higher profit as the first priority, develop SMEs and increase the profit within the extent that risk is controlled in a proper manner.

(2) Offshore Banking Business

(A) Cultivate old customers and develop new customers: cultivate old customers that have established off-shore factories through the various branches, develop new customers and solicit customers that have not yet traded with the international financial business branches in Taiwan in the capacity of "off-shore company".

(B) Fulfill off-shore credit investigation: send the personnel to collect the business information in Mainland China and South East Asia irregularly, and contact members of the local Taiwan businessmen associations through Taiwan businessmen who have traded with the Bank, so as to control customers' status and extend business reach.

(C) Enhance the international syndicated loan business by adding secondary market among the Bank's target market. By selecting quality case with duration within 2 to 5 years and interest spread over 2%, to reduce the risk and increase the Bank's earnings.

(3) Wealth Management Business

Assist wealth management personnel internally to develop different customer bases and provide complete and diversified wealth management products, and work hard to "Satisfy Customers and Create Customer Value" externally as its ultimate purpose.

(4) Electronic Banking

With the FSC to create digitized financial environment (Bank 3.0) start policy, planning synchronization deliberations open the first wave of business, including deposits, credit, credit cards, wealth management and joint marketing and other 12 services.

5.2 Human Resources

5.2.1 Information of Employees for the Past Two Years & Up to Mar. 2016

FY		2014	2015	2016.3.31
Number of Employees (Person)		940	933	917
Average Age (Years old)		45.98	47.71	47.40
Average Years of Service (Year)		19.06	20.79	20.78
Level of Education (%)	Ph.D.	0.21	0.21	0.22
	Masters	14.26	14.47	14.28
	Bachelor's Degree	75.74	75.92	76.01
	Senior High School	8.94	8.53	8.62
	Below Senior High School	0.85	0.86	0.87
Name of Employees With Certificates, Licenses and Qualifications (person)	Securities Investment Analyst	5	4	4
	Securities Specialist	83	80	79
	Senior Securities Specialist	233	236	235
	Securities Investment Trust and Consulting Professionals	172	179	178
	Analysts of Futures Trading	1	1	1
	Futures & trust fund sale representatives	113	114	111
	Bill Finance Specialist	223	227	226
	Trust Supervisor	10	9	9
	Trust Manager	199	191	188
	Trust Operations Personnel	682	682	680
	Basic Test for Bank Internal Control	707	710	703
	Non-Life Insurance Agent	1	1	1
	Non-Life Insurance Broker	0	1	1
	Life (Investment Link) Insurance Sales Agents	800	814	808
	Non-Life Insurance Sales Agents	631	637	637
	Certified Public Accountants	1	1	1

5.2.2 Employees' Further Education and Training

A. For the purpose of encouraging employees to undertake further studies in off-work hours, the Bank has a policy of reimbursing half of the tuition fees for any employees undertaking further studies relevant to their work at universities, colleges or graduate schools of universities. The Bank has sponsored 16 person-times in FY 2015.

B. In order to advance the professionalism and skills of the bank's employees, develop future human resources in all kinds of business and with the aim of improving employee quality and enhancing our service quality, the Bank continually plan for the various training programs from time to time. Details of training programs for FY 2015 are as follows:

(1) Internal Training (Include Commissioned Training): In 2015, 52 class-times of "New staff training" were offered and a total of 2,174 person-times attended the training, which covered the various fundamental sales training courses, advance finance and sales courses, regulations educational courses, new financial products (and promotion) courses and financial management and insurance or marketing techniques seminars and leadership management course.

(2) External Training : Due to business requirements, the bank sent employees from time to time to attend the relevant training programs organized by other related educational training institutions. In FY 2015, we have sent a total of 626 person-times to participate in such training programs.

(3) Overseas Educational Visits / Seminar : In FY 2015, the bank sent 7 person-times abroad to undertake educational visits.

(4) To fulfill the coroprate governance system and upgrade directors' / supervisors' professional intelligence, the bank sent 9 directors including Ruey-Tsang Lee to attend the corporate governance or financial professional programs in 2015, totaling 23 person-times.

5.3 Social Responsibility and Moral Behavior of the Bank

5.3.1 Care about Society

The Bank established the "Kaohsiung Bank Social Welfare and Charity Foundation" in March 2008, which is committed to various public services and charity events. In 2015, the Bank made donations to "Kaohsiung City Joint Education Assistance Service Plan," "Hand-in-Hand Paying Love Forward Charity Delivery – Vulnerable Household Food Coupon Service Plan," New Year's charity campaign "Live a Good Year of the Goat", and Dragon Boat Festival "Passing Charity through Rice Dumplings" held by Taiwan Fund for Children and Family and Social Affairs Bureau of Kaohsiung City and associated by Kaohsiung City Charity Association, "Kaohsiung City Fall Term Joint Charity Campaign" held by Kaohsiung City Council and associated by Kaohsiung City Charity Association, "Endless Love – Vulnerable Children and Juvenile Having a Good Year" held by the Social Affairs Bureau of Kaohsiung City, "Kaohsiung City Government and Council Fellowship 10th Anniversary Expanding Thanksgiving Worship" held by Er-Ling Church, Kaohsiung Presbytery of the Presbyterian Church in Taiwan, "Feeding Vulnerable People 30" held by Ren-An Social Welfare Charity Foundation, "2015 Charity Paying Love Forward Caring the Mother Land Thanksgiving Campaign" held by Houjing Baosheng Dadi Charity Association, "Warm May – Carnations Giveaway" held by Kaohsiung City Yu-Ren Cultural and Education Association, "Dragon Boat Festival Charity Campaign" held by Kaohsiung City Lotus Pone Culture and Tourism Association, and "2015 Kaohsiung Cares – Happiness Kaohsiung" held by Kaohsiung City Teenager Voluntary Service Association. The Bank also assigned people to visit Cide Nursery, bestowing agricultural products and red envelopes, and held blood donation campaign at the square of Hanshin Arena.

5.3.2 Assistance for Learning and Growth

The Bank diligently participated in and sponsored "2015 Community Government Policies and Decrees and Volunteers Seminar" held by Xinxia Community Development Association of the Zuoying District, Kaohsiung City, "National Sun Yat-sen University Sun Yat-sen Elite Leaders Training Camp" held by Kaohsiung City Cheng-Chung Culture and Education Association, "Soap Making for Happy Mommy" held by Ba-yu Community

Development Association of Sanmin District, Kaohsiung City, "Healthy and Environment Protection – Caring the Earth" held by Kaohsiung City Care Earth Association, "The 2nd term Kaohsiung City Speaker Cup Children Drawing Competition" held by Kaohsiung City Cheng-You Lion Club International, "The 6th term Charity Carnival" held by Kaohsiung City Kao Du Junior Chamber, "2015 Volunteer Basic Educational Training," held by Kaohsiung City Long-Term Care Development Association, "Parenting Education and Moon Festival Campaign" held by Kaohsiung City Professional Driver Interests Promotion Association, "Shanlin Renewal Area Parents-Children Sports Day and Festival" held by Shanping Community Development Association of Shanlin District, Kaohsiung City.

5.3.3 Sponsor Art & Cutural and Physical Training Events

The Bank diligently participated in and sponsored "2015 The 13th term Taiwan National Cup International Ground Golf Exchange Meeting" held by Taiwan Ground Golf Association, "2015 Qienzhen Cup Gate Ball Invitation and Energy Saving and Carbon Reduction Promotion Campaign" held by Kaohsiung City Chingfeng Sports Association, "2015 Chairman Cup Gate Ball Contest" held by Kaohsiung City Gate Ball Association, "16th term Taiwan National Dodgeball Contest" held by Dodgeball Commission of Kaohsiung Municipal Athletics Federation, "The 2nd term Chingsung Cup National Ground Golf Contest" held by Ground Golf Commission of Kaohsiung Municipal Athletics Federation, "The 3rd term Kaohsiung City Country-Wide Sports Changda Cup Badminton Contest" held by Kaohsiung City Country-Wide Sports and Environmental Protection Association, "Yimin Cup Gate Ball Invitation" held by Kaohsiung City Gate Ball Association, "2015 the 6th Term Kaohsiung Cup National Badminton Contest" held by Badminton Commission of Kaohsiung Municipal Athletics Federation, "The 1st Term International Lion Cup National Karate Contest" held by Karate Commission of Kaohsiung Municipal Athletics Federation, "The 25th Term Kaohsiung City Governor Cup National Ground Golf Invitation" held by Kaohsiung City Fengshan Ground Golf Association, and "2015 Kaohsiung City Indigenous People the 40Th Term Guanfu Cup Slow Pitch Softball Contest" held by Kaohsiung City Indigenous People Sports Promotion Association.

5.4 The number of employees that are not in the manager position, the annual employee average benefit expenses and the difference comparing with the previous year

Unit：NT$ Thousand, person

Item	Dec. 31, 2014	Dec. 31, 2015	The difference comparing with the previous year
The number of employees that are not in the manager position (Person)	744	737	(7)
The annual employee average benefit expenses (NT$ Thousand)	1,076	1,069	(7)

5.5 Information Technology and Computer Facility

5.5.1 The Core Hardware / Software and Maintenance

The current hardware of the core IT system contains IBM NTD transaction server, disk, foreign exchange transaction server, cryptosystem servers, and server group, and the software in service are IBM Z/VSE4.1 for core banking system and IBM iV7R1 for the foreign exchange system. The bank engage maintenance contracts with both systems.

5.5.2 Emergency Backup and Security Protection

A. Developing and testing systems function not only for implementation and testing on a daily basis but also the backup systems for operating systems, such as operation server and disk. The two cryptosystem servers are the backup for the cryptosystem systems of operation hardware.

B. The Bank conduct backup drill for operation mainframe, communication control server, and cryptosystem systems on a six-month basis. As to backup drill for disk storages, the Bank has it once each year.

C. The Bank entered into a remote backup contract with FISC, which requires us to conduct remote backup drills twice a year in IBM.

D. Signed an agreement with IBM for NTD server system disk drive asynchronous remote backup service. The updated data copies are stored in IBM backup room through fiber optic lines.

E. To ensure the IT facility is functioning well and the safety of employees, the Bank impose entrance control in the IT building and have a generator, two sets of uninterruptible power system, and two sets of air conditioning machines. The Bank also conduct a fire drill every six months.

5.6 Labor Relations

5.6.1 Employees' Benefits, Retirement, Labor-capital Agreement and Fulfillment of Labor Rights

A. Employees' Benefits: In order to ensure better living for the Bank's employees and encourage their working spirit, they are eligible for performance incentives and bonuses, group insurance, subsidies of credit points for further education, welfare funds, and scholarships for their children's education.

B. Retirement: The Bank conduct retirement of bank employees in accordance with the "Rules Governing Retirement, Pension and Layoff of Employees of Bank of Kaohsiung", and contribute monthly Workers' Retirement Reserve Funds pursuant to the Labor Standard Act and provide the laborers' retirement pension on a monthly basis pursuant to the Labor Pension Act.

C. Labor-Capital Agreement: The Bank has an agreement with the Bank of Kaohsiung Workers Union for protecting labor rights and ensuring the relationship is in harmony.

D. Fulfillment of Employee Rights: The Bank has rules to clearly specify rights and obligations between the employer and employees. Those rules stipulate promotion, assessment, position rotation, reward and penalty, and bonuses respectively for securing rights of employees.

5.6.2 The Bank has Suffered Any Loss Arising from Labor Disputes for the Past Two Years and Up to Mar. 2016 : None.

5.6.3 Response Current and Potential Disputes that May Occurin the Future:

As of the end of March 2016, There are two labor disputes, by the relevant authorities in the trial, according to the law, according to the Bank in addition to actively manage stated, and as soon as the future judgment or ruling properly cope.

5.7 Important Contracts

Mar. 31, 2016

Nature of Contract	Contracting Party	Duration of Contract	Major Contents	Restriction Clause
Outsourcing Contract	The bank and Financial Information Service Co., Ltd.	From : Dec. 01, 2008 To : Dec. 31, 2016	Credit card service	None
Outsourcing Contract	The bank and Hewlett-Packard Taiwan Ltd.	From : Apr. 01, 2014 To : Mar. 31, 2017	Data processing	None
Outsourcing Contract	The bank and An Feng Enterprise Corporation	From : Feb. 01, 2015 To : Jan. 31, 2017	ATM service	None
Outsourcing Contract	The bank and Li Pao Security Corporation	From : Feb. 01, 2014 To : Jan. 31, 2017	Cash escort service	None
Outsourcing Contract	The bank and Li Pao Security Corporation	From : Feb. 01, 2014 To : Jan. 31, 2017	Cash delivery Service	None
Outsourcing Contract	The bank and Chunghwa Post Co., Ltd., Taipei Post Office.	From : Jan. 01, 2016 To : Dec. 31, 2016	Printing, packing and mailing of notice of tuition loan, account statement of specific money trusts earmarked for investing foreign and domestic securities, interest income and salary withholding certificate, Public housing loan interest payment list , account statement of deposit and gold passbook.	None

Nature of Contract	Contracting Party	Duration of Contract	Major Contents	Restriction Clause
Outsourcing Contract	The bank and CHUNG HWA Express Corp.	From : Dec. 17, 2013 To : Dec. 16, 2016	The Securities and other document are delivered among Chung Ho Branch , Ta Chih Branch , Tai Chung Branch , Gangshan Benjhou Branch and Taipei Branch.	None
Outsourcing Contract	The bank and TWMP Co., Ltd.	From : Dec. 17, 2014 To : Dec. 16, 2016	OTA card manufacturing of mobile payment instruments (credit card and IC ATM card) and data process service of managing card life cycle, and twMP digital wallet service.	None
Contract for the Kaohsiung City Government treasury	The bank and The Bureau of Finance of Kaohsiung City Government	From : Feb. 09, 2000 To : Jun. 30, 2020	The bank was entrusted to be the agent of Kaohsiung City Treasury	None
Contract for the national treasury	The bank and the Central Bank of China (CBC)	as of Feb. 01, 2011	The bank was entrusted to be the agent of the National Treasury	None
Contract for collection of Local tax	The bank and Bank of Taiwan	From : Jul. 01, 2010 To : Jun. 30, 2020	The bank was entrusted to be the collection agent of various tax payments levied by various municipal cities, counties/cities, townships/districts.	None
Contract for collection of national tax	The bank and the Central Bank of China (CBC)	as of Jul. 01, 2010	The bank was entrusted to be the collection agent of national tax.	None
Contract for Kaohsiung Municipal Treasury Business	The bank and 27 banks including Bank of Taiwan and Farmers' Association.	as of Jan. 01, 2011	The bank re-entrusted the Kaohsiung Municipal Treasury Business to 28 banks including Bank of Taiwan and Farmers' Association.	None
Contract for collection of Local tax	The bank and Land Bank of Taiwan	as of Jul. 01, 2010	The bank was entrusted to be the collection agent of local tax levied by the Kinmen County Government.	None
Contract for collection of municipal tax and fee of Taipei City	The bank and Taipei Fubon Bank	as of Jul. 01, 2010	The bank was entrusted to be the collection agent of municipal tax, non-tax and fee of Taipei City.	None
Contract for collection of municipal tax and fee of Kaohsiung City	The bank and 33 banks including Bank of Taiwan.	as of Jul. 01, 2010	The bank entrusted to be the collection agent of municipal tax, other income and fee of Kaohsiung City.	None
Contract for electronic payment	The bank and Kaohsiung City Government	From : Jan. 01, 2013 To : Dec. 31, 2016	The bank was entrusted to be the agent of electronic payment system of Kaohsiung City Treasury	None
Contract for collection of traffic fine	The bank and Transportation Bureau, Kaohsiung City Government	From : Jan. 01, 2015 To : Dec. 31, 2016	The bank was commissioned to close cases immediately upon collection of "traffic fine".	None
Contract for collection of vehicles fuel charge	The bank and Kaohsiung City Motor Vehicles Office	From : Jan. 01, 2016 To : Dec. 31, 2016	The bank was entrusted to collect for vehicle fuel charge.	None
Contract for district treasury	The bank and Kaohsiung Taoyuan District and 3 District Office	From : Jul. 01, 2015 To : Jun. 30, 2020	The bank was entrusted to be the collection agent of Kaohsiung Taoyuan District and 3 District Treasury.	None
Contract for Kaohsiung Taoyuan District and 3 District treasury	The bank and Kaohsiung Taoyuan District and Fengshan District Farmers' Association	From : Jul. 01, 2015 To : Jun. 30, 2020	The bank was entrusted to be the delegate agent of Kaohsiung Taoyuan District and 3 District Treasury.	None

5.8 Information on Securitization Products Issued in FY 2015 Permitted under "Financial Assets Securitization Provision" or "Real Estate Securitization Provision": None.

6.1 Brief Balance Sheets and Comprehensive Income Statements of Recent Five Years

6.1.1 Brief Balance Sheets and Comprehensive Income Statements

6.1.1.1 Brief Balance Sheets (Consolidation)

Unit：NT$ Million

Items \ FY		Financial Information of Recent Four Years				As of Mar. 31, 2016
		Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2014 (re-compilation)	Dec. 31, 2015	
Cash & cash equivalents, Due from the CBC and other banks		27,802	26,549	27,279	18,353	14,947
Financial assets at fair value through profit or loss		1,459	1,590	10,976	3,880	4,115
Available-for-sale financial assets－net		19,191	19,250	26,141	36,837	36,317
Derivative financial assets for hedging		0	0	0	0	0
Bills and bonds purchased under agreements to resell		4,968	3,461	13,385	20,065	6,289
Accounts receivable－net		931	758	855	1,027	1,628
Current income tax assets		31	20	26	24	37
Assets held for sale－net		0	0	0	0	0
Discounts and loans－net		162,044	178,261	182,883	165,944	169,827
Held-to-Maturity financial assets		0	0	2,746	11,736	13,216
Equity method's investments－net		0	0	0	0	0
Restricted assets		0	0	0	0	0
Other financial assets－net		1,624	1,566	1,448	1,824	1,821
Property and equipment－net		2,758	2,744	2,979	2,945	2,933
Investment property－net		0	0	0	0	0
Intangible assets－net		50	41	65	69	70
Deferred income tax assets－net		142	134	173	230	222
Other assets－net		58	59	69	117	143
Total assets		221,058	234,433	269,025	263,051	251,565
Due to CBC and other banks		11,936	15,025	9,519	9,155	4,912
Funds borrowed from CBC & banks		0	0	0	0	0
Financial liabilities at fair value through profit or loss		1	6	23	20	5
Derivative financial liabilities for hedging		0	0	0	0	0
Bills and bonds sold under agreements to repurchase		69	68	61	1,071	1,517
Accounts payable		3,957	2,747	2,872	2,775	3,803
Current income tax liabilities		7	10	5	53	57
Liabilities directly related to assets held for sale		0	0	0	0	0
Deposits and remittances		189,455	198,690	236,928	229,740	224,504
Bonds payable		4,000	6,000	7,000	7,000	4,000
Liabilities of preferred stocks		0	0	0	0	0
Other financial liabilities		152	139	178	175	175
Provisions		756	855	968	1,036	388
Deferred income tax liabilities		0	0	0	0	0
Other liabilities		181	144	150	124	111
Total liabilities	Before distribution	210,514	223,684	257,704	251,149	239,472
	After distribution	210,516	223,693	257,693	—	—
Equity Attributable to Shareholders of the Parent						
Capital	Before distribution	7,069	7,210	7,404	7,789	7,789
	After distribution	7,210	7,404	7,789	—	—
Capital surplus	Before distribution	2,018	2,017	1,872	1,872	1,872
	After distribution	2,017	1,872	1,872	—	—
Retained earnings	Before distribution	1,354	1,608	2,028	2,214	2,378
	After distribution	1,212	1,550	1,654	—	—
Other equity		103	(86)	17	27	54
Treasury Stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	10,544	10,749	11,321	11,902	12,093
	After distribution	10,542	10,740	11,332	—	—

Note：1. The financial information listed above has been audited by the CPAs Shu-Man Tsai and Ling-Wen Huang. Auditors' opinion: Unqualified opinion for FY 2012~2015. The financial information listed above has been reviewed by the CPAs Shu-Man Tsai and Yi-Hung Liu for Q1 2016.
2. The financial information for 2012~2013 was compiled in accordance with the "2010 Version of IFRS" recognized and announced by the Financial Supervisory Commission. The financial information in the quarterly report for Q1 2014~2016 was compiled in accordance with the "2013 Version of IFRS" recognized and announced by the Financial Supervisory Commission.

6.1.1.2 Brief Balance Sheets (Individual)

Unit：NT$ Million

Items \ FY		Financial Information of Recent Four Years				As of Mar. 31, 2016
		Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2014 (re-compilation)	Dec. 31, 2015	
Cash & cash equivalents, Due from the CBC and other banks		27,802	26,549	27,279	18,353	14,947
Financial assets at fair value through profit or loss		1,459	1,591	10,976	3,880	4,115
Available-for-sale financial assets－net		19,191	19,250	26,141	36,837	36,317
Derivative financial assets for hedging		0	0	0	0	0
Bills and bonds purchased under agreements to resell		4,968	3,461	13,385	20,065	6,289
Accounts receivable－net		943	769	866	1,048	1,645
Current income tax assets		31	20	26	24	37
Assets held for sale－net		0	0	0	0	0
Discounts and loans－net		162,044	178,261	182,883	165,944	169,827
Held-to-Maturity financial assets		0	0	2,746	11,736	13,216
Equity method's investments－net		79	59	61	71	92
Restricted assets		0	0	0	0	0
Other financial assets－net		1,624	1,566	1,448	1,824	1,821
Property and equipment－net		2,758	2,744	2,978	2,945	2,933
Investment property－net		0	0	0	0	0
Intangible assets－net		50	41	64	68	70
Deferred income tax assets－net		142	134	173	230	222
Other assets－net		55	57	67	115	140
Total assets		221,146	234,502	269,093	263,140	251,671
Due to CBC and other banks		11,936	15,025	9,519	9,155	4,912
Funds borrowed from CBC & banks		0	0	0	0	0
Financial liabilities at fair value through profit or loss		1	6	23	20	5
Derivative financial liabilities for hedging		0	0	0	0	0
Bills and bonds sold under agreements to repurchase		69	68	61	1,071	1,517
Accounts payable		3,954	2,744	2,864	2,767	3,790
Current income tax liabilities		1	6	0	46	46
Liabilities directly related to assets held for sale		0	0	0	0	0
Deposits and remittances		189,552	198,765	237,009	229,844	224,634
Bonds payable		4,000	6,000	7,000	7,000	4,000
Liabilities of preferred stocks		0	0	0	0	0
Other financial liabilities		152	139	178	175	175
Provisions		756	855	968	1,036	388
Deferred income tax liabilities		0	0	0	0	0
Other liabilities		181	145	150	124	111
Total liabilities	Before distribution	210,602	223,753	257,772	251,238	239,578
	After distribution	210,604	223,762	257,761	—	—
Equity Attributable to Shareholders of the Parent						
Capital	Before distribution	7,069	7,210	7,404	7,789	7,789
	After distribution	7,210	7,404	7,789	—	—
Capital surplus	Before distribution	2,018	2,017	1,872	1,872	1,872
	After distribution	2,017	1,872	1,872	—	—
Retained earnings	Before distribution	1,354	1,608	2,028	2,214	2,378
	After distribution	1,212	1,550	1,654	—	—
Other equity		103	(86)	17	27	54
Treasury Stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	10,544	10,749	11,321	11,902	12,093
	After distribution	10,542	10,740	11,332	—	—

Note：1. The financial information listed above has been audited by the CPAs Shu-Man Tsai and Ling-Wen Huang. Auditors' opinion: Unqualified opinion for FY 2012~2015. The financial information listed above has been reviewed by the CPAs Shu-Man Tsai and Yi-Hung Liu for Q1 2016.

2. The financial information for 2012~2013 was compiled in accordance with the "2010 Version of IFRS" recognized and announced by the Financial Supervisory Commission. The financial information in the quarterly report for Q1 2014~2016 was compiled in accordance with the "2013 Version of IFRS" recognized and announced by the Financial Supervisory Commission.

6.1.1.3 Brief Statements of Comprehensive Income (Consolidation)

Unit：NT$ Million

Items \ FY	Financial Information of Recent Four Years				Jan. 1~ Mar. 31, 2016
	2012	2013	2014 (re-compilation)	2015	
Interest income	3,990	4,159	4,614	4,780	1,134
Less: Interest expenses	(1,884)	(1,890)	(2,146)	(2,298)	(507)
Net interest income	2,106	2,269	2,468	2,482	627
Net Revenues Other Than Interest	602	668	932	833	217
Net revenue	2,708	2,937	3,400	3,315	844
Allowance for credit loss and loss on guarantees	(261)	(401)	(691)	(371)	(91)
Operating expenses	(2,009)	(2,057)	(2,199)	(2,291)	(578)
Income before tax－operating department	438	479	510	653	176
Income tax (expense) benefit	20	(60)	(1)	(62)	(12)
Net income－operating department	458	419	509	591	164
Net income－non-operating department	0	0	0	0	0
Net income (loss)	458	419	509	591	164
Other comprehensive income for the period(net of income tax)	142	(212)	81	(21)	27
Total comprehensive income for the period	600	207	590	570	191
Net income attributable to: Shareholders of the parent	458	419	509	591	164
Net income attributable to: Minority interest	0	0	0	0	0
Total comprehensive income for the period attributable to: Shareholders of the parent	600	207	590	570	191
Total comprehensive income for the period attributable to: Minority interest	0	0	0	0	0
Earnings per share	0.64	0.57	0.66	0.76	0.21

Note：1. The financial information listed above has been audited by the CPAs Shu-Man Tsai and Ling-Wen Huang. Auditors' opinion: Unqualified opinion for FY 2012~2015. The financial information listed above has been reviewed by the CPAs Shu-Man Tsai and Yi-Hung Liu for Q1 2016.
2. The financial information for 2012~2013 was compiled in accordance with the "2010 Version of IFRS" recognized and announced by the Financial Supervisory Commission. The financial information in the quarterly report for Q1 2014~2016 was compiled in accordance with the "2013 Version of IFRS" recognized and announced by the Financial Supervisory Commission.

6.1.1.4 Brief Statements of Comprehensive Income (Individual)

Unit：NT$ Million

Items \ FY	Financial Information of Recent Four Years				Jan. 1~ Mar. 31, 2016
	2012	2013	2014 (re-compilation)	2015	
Interest income	3,990	4,159	4,614	4,780	1,134
Less: Interest expenses	(1,884)	(1,890)	(2,146)	(2,299)	(507)
Net interest income	2,106	2,269	2,468	2,481	627
Net Revenues Other Than Interest	581	645	897	783	199
Net revenue	2,687	2,914	3,365	3,264	826
Allowance for credit loss and loss on guarantees	(261)	(401)	(691)	(371)	(91)
Operating expenses	(1,998)	(2,043)	(2,174)	(2,252)	(563)
Income before tax－operating department	428	470	500	641	172
Income tax (expense) benefit	30	(51)	8	(50)	(8)
Net income－operating department	458	419	508	591	164
Net income－non-operating department	0	0	0	0	0
Net income (loss)	458	419	508	591	164
Other comprehensive income for the period(net of income tax)	142	(212)	82	(21)	27
Total comprehensive income for The period	600	207	590	570	191
Earnings per share	0.64	0.57	0.66	0.76	0.21

Note：1. The financial information listed above has been audited by the CPAs Shu-Man Tsai and Ling-Wen Huang. Auditors' opinion: Unqualified opinion for FY 2012~2015. The financial information listed above has been reviewed by the CPAs Shu-Man Tsai and Yi-Hung Liu for Q1 2016.
2. The financial information for 2012~2013 was compiled in accordance with the "2010 Version of IFRS" recognized and announced by the Financial Supervisory Commission. The financial information in the quarterly report for Q1 2014~2016 was compiled in accordance with the "2013 Version of IFRS" recognized and announced by the Financial Supervisory Commission.

6.1.2 Brief Balance Sheets and Income Statements under Accounting Principles Generally Accepted the Republic of China (ROC GAAP)

6.1.2.1 Brief Balance Sheets (Consolidation)

Unit：NT$ Million

Items \ FY		Financial Information of 2010~2011	
		Dec. 31, 2010	Dec. 31, 2011
Cash & cash equivalents, Due from the CBC and other banks		28,890	26,975
Financial assets at fair value through income statement		1,104	1,616
Bills and bonds purchased under agreements to resell		2,791	5,878
Available-for-sale financial assets		5,094	11,748
Discounts and loans		162,194	166,216
Accounts receivable		977	971
Held-to-Maturity financial assets		7,695	5,567
Equity method's investments		0	0
Property and equipment cost		2,237	2,203
Intangible assets		59	63
Other financial assets		3,048	1,831
Other assets		748	771
Total assets		214,836	223,838
Due to CBC and other banks		12,606	11,512
Deposits and remittances		185,092	193,866
Financial liabilities at fair value through income statement		15	4
Bills and bonds sold under agreements to repurchase		141	103
Funds borrowed from CBC & banks, financial bonds payable		4,000	4,000
Liabilities of preferred stocks		0	0
Pension payable		253	305
Other financial liabilities		207	195
Other liabilities		2,963	3,489
Total liabilities	Before distribution	205,277	213,474
	After distribution	205,287	213,474
Capital		5,258	7,069
Capital reserve		2,543	2,018
Retained earnings	Before distribution	1,785	1,278
	After distribution	1,775	1,278
Unrealized gain and loss on financial instruments		(26)	(3)
Cumulative Translation Adjustment		0	0
Other shareholders' equity		(1)	1
Total shareholders' equity	Before distribution	9,559	10,364
	After distribution	9,549	10,364

Note：The financial information listed above audited by the bank's independent auditors.

6.1.2.2 Brief Balance Sheets (Individual)

Unit：NT$ Million

Items \ FY		Financial Information of 2010~2011	
		Dec. 31, 2010	Dec. 31, 2011
Cash & cash equivalents, Due from the CBC and other banks		28,890	26,975
Financial assets at fair value through income statement		1,104	1,616
Bills and bonds purchased under agreements to resell		2,791	5,878
Available-for-sale financial assets		5,094	11,748
Discounts and loans		162,194	166,216
Accounts receivable		989	981
Held-to-Maturity financial assets		7,695	5,567
Equity method's investments		55	63
Property and equipment cost		2,237	2,202
Intangible assets		59	63
Other financial assets		3,048	1,831
Other assets		748	769
Total assets		214,904	223,909
Due to CBC and other banks		12,606	11,512
Deposits and remittances		185,167	193,944
Financial liabilities at fair value through income statement		15	4
Bills and bonds sold under agreements to repurchase		141	103
Funds borrowed from CBC & banks, financial bonds payable		4,000	4,000
Liabilities of preferred stocks		0	0
Pension payable		253	305
Other financial liabilities		207	195
Other liabilities		2,956	3,482
Total liabilities	Before distribution	205,345	213,545
	After distribution	205,355	213,545
Capital		5,258	7,069
Capital reserve		2,543	2,018
Retained earnings	Before distribution	1,785	1,278
	After distribution	1,775	1,278
Unrealized gain and loss on financial instruments		(27)	(2)
Cumulative Translation Adjustment		0	0
Other shareholders' equity		0	1
Total shareholders' equity	Before distribution	9,559	10,364
	After distribution	9,549	10,364

Note：The financial information listed above audited by the bank's independent auditors.

6.1.2.3 Brief Statements of Comprehensive Income (Consolidation)

Unit：NT$ Million

Items \ FY	Financial Information of 2010~2011	
	Jan. 1~Dec. 31, 2010	Jan. 1~Dec. 31, 2011
Net interest income	1,789	1,989
Net Revenues Other Than Interest	562	343
Credit loss expenses	(308)	(899)
Operating expenses	(1,831)	(1,854)
Income before tax－operating department	212	(421)
Income after tax－operating department	127	(433)
Non-operating department income(net of income tax)	0	0
Special income(net of income tax)	0	0
Cumulative effect of changes on accounting principles(net of income tax)	0	0
Net income (loss)	127	(433)
Earnings per share (NT$)	0.22	(0.71)

Note：The financial information listed above audited by the bank's independent auditors.

6.1.2.4 Brief Statements of Comprehensive Income (Individual)

Unit：NT$ Million

Items \ FY	Financial Information of 2010~2011	
	Jan. 1~Dec. 31, 2010	Jan. 1~Dec. 31, 2011
Net interest income	1,789	1,988
Net Revenues Other Than Interest	554	330
Credit loss expenses	(308)	(899)
Operating expenses	(1,829)	(1,848)
Income before tax－operating department	206	(429)
Income after tax－operating department	127	(433)
Non-operating department income(net of income tax)	0	0
Special income(net of income tax)	0	0
Cumulative effect of changes on accounting principles(net of income tax)	0	0
Net income (loss)	127	(433)
Earnings per share (NT$)	0.22	(0.71)

Note：The financial information listed above audited by the bank's independent auditors.

6.2 Financial Analysis of Recent Five Years

6.2.1 Financial Analysis

6.2.1.1 Financial Analysis (Consolidation)

Unit：NT$ Million

Items \ FY		Financial Analysis of Recent Four Years				Jan. 1~ Mar. 31, 2016
		2012	2013	2014 (re-compilation)	2015	
Operating Ability	Loans to deposits ratio (%)	85.79	89.97	77.68	72.95	76.41
	Ratio of NPL (%)	0.85	0.60	0.45	0.48	0.53
	Interest expenses to average deposit balances (%)	0.88	0.85	0.84	0.84	0.77
	Interest income to average loan balances (%)	2.08	2.15	2.23	2.27	2.21
	Total assets turnover ratio (times)	0.01	0.01	0.01	0.01	0.003
	Operating revenue per employee	2.86	3.06	3.58	3.53	0.91
	Earnings per employee	0.48	0.44	0.54	0.63	0.18
Profitability	Return on tier 1 capital (%)	—	4.75	4.91	5.98	—
	Return on total assets (%)	0.21	0.18	0.20	0.22	0.06
	Return on equity	4.47	3.94	4.61	5.09	1.37
	Net profit margin (%)	16.92	14.27	14.96	17.84	19.48
	Earnings per share (NT$)	0.64	0.57	0.66	0.76	0.21
Financial Structure	Liabilities to assets ratio (%)	95.23	95.41	95.76	95.44	95.16
	Property, plant, and equipment as a percentage of equity (%)	26.16	25.53	26.31	24.75	24.25
Growth Rate	Asset growth rate (%)	—	6.05	14.76	(2.22)	—
	Earnings growth rate (%)	—	9.31	6.38	28.17	—
Cash Flow	Cash flow ratio (%)	Explanation	Explanation	87.10	—	—
	Cash flow adequacy ratio (%)	—	—	2,331.83	1,022.91	—
	Cash flow satisfied ratio (%)	Explanation	Explanation	4,939.84	—	—
Liquidity Reserve Ratio (%)		16.79	15.90	24.29	28.84	23.05
Total Secured Loans to Related Parties		1,063	1,069	910	1,387	1,383
Total Secured Loans to Related Parties as a Percentage of Total Loans (%)		0.62	0.58	0.47	0.80	0.781
Operating Scale	Asset market share (%)	0.56	0.54	0.57	0.54	0.52
	Equity market share (%)	0.43	0.39	0.37	0.36	0.36
	Deposit market share (%)	0.64	0.63	0.70	0.64	0.63
	Loan market share (%)	0.69	0.72	0.70	0.62	0.64

Reasons for changes of financial ratios for the last two years.
1. The return on Class I capital in 2015 increased by 1.07%, or at the rate of 21.79% from the same period in 2014 due to the increase of earnings before taxation.
2. The net profit rate in 2015 increased by 2.88%, or at the rate of 19.25% from the same period in 2014 due to the increase of corporate earnings.
3. Asset growth in 2015 decreased by 16.98%, or at the rate of 115.04% from the same period in 2014 due to the decrease of items due from the Central Bank and calls on loans to banks, financial assets at fair value through profit and loss accounts, discounts and loans.
4. Profit in 2015 increased by 21.79%, or at the rate of 341.54% from the same period in 2014 due to the decrease of expenses for bad debts.

Explanation：Cash flow from operating activities was a net outflow in 2012, 2013 and 2015.
Note：1. The financial information listed above audited by the bank's independent auditors, Please refer to page 60 Note 1.
2. The aforementioned ratios are calculated as follows：Please refer to page 60 Note 2.

6.2.1.2 Financial Analysis (Individual)

Unit：NT$ Million

Items	FY	Financial Analysis of Recent Four Years				Jan. 1~ Mar. 31, 2016
		2012	2013	2014 (re-compilation)	2015	
Operating Ability	Loans to deposits ratio (%)	85.79	89.97	77.68	72.95	76.41
	Ratio of NPL (%)	0.85	0.60	0.45	0.48	0.53
	Interest expenses to average deposit balances (%)	0.88	0.85	0.84	0.84	0.77
	Interest income to average loan balances (%)	2.08	2.15	2.23	2.27	2.21
	Total assets turnover ratio (times)	0.01	0.01	0.01	0.01	0.003
	Operating revenue per employee	2.85	3.06	3.58	3.50	0.90
	Earnings per employee	0.49	0.44	0.54	0.63	0.18
Profitability	Return on tier 1 capital (%)	4.35	4.67	4.83	5.89	—
	Return on total assets (%)	0.21	0.18	0.20	0.22	0.06
	Return on equity	4.47	3.94	4.61	5.09	1.37
	Net profit margin (%)	17.06	14.38	15.11	18.12	19.92
	Earnings per share (NT$)	0.64	0.57	0.66	0.76	0.21
Financial Structure	Liabilities to assets ratio (%)	95.23	95.42	95.76	95.45	95.16
	Property, plant, and equipment as a percentage of equity (%)	26.15	25.52	26.31	24.75	24.25
Growth Rate	Asset growth rate (%)	(1.22)	6.04	14.75	(2.21)	—
	Earnings growth rate (%)	—	9.76	6.46	28.29	—
Cash Flow	Cash flow ratio (%)	Explanation	Explanation	87.16	Explanation	—
	Cash flow adequacy ratio (%)	—	—	2,337.68	1,024.76	—
	Cash flow satisfied ratio (%)	Explanation	Explanation	4,943.46	Explanation	—
Liquidity Reserve Ratio (%)		16.79	15.90	24.29	28.84	23.05
Total Secured Loans to Related Parties		1,063	1,069	910	1.387	1,383
Total Secured Loans to Related Parties as a Percentage of Total Loans (%)		0.62	0.58	0.47	0.80	0.781
Operating Scale	Asset market share (%)	0.56	0.54	0.57	0.54	(Note 8) 0.52
	Equity market share (%)	0.43	0.39	0.37	0.36	(Note 8) 0.36
	Deposit market share (%)	0.64	0.63	0.70	0.64	(Note 8) 0.63
	Loan market share (%)	0.69	0.72	0.70	0.62	(Note 8) 0.64

Explanation：Cash flow from operating activities was a net outflow in 2012, 2013 and 2015.

Note：1. The above financial information, in addition to the Operating Scale and Total Secured Loans to Related Parties as a Percentage of Total Loans, 2012 to 2015 for the CPA visa data and the first quarter of 2016 by an accounting Scrutiny.

2. The aforementioned ratios are calculated as follows：
   (1) Operating Efficiency.
      A. Loans to deposits ratio = Total loans / Total deposits.
      B. Ratio of NPL = Total non-performing loans / Total loans.
      C. Interest expenses to average deposit balances = Total expenses of deposit interests / Annual average deposit balances.
      D. Interest Income to average loan balances = Total expenses of loan interests / Annual average loan balances.
      E Total assets turnover ratio = Net revenue / Average total assets.
      F. Operating revenue per employee (note 6) = Net revenue / Total number of employees.
      G. Earnings per employee = Net income / Total number of employees.
   (2) Profitability.
      A. Return on Tier 1 capital = Income before tax / Average net Tier 1 capital.
      B. Return on total assets = Net income / Average total assets.
      C. Return on equity = Net income / Average total equity.
      D. Net profit margin = Net income / Net revenue.
      E. Earnings per share = (Profit and loss attributable to the parent company – Preferred stock dividends) / Weighted average outstanding shares (note 4).
   (3) Financial Structure.
      A. Liabilities to assets ratio = Total liabilities / Total assets.
      B. Property, plant, and equipment as a percentage of equity = Property, plant, and equipment / Net equity.
   (4) Growth Rate.
      A. Asset growth rate = (Current total asset – Last year's total asset) / Last year's total asset.
      B. Earnings growth rate = (Current earnings before tax – Last year's earnings before tax) / Last year's earnings before tax.
   (5) Cash Flows (note 7).
      A. Cash flow ratio = Cash flows from operating activities / (Due to banks and drafts + commercial bills payable + financial liabilities at fair value through income statement + bills and bonds sold under repurchase agreements + accounts payable in 1 year).
      B. Cash flow adequacy ratio = Cash flows from operating activities in the last 5 Years / (Capital expenditure + cash dividends) in the last 5 Years.
      C. Cash flow satisfied ratio = Cash flows from operating activities / Cash flows from investing activities.
   (6) Liquidity Reserve Ratio = Current assets required by the CBC / Liabilities for which the various current reserve shall be provided.
   (7) Operating Scale.
      A. Asset market share = Total assets / Total assets of financial institutes which can operate deposits and loans business (note 5).
      B. Equity market share = Total equities / Total equities of financial institutes which can operate deposits and loans business.
      C. Deposit market share = Total deposits / Total deposits of financial institutes which can operate deposits and loans business.
      D. Loan market share = Total loans / Total loans of financial institutes which can operate deposits and loans business.

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

4. The calculation formula for EPS mentioned above shall meet the following requirements during measurements：
   (1) Using weighted average shares of common stocks as the basis, instead of issued shares in end of year.
   (2) Any capital increases or treasury stocks trading shall consider its circulation period in calculating weighted average shares.
   (3) Any surplus being transferred into capital increase or additional paid-in capital being transferred to capital increase, the calculation of semi-annual and annual EPS shall be adjusted according to capital increase ratio without considering the issuance period of such capital increase.
   (4) If the preferred stocks are non-convertible cumulative preferred stock, its dividend of current year (whether is distribution is executed or not) shall be deducted from net income or increase the net loss.
   (5) If the preferred stocks are non-cumulative, its dividend shall be deducted from net income; if there was net loss, the adjustment is not needed.

5. All financial institutions that can provide deposit and loan services including local banks, Chinese mainland bank branches in Taiwan, branches of foreign banks in Taiwan, credit unions, credit departments of fishermen's associations and farmers associations, and trust investment companies.

6. Amount of income equals the sum of interest income and non-interest income.

7. When measuring cash flow analysis, the following requirements shall be met：
   (1) Operational net cash flow represent the operational net cash inflow in the statement of cash flow.
   (2) Capital expenditures stand for the cash outflow of annual capital investment.
   (3) Cash dividend include dividend from common stocks and preferred stock.

8. Operating Scale Information as ended of Feb., 2016.

6.2.1.3 Financial Analysis (Individual) under ROC GAAP

Unit：NT$ Million

Items \ FY		Financial Analysis of 2010~2011	
		2010	2011
Operating Ability	Loans to deposits ratio (%)	87.35	85.91
	Ratio of NPL (%)	0.99	1.04
	Interest expenses to average deposit balances (%)	0.61	0.79
	Interest income to average loan balances (%)	1.72	1.92
	Total assets turnover ratio (times)	0.01	0.01
	Operating revenue per employee	2.56	2.47
	Earnings per employee	0.14	(0.46)
Profitability	Return on tier 1 capital (%)	2.42	(4.73)
	Return on total assets (%)	0.06	(0.20)
	Return on equity	1.34	(4.35)
	Net profit margin (%)	5.43	(18.69)
	Earnings per share (NT$)	0.24	(0.71)
Financial Structure	Liabilities to assets ratio (%)	95.54	95.37
	Property, plant, and equipment as a percentage of equity (%)	23.40	21.25
Growth Rate	Asset growth rate (%)	15.44	4.19
	Earnings growth rate (%)	382.28	(308.55)
Cash Flow	Cash flow ratio (%)	6.36	6.37
	Cash flow adequacy ratio (%)	1,231.87	1,407.94
	Cash flow satisfied ratio (%)	3.23	10.66
Liquidity Reserve Ratio (%)		13.97	15.25
Total Secured Loans to Related Parties		862	1,394
Total Secured Loans to Related Parties as a Percentage of Total Loans (%)		0.51	0.80
Operating Scale	Asset market share (%)	0.60	0.59
	Equity market share (%)	0.44	0.45
	Deposit market share (%)	0.68	0.68
	Loan market share (%)	0.78	0.73

Explanation：Cash flow from operating activities was a net outflow.

Note：1. The financial information listed above audited by our independent auditors, excluding the Operating Scale and Total Secured Loans to Related Parties as a Percentage of Total Loans.

2. The aforementioned ratios are calculated as follows：

(1) Operating Efficiency.

A. Loans to deposits ratio = Total loans / Total deposits.

B. Ratio of NPL = Total non-performing loans / Total loans.

C. Interest expenses to average deposit balances = Total interest expenses / Annual average deposit balances.

D. Interest Income to average loan balances = Total interest income / Annual average loan balances.

E. Total assets turnover ratio = Net revenue / total assets.

F. Operating revenue per employee (note 6) = Net revenue / Total number of employees.

G. Earnings per employee = Net income / Total number of employees.

(2) Profitability.

A. Return on Tier 1 capital = Income before tax / Average total Tier 1 capital .

B. Return on total assets = Net income / Average total assets.

C. Return on equity = Net income / Average net shareholder equity.

D. Net profit margin = Net income / Net revenue.

E. Earnings per share = (Net income –Preferred stock dividends) / Weighted average outstanding shares (note 4).

(3) Financial Structure.

A. Liabilities to assets ratio = Total liabilities / Total assets.

B. Fixed assets to stockholders' equity ratio = Total fixed assets / Net stockholders' equity.

(4) Growth Rate.

A. Asset growth rate = (Current total asset – Last year's total asset) / Last year's total asset.

B. Earnings growth rate = (Current earnings before tax – Last year's earnings before tax) / Last year's earnings before tax.

(5) Cash Flows (note 7).

A. Cash flow ratio = Cash flows from operating activities / (Due to banks and drafts + commercial bills payable + financial liabilities at fair value through income statement + bills and bonds sold under repurchase agreements + accounts payable in 1 year).

B. Cash flow adequacy ratio = Cash flows from operating activities in the last 5 Years / (Capital expenditure + cash dividends) in the last 5 Years.

C. Cash flow satisfied ratio = Cash flows from operating activities / Cash flows from investing activities.

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

(7) Operating Scale.

A. Asset market share = Total assets / Total assets of financial institutes which can operate deposits and loans business (note 5).

B. Equity market share = Total equities / Total equities of financial institutes which can operate deposits and loans business.

C. Deposit market share = Total deposits / Total deposits of financial institutes which can operate deposits and loans business.

D. Loan market share = Total loans / Total loans of financial institutes which can operate deposits and loans business.

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

4. The calculation formula for EPS mentioned above shall meet the following requirements during measurements：

(1) Using weighted average shares of common stocks as the basis, instead of issued shares in end of year.

(2) Any capital increases or treasury stocks trading shall consider its circulation period in calculating weighted average shares.

(3) Any surplus being transferred into capital increase or additional paid-in capital being transferred to capital increase, the calculation of semi-annual and annual EPS shall be adjusted according to capital increase ratio without considering the issuance period of such capital increase.

(4) If the preferred stocks are non-convertible cumulative preferred stock, its dividend of current year (whether is distribution is executed or not) shall be deducted from net income or increase the net loss.

(5) If the preferred stocks are non-cumulative, its dividend shall be deducted from net income; if there was net loss, the adjustment is not needed.

5. All financial institutions that can provide deposit and loan services including local banks, Chinese mainland bank branches in Taiwan, branches of foreign banks in Taiwan, credit unions, credit departments of fishermen's associations and farmers associations, and trust investment companies.

6. Amount of income equals the sum of interest income and non-interest income.

7. When measuring cash flow analysis, the following requirements shall be met：

(1) Operational net cash flow represent the operational net cash inflow in the statement of cash flow.

(2) Capital expenditures stand for the cash outflow of annual capital investment.

(3) Cash dividend include dividend from common stocks and preferred stock.

(4) Gross amount of fixed asset equal to the total amount of fixed asset before the deduction of accumulated depreciation.

6.2.2 Adequacy of Capital

6.2.2.1 Adequacy of Capital (Consolidation)

Unit：NT$ Thousand

Items \ FY			Adequacy Capital of Recent Three Years			As of
			Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2015	Mar. 31, 2016
Equity Capital	Common Stocks Equity		10,100,154	10,652,950	11,196,125	11,302,271
	Other Tier I Capital		0	0	0	0
	Tier II capital		3,665,056	5,697,928	4,901,827	4,599,299
	Equity Capital		13,765,210	16,350,878	16,097,952	15,901,570
Total Weighted Average Risk Assets	Credit Risk	Standardized Approach	137,615,003	154,917,501	148,290,347	146,042,563
		Internal Rating Based Approach (IRB)	—	—	—	—
		Asset Securitization	1,772,752	832,647	26,252	25,752
	Operational Risk	Basic Indicator Approach (BIA)	4,941,919	5,419,853	5,803,908	5,764,427
		Standardized Approach / Alternative Standardized Approach	—	—	—	—
		Advanced Measurement Approach	—	—	—	—
	Market Risk	Standardized Approach	3,177,928	4,913,197	4,383,324	2,819,849
		Internal Model Approach	—	—	—	—
	Total Weighted Average Risk Assets		147,507,602	166,083,198	158,503,831	154,652,591
Capital Adequacy Ratio (%)			9.33%	9.84%	10.16%	10.28%
Common Stock Equity to Risk Assets Ratio (%)			6.85%	6.41%	7.06%	7.31%
Tier 1 Capital to Risk Assets Ratio (%)			6.85%	6.41%	7.06%	7.31%
Leverage Ratio (%)			3.21%	3.08%	4.04%	4.28%
Reasons for changes of capital adequacy ratios for the last two years: None.						

Note：1. The financial information listed above has been audited by the CPAs Shu-Man Tsai and Ling-Wen Huang. Auditors' opinion: Unqualified opinion for FY 2012~2015. The financial information listed above has been reviewed by the CPAs Shu-Man Tsai and Yi-Hung Liu for Q1 2016.

2. The aforementioned ratios are calculated as follows
   (1) Equity capital＝common stock equity + other Tier I capital + Tier II capital.
   (2) Total weighted average risk assets＝credit risk weighted average risk assets + provision of (operation risk + market risk) capital x 12.5.
   (3) Capital adequacy ratio＝equity capital / total weighted average risk assets
   (4) Common stock equity to risk assets ratio＝common stock equity / total weighted average risk assets
   (5) Tier I capital to risk assets ration＝(common stock equity + other Tier I capital) / total weighted average risk assets
   (6) Leverage ratio＝Tier I capital / total risk exposure

6.2.2.2 Adequacy of Capital (Individual)

Unit：NT$ Thousand

Items \ FY			Adequacy Capital of Recent Three Years			As of
			Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2015	Mar. 31, 2016
Equity Capital	Common Stocks Equity		10,070,584	10,622,652	11,160,671	11,302,271
	Other Tier I Capital		0	0	0	0
	Tier II capital		3,635,375	5,667,630	4,866,312	4,599,299
	Equity Capital		13,705,959	16,290,282	16,026,983	15,901,570
Total Weighted Average Risk Assets	Credit Risk	Standardized Approach	137,624,108	154,925,078	148,308,781	146,042,563
		Internal Rating Based Approach (IRB)	—	—	—	—
		Asset Securitization	1,772,752	832,647	26,252	25,752
	Operational Risk	Basic Indicator Approach (BIA)	4,907,761	5,378,268	5,764,427	5,764,427
		Standardized Approach / Alternative Standardized Approach	—	—	—	—
		Advanced Measurement Approach	—	—	—	—
	Market Risk	Standardized Approach	3,177,928	4,913,197	4,383,324	2,819,849
		Internal Model Approach	—	—	—	—
	Total Weighted Average Risk Assets		147,482,548	166,049,190	158,482,784	154,652,591
Capital Adequacy Ratio (%)			9.29%	9.81%	10.11%	10.28%
Common Stock Equity to Risk Assets Ratio (%)			6.83%	6.40%	7.04%	7.31%
Tier 1 Capital to Risk Assets Ratio (%)			6.83%	6.40%	7.04%	7.31%
Leverage Ratio (%)			3.21%	3.07%	4.03%	4.28%
Reasons for changes of capital adequacy ratios for the last two years: None.						

Note：1. The financial information listed above has been audited by the CPAs Shu-Man Tsai and Ling-Wen Huang. Auditors' opinion: Unqualified opinion for FY 2012~2015. The financial information listed above has been reviewed by the CPAs Shu-Man Tsai and Yi-Hung Liu for Q1 2016.

2. The aforementioned ratios are calculated as follows
   (1) Equity capital＝common stock equity + other Tier I capital + Tier II capital.
   (2) Total weighted average risk assets＝credit risk weighted average risk assets + provision of (operation risk + market risk) capital x 12.5.
   (3) Capital adequacy ratio＝equity capital / total weighted average risk assets
   (4) Common stock equity to risk assets ratio＝common stock equity / total weighted average risk assets
   (5) Tier I capital to risk assets ration＝(common stock equity + other Tier I capital) / total weighted average risk assets
   (6) Leverage ratio＝Tier I capital / total risk exposure

6.2.2.3 Adequacy of Capital (Individual) under ROC GAAP

Unit：NT$ Million

Items			Adequacy Capital of 2010~2012		
			Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2012
Self-Owned Capital	Tier 1 capital	Common stocks	5,258	7,069	7,069
		Perpetual non-cumulative preferred stock	0	0	0
		Non-cumulative subordinated debentures without maturity dates	0	0	0
		Capital in advance	0	0	0
		Capital surplus (Apart from fixed asset appreciation surplus)	2,542	2,018	2,018
		Legal earnings reserve	1,605	1,643	1,278
		Special earnings reserve	25	42	0
		Accumulated earnings	156	(407)	386
		Minor equity	0	0	0
		Other stockholder’ s equity	(61)	(37)	(20)
		Less：goodwill	0	0	0
		Less：unamortized loss on sale of bad credit	0	0	0
		Less：capital deduct item	1,027	715	681
		Total tier 1 capital	8,498	9,614	10,050
	Tier 2 capital	Perpetual cumulative preferred stock	0	0	0
		Cumulative subordinated debentures without maturity dates	0	0	0
		Fixed asset appreciation surplus	0	0	0
		45% of the unrealized income from financial assets in available-for-sale	15	16	78
		Convertible bonds	0	0	0
		Business reserve and provision for credit loss	235	779	828
		Long term subordinate bonds	3,600	2,800	2,000
		Non-perpetual preferred stock	0	0	0
		Total of perpetual non-cumulative preferred stock and non-cumulative subordinated debentures amounting to more than 15% of the tier 1 capital	0	0	0
		Less：capital deduct item	1,027	715	681
		Total tier 2 capital	2,823	2,880	2,225
	Tier 3 capital	Short term subordinate bonds	0	0	0
		Non-perpetual preferred stock	0	0	0
		Total tier 3 capital	0	0	0
	Capital		11,322	12,494	12,275
Total Weighted Risk Assets	Credit risks	Standardized approach	112,516	119,355	120,795
		Internal rating based approach (IRB)	0	0	0
		Asset securitization	870	613	594
	Operational risks	Basic indicator approach (BIA)	4,190	4,048	4,606
		Standardized approach / Optional Standardized approach	0	0	0
		Advanced approach	0	0	0
	Market risks	Standardized approach	2,910	3,064	3,876
		Internal model approach	0	0	0
	Risk weighted assets		120,486	127,080	129,871
Capital Adequacy Ratio (%)			9.40	9.83	9.45
Tier 1 Capital to Risk Assets Ratio (%)			7.05	7.57	7.74
Tier 2 Capital to Risk Assets Ratio (%)			2.35	2.27	1.71
Tier 3 Capital to Risk Assets Ratio (%)			0.00	0.00	0.00
Common stock’ s equities as a percentage of total assets (%)			2.45	3.16	3.20

Note：1. The financial information listed above audited by the bank's independent auditors.

2. The aforementioned ratios are calculated as follows:
(1) Capital base = Tier 1 capital + Tier 2 capital + Tier 3 capital .
(2) Risk weighted assets = Credit risk weighted assets + (Operational risks + Market risks) Capital appropriation ×12.5.
(3) Capital adequacy ratio = Capital base / Risk weighted assets.
(4) Tier 1 capital as a percentage of risk weighted assets = Tier 1 capital / Risk weighted assets.
(5) Tier 2 capital as a percentage of risk weighted assets = Tier 2 capital / Risk weighted assets.
(6) Tier 3 capital as a percentage of risk weighted assets = Tier 3 capital / Risk weighted assets.
(7) Common stock’ s equities as a percentage of total assets = Common stock’ s equities / Total assets.

6.2.2.4 Adequacy of Capital (Consolidation) under ROC GAAP

Unit：NT$ Million

Items \ FY			Adequacy Capital of 2010~2012		
			Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2012
Self-Owned Capital	Tier 1 capital	Common stocks	5,258	7,069	7,069
		Perpetual non-cumulative preferred stock	0	0	0
		Non-cumulative subordinated debentures without maturity dates	0	0	0
		Capital in advance	0	0	0
		Capital surplus (Apart from fixed asset appreciation surplus)	2,542	2,018	2,018
		Legal earnings reserve	1,605	1,643	1,278
		Special earnings reserve	25	42	0
		Accumulated earnings	156	(407)	386
		Minor equity	0	0	0
		Other stockholder’ s equity	(61)	(37)	(20)
		Less：goodwill	0	0	0
		Less：unamortized loss on sale of bad credit	0	0	0
		Less：capital deduct item	999	683	642
		Total tier 1 capital	8,526	9,645	10,090
	Tier 2 capital	Perpetual cumulative preferred stock	0	0	0
		Cumulative subordinated debentures without maturity dates	0	0	0
		Fixed asset appreciation surplus	0	0	0
		45% of the unrealized income from financial assets in available-for-sale	15	16	79
		Convertible bonds	0	0	0
		Business reserve and provision for credit loss	235	779	828
		Long term subordinate bonds	3,600	2,800	2,000
		Non-perpetual preferred stock	0	0	0
		Total of perpetual non-cumulative preferred stock and non-cumulative subordinated debentures amounting to more than 15% of the tier 1 capital	0	0	0
		Less：capital deduct item	999	683	642
		Total tier 2 capital	2,851	2,911	2,265
	Tier 3 capital	Short term subordinate bonds	0	0	0
		Non-perpetual preferred stock	0	0	0
		Total tier 3 capital	0	0	0
	Capital		11,377	12,557	12,354
Total Weighted Risk Assets	Credit risks	Standardized approach	112,503	119,345	120,786
		Internal rating based approach (IRB)	0	0	0
		Asset securitization	870	613	594
	Operational risks	Basic indicator approach (BIA)	4,209	4,068	4,632
		Standardized approach / Optional Standardized approach	0	0	0
		Advanced approach	0	0	0
	Market risks	Standardized approach	2,910	3,064	3,876
		Internal model approach	0	0	0
	Risk weighted assets		120,492	127,090	129,889
Capital Adequacy Ratio (%)			9.44	9.88	9.51
Tier 1 Capital to Risk Assets Ratio (%)			7.08	7.59	7.77
Tier 2 Capital to Risk Assets Ratio (%)			2.36	2.29	1.74
Tier 3 Capital to Risk Assets Ratio (%)			0.00	0.00	0.00
Common stock’ s equities as a percentage of total assets (%)			2.45	3.16	3.20

Note：1. The financial information listed above audited by the bank's independent auditors.

2. The aforementioned ratios are calculated as follows:
(1) Capital base = Tier 1 capital + Tier 2 capital + Tier 3 capital .
(2) Risk weighted assets = Credit risk weighted assets + (Operational risks + Market risks) Capital appropriation ×12.5.
(3) Capital adequacy ratio = Capital base / Risk weighted assets.
(4) Tier 1 capital as a percentage of risk weighted assets = Tier 1 capital / Risk weighted assets.
(5) Tier 2 capital as a percentage of risk weighted assets = Tier 2 capital / Risk weighted assets.
(6) Tier 3 capital as a percentage of risk weighted assets = Tier 3 capital / Risk weighted assets.
(7) Common stock’ s equities as a percentage of total assets = Common stock’ s equities / Total assets.

6.3 Audit Committee's Audit Report on the Financial Statements of Recent Years

Audit Committee's Report for Bank of Kaohsiung

Mar.17, 2016

The Board of Directors has prepared the business report, financial statements, and earnings distribution for year 2015. Among these, Crowe Horwath (TW) CPAs has audited the financial statements and issued an audit report. We, the Audit Committee, have reviewed said business report, financial statements, and earnings distribution. We believe that these statements comply with applicable regulations. This report is duly submitted pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, and we hereby submit this report.

Regard to

Regular Shareholders' Meeting of the Bank of Kaohsiung

Audit Committee's

Independent Director : Mei-Yueh Ho

Independent Director : Wen-Yuan Lin

Independent Director : Tzen-Ping Su

(The content of the report is in conformity with the audit report)

6.4 Financial Report for FY 2015

Crowe Horwath (TW) CPAs

Member Crowe Horwath International

12F, 21 Linshen 2nd Road,
Kaohsiung, Taiwan R.O.C.
TEL：886 7 3312133
FAX：886 7 3331710

Report of Independent Auditors

The Board of Directors and Shareholders Bank of Kaohsiung Co., Ltd.

We have audited the accompanying consolidated balance sheets of Bank of Kaohsiung Co., Ltd. (the "Bank") and subsidiaries as of December 31, 2015 and 2014 and January 1, 2014 and the related consolidated statements of comprehensive income, changes in consolidated shareholders' equity and consolidated cash flows for the years ended December 31, 2015 and 2014 and January 1, 2014. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation 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 management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Bank of Kaohsiung Co., Ltd. and subsidiaries as of December 31, 2015 and 2014 and January 1, 2014, the financial performance and their cash flows for the years ended December 31, 2015 and 2014 and January 1, 2014, in conformity with the "Regulations Governing the Preparation of Financial Reports by Public Banks", "Regulations Governing the Preparation of Financial Reports by Securities Firms", "International Financial Reporting Standards", "International Accounting Standards", interpretations and public announcements of interpretations endorsed by the Financial Supervisory Commission of the Republic of China and certain other guidelines issued by the authorities.

We have also audited the parent bank only financial statements of the Bank for the FY 2015 and 2014, and have issued unqualified opinions thereon.

Crowe Horwath (TW) CPAs

CPA : Shu-Man Tsai

Tsai Shu Man

CPA : Ling-Wen Huang

HUANG LING WEN

Republic of China Mar. 17, 2016

Authorized : Jin-Kuan-Cheng-Shen-No.10200032833

(The content of the report is in conformity with the audit report)

BANK OF KAOHSIUNG CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2015 AND 2014 AND JANUARY 1, 2014

Unit : NT$ Thousand

ASSETS			December 31, 2015		December 31, 2014 (re-compilation)		January 1, 2014 (re-compilation)	
A/C No.	Accounts	Note	Amount	%	Amount	%	Amount	%
11000	Cash & cash equivalents	6.1	$3,384,503	1	$4,107,916	2	$3,329,141	1
11500	Due from the Central Bank of China and other banks	6.2	14,968,151	6	23,171,136	9	23,220,274	10
12000	Financial assets at fair value through profit or loss	6.3	3,880,449	1	10,975,714	4	1,590,421	1
14000	Available-for-sale financial assets	6.4	36,836,691	14	26,141,249	10	19,249,602	8
12500	Bills and bonds purchased under agreements to resell	6.5	20,065,435	8	13,385,318	5	3,460,558	1
13000	Accounts receivable	6.6	1,026,959	—	855,286	—	757,500	—
13200	Income tax assets	6.7	23,593	—	25,981	—	19,862	—
13500	Discounts and loans, net	6.9	165,943,918	64	182,883,017	67	178,261,475	77
14500	Held-to-Maturity financial assets, net	6.10	11,736,176	4	2,746,339	1	—	—
15500	Other financial assets, net	6.11	1,824,398	1	1,448,140	1	1,566,331	1
18500	Property and equipment, net	6.12	2,945,352	1	2,978,502	1	2,744,082	1
19000	Intangible assets, net	6.13	68,405	—	64,317	—	41,315	—
19300	Deferred income tax assets, net	6.8	229,888	—	172,886	—	135,678	—
19500	Other assets, net	6.14	116,757	—	69,152	—	58,981	—
10000	TOTAL		$263,050,675	100	$269,024,953	100	$234,435,220	100

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

(Continued on next page)

LIABILITIES AND SHAREHOLDERS' EQUITY			December 31, 2015		December 31, 2014 (re-compilation)		January 1, 2014 (re-compilation)	
A/C No.	Accounts	Note	Amount	%	Amount	%	Amount	%
	LIABILITIES							
21000	Due to Central Bank of China and other banks	6.15	$9,155,382	3	$9,519,129	4	$15,024,665	6
22000	Financial liabilities at fair value through profit or loss	6.16	19,754	—	23,237	—	5,621	—
22500	Bills and bonds sold under agreements to repurchase	6.17	1,071,084	—	61,121	—	68,019	—
23000	Accounts payable	6.18	2,775,112	1	2,872,063	1	2,747,219	1
23200	Income tax liabilities	6.7	52,605	—	4,847	—	9,811	—
23500	Deposits and remittances	6.19	229,739,869	88	236,927,451	87	198,689,944	85
24000	Bank debentures	6.20	7,000,000	3	7,000,000	3	6,000,000	3
25500	Other financial liabilities	6.21	175,385	—	178,408	—	138,703	—
25600	Provisions	6.22	1,036,043	—	967,763	—	866,411	—
29500	Other liabilities	6.23	123,698	—	149,895	—	144,849	—
20000	Total liabilities		$251,148,932	95	$257,703,914	95	$223,695,242	95
	SHAREHOLDERS' EQUITY							
31000	Equity Attributable Shareholders of the Parent Company							
31101	Ordinary share	6.24	$7,788,659	3	$7,403,514	3	$7,210,492	3
31500	Capital surplus	6.24	1,872,395	1	1,872,395	1	2,016,605	1
32000	Retained earnings							
32001	Legal reserve	6.24	1,606,232	1	1,458,030	1	1,393,756	1
32003	Special reserve	6.24	—	—	86,057	—	—	—
32005	Unappropriated earnings	6.25	607,376	—	484,322	—	205,182	—
	Total retained earnings		$2,213,608	1	$2,028,409	1	$1,598,938	1
32500	Other equity	6.24	$27,081	—	$16,721	—	($86,057)	—
30000	Total equity		$11,901,743	5	$11,321,039	5	$10,739,978	5
	TOTAL		$263,050,675	100	$269,024,953	100	$234,435,220	100

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

Chairman：Ruey-Tsang Lee　　President：Moan-Sheng Huang　　Chief Accountant：Anna Hsu

BANK OF KAOHSIUNG CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Unit : NT$ Thousand

A/C No.	Accounts	Note	2015		2014 (re-compilation)		Change %
			Amount	%	Amount	%	
41000	Interest income		$4,780,347	145	$4,613,680	136	4
51000	Less: Interest expenses		(2,298,356)	(69)	(2,145,799)	(63)	7
49010	Net interest income	6.26	$2,481,991	76	$2,467,881	73	1
	Net Revenues Other Than Interest						
49100	Commission and fee revenues, net	6.27	$538,198	16	$499,218	14	8
49200	Gain or loss on financial assets and liabilities at fair value through profit or loss	6.28	(71,940)	(2)	(123,596)	(4)	(42)
49300	Realized gain(loss) on available-for-sale financial assets	6.29	13,849	—	23,502	1	(41)
49400	Realized gain (loss) of held-to-maturity financial assets	6.10	28,564	1	—	—	100
49600	Foreign exchange gain (loss)	6.30	233,654	7	227,353	6	3
49700	Reversal of impairment loss on assets	6.31	(23,586)	(1)	88,294	3	(127)
49800	Other net non-interest income						
49805	Net gain or loss of financial assets measured at cost	6.32	54,030	2	52,788	2	2
49813	Net investing gain or loss on debt investments without active market	6.33	10,606	—	89,499	3	(88)
49899	Other miscellaneous incomes (loss)	6.34	49,238	1	75,080	2	(34)
	Net revenue		$3,314,604	100	$3,400,019	100	(3)
58200	Allowance for credit loss and loss on guarantees	6.9	(370,586)	(11)	(691,079)	(20)	(46)
58400	Operating expenses						
58500	Employee benefits expenses	6.35	($1,482,621)	(45)	(1,445,569)	(43)	3
59000	Depreciation expenses and amortization	6.36	(81,507)	(3)	(74,789)	(2)	9
59500	Other business and administrative expenses	6.37	(726,626)	(22)	(678,897)	(20)	7
61001	Net income (loss) from continuing operations before income tax		$653,264	19	$509,685	15	28
61003	Income tax (expense) benefit	6.7	(61,933)	(2)	(1,160)	—	5,239
64000	Net income (loss)		$591,331	17	$508,525	15	16
	Other comprehensive income:						
	Items not classified as income						
65201	Reevaluation value of determined benefit plan		($38,181)	(1)	($25,238)	(1)	51
65220	Income tax benefit (expense) related to items without reclassification		6,490	—	4,290	—	51
	Items subject to subsequent reclassification as incomes						
65301	Exchange difference from conversion of financial statements of overseas operation segments		($23,874)	(1)	$21,592	1	(211)
65302	Unrealized evaluation gain (loss) of financial assets available for sale		30,360	1	84,904	2	(64)
65320	Income tax benefit (expense) related to items subject to subsequent classification		4,059	—	(3,670)	—	(211)
65000	Other comprehensive income for the period, net of income tax	6.24	($21,146)	(1)	$81,878	2	(126)
66000	Total Comprehensive Income For The Period		$570,185	16	$590,403	17	(3)
	Net income (loss) attributable to:						
	Shareholders of the parent		$591,331	17	$508,525	15	16
	Minority interest		—	—	—	—	—
			$591,331	17	$508,525	15	16
	Total comprehensive income for the period attributable to:						
	Shareholders of the parent		$570,185	16	$590,403	17	(3)
	Minority interest		—	—	—	—	—
			$570,185	16	$590,403	17	(3)
	Earnings per share (NT$):						
67500	Basic and diluted earnings per share	6.38	$0.76		$0.66		

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

Chairman : Ruey-Tsang Lee President : Moan-Sheng Huang Chief Accountant : Anna Hsu

BANK OF KAOHSIUNG CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Unit : NT$ Thousand

Items	Equity Attributable Shareholders of Parent Company										Total Equity
			Retained Earnings				Other Equity				
	Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences On Translating The Financial Statements Of Foreign Operations	Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Other	Total	
BALANCE, JANUARY 1, 2014	$7,210,492	$2,016,605	$1,393,756	$ —	$214,246	$1,608,002	$1,822	($88,333)	$454	($86,057)	$10,749,042
The impact of recompilation and applicability in retrospect	—	—	—	—	(9,064)	(9,064)	—	—	—	—	(9,064)
Balance at beginning of period after recompilation	$7,210,492	$2,016,605	$1,393,756	$ —	$205,182	$1,598,938	$1,822	($88,333)	$454	($86,057)	$10,739,978
Additional paid-in capital transferred to capital	144,210	(144,210)	—	—	—	—	—	—	—	—	—
Employee stock dividend	5,549	—	—	—	(422)	(422)	—	—	—	—	5,127
Appropriation of prior year’ s earnings:											
Legal reserve	—	—	64,274	—	(64,274)	—	—	—	—	—	—
Appropriating special reserve	—	—	—	86,057	(86,057)	—	—	—	—	—	—
Cash dividends	—	—	—	—	(14,421)	(14,421)	—	—	—	—	(14,421)
Capital increase by capitalization of earnings	43,263	—	—	—	(43,263)	(43,263)	—	—	—	—	—
Net income (loss)	—	—	—	—	508,525	508,525	—	—	—	—	508,525
Other comprehensive income for the period	—	—	—	—	(20,948)	(20,948)	17,922	84,904	—	102,826	81,878
Total comprehensive income for the period	$ —	$ —	$ —	$ —	$487,577	$487,577	$17,922	$84,904	$ —	$102,826	$590,403
Other	—	—	—	—	—	—	—	—	(48)	(48)	(48)
Total Changes	$193,022	($144,210)	$64,274	$86,057	$279,140	$429,471	$17,922	$84,904	($48)	$102,778	$581,061
BALANCE, DECEMBER 31, 2014(re-compilation)	$7,403,514	$1,872,395	$1,458,030	$86,057	$484,322	$2,028,409	$19,744	($3,429)	$406	$16,721	$11,321,039
BALANCE, JANUARY 1, 2015	$7,403,514	$1,872,395	$1,458,030	$86,057	$494,005	$2,038,092	$19,744	($3,429)	$406	$16,721	$11,330,722
The impact of recompilation and applicability in retrospect	—	—	—	—	(9,683)	(9,683)	—	—	—	—	(9,683)
Balance at beginning of period after recompilation	$7,403,514	$1,872,395	$1,458,030	$86,057	$484,322	$2,028,409	$19,744	($3,429)	$406	$16,721	$11,321,039
Employee stock dividend	37,180	—	—	—	(4,276)	(4,276)	—	—	—	—	32,904
Appropriation of prior year’ s earnings:											
Legal reserve	—	—	148,202	—	(148,202)	—	—	—	—	—	—
Reversal of special reserve	—	—	—	(86,057)	86,057	—	—	—	—	—	—
Cash dividends	—	—	—	—	(22,200)	(22,200)	—	—	—	—	(22,200)
Capital increase by capitalization of earnings	347,965	—	—	—	(347,965)	(347,965)	—	—	—	—	—
Net income (loss)	—	—	—	—	591,331	591,331	—	—	—	—	591,331
Other comprehensive income for the period	—	—	—	—	(31,691)	(31,691)	(19,815)	30,360	—	10,545	(21,146)
Total comprehensive income for the period	$ —	$ —	$ —	$ —	$559,640	$559,640	($19,815)	$30,360	$ —	$10,545	$570,185
Other	—	—	—	—	—	—	—	—	(185)	(185)	(185)
Total Changes	$385,145	$ —	$148,202	($86,057)	$123,054	$185,199	($19,815)	$30,360	($185)	$10,360	$580,704
BALANCE, DECEMBER 31, 2015	$7,788,659	$1,872,395	$1,606,232	$ —	$607,376	$2,213,608	($71)	$26,931	$221	$27,081	$11,901,743

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

Chairman : Ruey-Tsang Lee　　President：Moan-Sheng Huang　　Chief Accountant：Anna Hsu

BANK OF KAOHSIUNG CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Unit : NT$ Thousand

Items	2015	2014 (re-compilation)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) before income tax	$653,264	$509,685
Adjustments:		
Earnings and loss		
Depreciation expenses	60,504	57,670
Amortization expenses	21,003	17,119
Allowance for or (reversal) of credit losses	474,723	840,932
Net (gain) or loss on financial assets and liabilities at fair value through profit or loss	71,940	123,596
Interest expenses	2,298,356	2,145,799
Interest income	(4,780,347)	(4,613,680)
Dividend income	(52,827)	(51,537)
Net changes in credit guarantees	—	29,000
Loss (gain) on disposal of investments	(53,019)	(113,001)
Loss on impairment of financial assets	23,586	101,904
Impairment (reversal gain) on non-financial assets	—	(190,198)
Total of earnings and losses	($1,936,081)	($1,652,396)
Changes in operating assets and liabilities:		
Net changes in operating assets		
Increase in due from the Central Bank of China and other banks	($201,714)	$76,702
Decrease (increase) in financial assets at fair value through profit or loss	7,019,842	(9,491,273)
Decrease (increase) in accounts receivable	(67,354)	(106,659)
Decrease (increase) in discounts and loans	16,468,803	(5,450,740)
Decrease (increase) in available-for-sale financial assets	(10,651,233)	(6,843,505)
Decrease (increase) in held-to-maturity financial assets	(8,961,273)	(2,746,339)
Decrease (increase) in other financial assets	(387,067)	202,671
Total net changes in operating assets	$3,220,004	($24,359,143)
Net changes in operating liabilities		
Increase (decrease) in due to Central Bank of China and other banks	($363,747)	($5,505,536)
Increase (decrease) in bills and bonds sold under agreements to repurchase	1,009,963	(6,898)
Increase (decrease) in accounts payable	(59,340)	111,253
Increase (decrease) in deposits and remittances	(7,187,582)	38,237,507
Increase (decrease) in other financial liabilities	(3,023)	39,705
Increase (decrease) in provisions for employee benefits	29,620	47,114
Total net changes in operating liabilities	($6,574,109)	$32,923,145
Total net changes in operating assets and liabilities	($3,354,105)	$8,564,002
Total adjustments	($5,290,186)	$6,911,606

（Continued on next page）

Net cash provided by (used in) operations	($4,636,922)	$7,421,291
Interest received	4,662,688	4,622,776
Dividends received	51,663	51,537
Interest paid	(2,303,063)	(2,127,081)
Income tax refunded (paid)	(58,240)	(48,831)
Net cash provided by (used in) operating activities	($2,283,874)	$9,919,692
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets measured at cost	$ —	($43,000)
Acquisition of property and equipment	(27,354)	(101,892)
Acquisition of intangible assets	(21,720)	(37,759)
Increase in other financial assets	—	(5,373)
Decrease in other financial assets	7,974	—
Increase in other assets	(51,229)	(12,786)
Net cash provided by (used in) investing activities	($92,329)	($200,810)
CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of bank debentures	$ —	$1,000,000
Increase in guarantee deposit received	—	5,436
Decrease in guarantee deposit received	(2,281)	—
Decrease in other liabilities	(23,437)	(390)
Distribution of cash dividends	(22,200)	(14,421)
Net cash provided by (used in) financing activities	($47,918)	$990,625
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH & CASH EQUIVALENTS	($23,874)	$21,592
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	($2,447,995)	$10,731,099
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	33,768,670	23,037,571
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$31,320,675	$33,768,670
Composition of cash & cash equivalents:		
Cash and cash equivalents in balance sheets	$3,384,503	$4,107,916
Due from the Central Bank of China and other banks that meet the definition of cash & cash equivalents in IAS No.7	7,870,737	16,275,436
Bills and bonds purchased under agreements to resell that meet the definition of cash & cash equivalents in IAS No. 7	20,065,435	13,385,318
Cash and cash equivalents in consolidated statements of cash flows	$31,320,675	$33,768,670

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

Chairman： Ruey-Tsang Lee　　President：Moan-Sheng Huang　　Chief Accountant：Anna Hsu

BANK OF KAOHSIUNG CO. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

(The currency unit is NTD thousand unless otherwise specified)

1. HISTORY AND ORGANIZATION

1.1 Bank of Kaohsiung Co., Ltd. is a commercial bank formed and registered in accordance with the provisions of the Banking Law of the Republic of China. The Bank obtained its registration approval in December 1981 and the Certificate of Business Registration in January the following year. The Bank's main business activities are as follows:

(1) Agent for the Kaohsiung City Treasury.
(2) Management of Kaohsiung Municipal Bond.
(3) Other relevant commercial bank businesses authorized under the Banking Law.
(4) Savings and trust operations.
(5) Other relevant businesses authorized by the Central Competent Authority.

The Bank operates with five departments under the Head Office namely, Business, Municipal Treasury, International Banking, Trust and Wealth Management departments with an additional of 35 local branches and mini- branches and an Offshore Banking Unit (OBU).

Taiwan Stock Exchange Corporation (TSE) approved the Bank's application to seek listing on the Taiwan Stock Exchange and issued the approval document (Tai Jeng (87) Shan No. 11281) on April 27, 1998. The Bank was officially listed on the Taiwan Stock Exchange on May 18, 1998.

The proposal for the privatization of the Bank was approved upon assessment by the Task Force for the Privatization of Public-Owned Enterprises in its 16th Meeting and the proposal was executed on August 3, 1999 in accordance with approval document (Kaohsiung City Government Tsai 3 No. 23963). The offering of the Bank's shares to the public as part of the privatization policy of government-owned banks came into effect on August 17, 1999 upon approval by the Securities and Futures Commission of the Ministry of Finance. The Bank was officially reorganized as a private enterprise on September 27, 1999.

1.2 Principal business of individual subsidiaries included in the consolidated financial statements: Note 4.3

1.3 The functional currency and the presentation currency used in financial statements are both the New Taiwan Dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 17, 2016.

3. THE APPLICATION OF THE AMMOUNCED IFRS, IAS, IFRIC AND SIC

3.1 The effect of using the newly announced and amended international financial reporting standards as approved by Financial Supervisory Commission (hereinafter referred to as "FSC"):

According to executive orders of FSC Chin-Kuan-Yin-Fa-Tzu. No. 10310006010, Chin-Kuan-Cheng-Chuan-Tzu No. 1030034680, and Chin-Kuan-Cheng-Shen-Tzu No. 1030010325, the Bank and its subsidiaries shall fully adopt the 2013 version of the IFRS (excluding IFRS 9 "Financial Instruments"), from 2015 and the criteria for the compilation of financial statements by public banks (hereinafter referred to as "2013 IFRSs" as recognized by FSC in the compilation of consolidated financial statements applicable in 2015.

The effect of using the 2013 IFRSs by the Bank and its subsidiaries is shown below:

(1) IFRS 10 "Consolidated Financial Statements"

This standard will replace IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation- Special Purpose Entities". The Bank and its subsidiaries will consider if control can be exercised over the investees based on which The Bank determines if such investees shall be included in the consolidated financial statements. The Bank and its subsidiaries have control over the investees if (i) they

have dominant power over the investees, (ii) the exposure to the risk or right over the change in remuneration due to the participation in the investees, (iii) the capacity to exercise of power over the investees to influence the remuneration. In addition, the new standards provide more guides for the judgment of whether control is exercised over the investees at complicated situations. As examined, the new standard has no significant influence on the Bank and its subsidiaries.

(2) IFRS 11 "Joint Arrangements"

This standard replaces IAS 31 "Interests in Joint Ventures" and SIC 13 "Joint Controlled Entities-Non-monetary Contributions by Ventures". The Bank and its subsidiaries classified joint arrangements into operation joint ventures and equity joint ventures by the rights and obligations under relevant agreements binding the contracting parties. The Bank and its subsidiaries apply the equity method to equity joint ventures. Before the application of the new standards, the Bank and its subsidiaries classified joint arrangements into joint controlled entities, joint controlled assets, and joint controlled operation. the equity of joint controlled entities were accounted for under the equity method. As examined, the new standard has no significant influence on the Bank and its subsidiaries.

(3) IFRS 12 "Disclosure of Interests in Other Entities"

This standard integrated the requirements for disclosures of the equities of all subsidiaries, joint arrangements, associates and structural entities not included in the consolidated financial statements of the enterprise and demands for the disclosure of related information. As examined, the new standard has no significant influence on the Bank and its subsidiaries.

(4) Amendment to IAS 28 "Investment in Associates and Joint Ventures"

The requirement of using the equity method in equity joint ventures is included in line with the establishment of IFRS 11 "Joint Arrangements". If the investment in associates or joint ventures satisfies the classification as assets available for sale, measurement is made at fair value net of the cost of disposition. For any portion of assets not classified as assets available for sales shall be accounted for under the equity method until the portion classified as available for sale is disposed. For investment in associates changing into investment in joint ventures or vice versa, enterprises shall continue to adopt the equity method and take no measurement to the retained equity. As examined, the new standard has no significant influence on the Bank and its subsidiaries.

(5) IFRS 13 "Fair Value Measurement"

IFRS 13 "Fair Value Measurement" served as the guide for fair value measurement. This standard defines fair value and the framework for the measurement of fair value and the disclosure of fair value measurement. In addition, the content required for disclosure under this standard is more extensive. For example, the standard currently in effect requires the financial instruments measured at fair value shall be disclosed at level 3 fair value. According to IFRS 13 "Fair Value Measurement", all assets and liabilities shall be disclosed in advance if meeting the criteria for application of this standard.

The applicability of IFRS 13 has been deferred since 2015. As examined, this standard has no significant influence on the financial position and operation result of the Bank and its subsidiaries. Related disclosures on fair value measurements have been made as required as stated in Note 7.

(6) The amendment to IAS 1 "Presentation of Financial Statements"

As required by the amendment to the standard, other comprehensive incomes shall be classified by attribute and categorized as (i) no subsequent reclassification as profit and loss and (ii) subsequent reclassification as profit and loss (if the condition is satisfied). Related income tax shall also be classified on the same basis.

The aforementioned standard is applicable to the Bank and its subsidiaries in the compilation of its consolidated financial statements. The items not reclassified as profit and loss accounts include determined benefit plan reevaluation value and the share of comprehensive incomes from associates and joint ventures accounted for under the equity method (determined benefit plan reevaluation value). Items for subsequent reclassification as profit and loss accounts include exchange difference from conversion of financial statements of overseas operation segments, unrealized gain (loss) from financial assets available for sale, cash flow hedge and the share of comprehensive incomes from associates and joint ventures accounted for under the equity method (except determined benefit plan reevaluation value). The Bank and its subsidiaries changed the presentation of the comprehensive income statements under this standard but the amendment did not affect the

corporate earnings, and other comprehensive incomes after taxation and the total comprehensive income in current period.

(7) IAS 19 " Employee Benefits"

The amendment mainly aims at the multiplication of the net determined benefit liabilities (assets) by discount rate to determine net interest for replacement of the costs of interest and projected return on planned assets before the amendment. It also cancelled the accounting policy of the use of "buffer zone method" for actuarial income or recognition as income in lump sum as realized. In addition, actuarial income shall be recognized as other comprehensive incomes when realized. The cost of service of the previous period shall be recognized as profit and loss at the time of realization and shall no longer be recognized as expenses under the straight line method of amortization in the average period as it was before. Enterprises shall recognize severance benefits if the offer of severance benefit is irrevocable or the recognition of reorganization cost, whichever comes first, and not just recognize for severance benefit liabilities and expenses when related severance has been explicitly promised. Further, there is also the requirement for determined benefit plan disclosure.

The first use of IAS 19 after its amendment in 2015. The Bank and its subsidiaries may elect not to disclose the sensitivity analysis of determined benefit obligation in the period of comparison in 2014 when compiling the consolidated financial statements of 2015.

Further to the aforementioned requirement, the influence of these standard on the Bank and its subsidiaries, as examined, is shown below:

A. Influence on current period

Items of the consolidated balance sheets under influence	December 31, 2015
Increase (decrease) of deferred income tax assets	$2,849
Increase (decrease) of provision for liabilities	$16,759
Increase (decrease) of retained earnings	($13,910)

Items of the consolidated income statement under influence	2015
Increase (decrease) of operating expense	$5,207
Increase (decrease) of income tax expense	($885)
Increase (decrease) of corporate earnings in current period	($4,322)
Increase (decrease) of other comprehensive income (loss) after taxation in current period	95
Increase (decrease) of total comprehensive income in current period	($4,227)
The influence on earnings per share	
Increase (decrease) of basic and diluted earnings per share	(0.006)

B. Influence on previous period

Consolidated Balance sheets

Items under influence	Amount before recompilation	Adjustment in first use	Amount after recompilation
December 31, 2014			
Deferred income tax assets	$170,903	$1,983	$172,886
Provision for liabilities	$956,097	$11,666	$967,763
Undistributed earnings	$494,005	($9,683)	$484,322

Consolidated Balance sheets

Items under influence	Amount before recompilation	Adjustment in first use	Amount after recompilation
January 1, 2014			
Deferred income tax assets	$133,821	$1,857	$135,678
Provision for liabilities	$855,490	$10,921	$866,411
Undistributed earnings	$214,246	($9,064)	$205,182

Consolidated income statement

Items under influence	Amount before recompilation	Adjustment in first use	Amount after recompilation
2014			
Operating expense – employee benefit expense	$1,443,924	$1,645	$1,445,569
Income tax benefit (expense)	($1,439)	$279	($1,160)
Corporate earnings in current period	$509,891	($1,366)	$508,525
Total comprehensive income in current period	$591,022	($619)	$590,403
Basic and diluted earnings per share	0.66	—	0.66

(8) IFRS 7 “Financial Statements: Disclosures”

The amendment requires the additional qualitative and quantitative disclosures of all transferred financial assets before removal and any continued participation of transferred assets. Refer to Note 8.6.

(9) Amendment to IAS 32 “Offsetting of financial assets and financial liabilities”

The amendment elaborates the offsetting between financial assets and financial liabilities and explicitly stated that “the amount recognized can be offset under the right for execution provided by law for the time being”, and “attempt to deliver on the basis of net amount or realization of assets and settlement of liabilities simultaneously”. For information on the disclosure of the offsetting between the aforementioned financial assets and financial liabilities of the Bank and its subsidiaries, refer to Note 8.7.

(10) Improvement in the period of 2009-2011

Improvement and amendment in the period of 2009-2011 to IFRS 1 “the first use of IFRSs”, IAS 1 “Presentation of Financial Statements”, IAS 16 “Property, Plant, Equipment”, IAS 32 “Financial Instruments: Presentation” and IAS 34 “Interim Report”.

The amendment to IAS 16 specified that spare parts, spare equipment and maintenance equipment as defined as property, plant, and equipment shall be recognized under IAS 16. All other property, plants, and equipment shall be recognized as inventory. As examined, the improvement of this standard has no significant influence on the Bank and its subsidiaries.

The interpretation under IAS 32 provided that the income tax deriving from the transaction cost of the distribution to shareholders or transaction of equity shall be governed by IAS 12 “Income Tax”. As examined, the improvement of this standard has no significant influence on the Bank and its subsidiaries.

The interpretation of IAS 34 provided that the measurement of the total amount of liabilities by segment as reference essential for the decision-making of the Bank and its subsidiaries at regular intervals, and there is a significant difference between the amount presented in the financial statements of the previous year on segment reports, such amount shall be disclosed in the interim report. As examined, the improvement of this standard has no significant influence on the Bank and its subsidiaries.

The interpretation of IAS 1 provided that in reviewing the applicable accounting policy and the items for the recompilation of financial statements, or the items reclassified into the financial statements in retrospect, and that such changes posed no significant influence on the information contained in the balance sheets at the beginning of the previous period, the Bank and its subsidiaries shall also present the balance sheets at the beginning of the previous period but not required to provided the notes to the aforementioned financial statement at the beginning of the previous period.

The first use of the amended version of the Regulations Governing the Preparation of Financial Reports by Public Banks by Public Banks and the 2013 version of IFRSs have no significant influence on the consolidated balance sheets dated January 1 2014. The Bank and its subsidiaries have also mentioned the aforementioned amendment to IAS 1 in the consolidated financial statements dated January 1 2014, and disclosed the information as per the requirement of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The notes to the individual items contained in the financial statement of January 1 2014 are not required for disclosure.

(11) Article 10- 3 –(3) of the Criteria for the Compilation of Financial Statements by Securities Issuers

This provision requires that if enterprises elect to measure the financial liabilities being issued at fair value through income statement, any change in the fair value deriving from the credit risk of the issuers shall be recognized as other comprehensive profit and loss. As examined, the improvement of this standard has no significant influence on the Bank and its subsidiaries.

3.2 The influence without adopting the update version of IFRSs after amendment at the approval of FSC: None.

3.3 The influence of IFRSs announced by IASB pending on the recognition of FSC:

The following is the content and interpretation of the update IFRSs after amendment and were announced by IASB pending on the recognition of FSC:

Update/amended/improved IFRSs and interpretation	The effective date after announcement of IASB (Note 1)
"Improvement in the period of 2010-2012"	July 1, 2014 (Note 2)
"Improvement in the period of 2011-2013"	July 1, 2014
"Improvement in the period of 2012-2014"	January 1, 2016 (Note 3)
IFRS 9 "Financial Instruments"	January 1, 2018
Amendment to IFRS 10 and IAS 28, "the disposal or investment of assets between the investors and its associates of joint ventures"	Pending on the finalization of IASB
Amendment to IFRS 10, IFRS 12, and IAS 28, " Investment Entities: exceptions of Consolidated Financial Statements"	January 1, 2016
Amendment to IFRS 11, "Acquisition of Joint Ventures Operation Rights"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15, "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to "Disclosure Initiatives" of IAS 1	January 1, 2016
Amendment to "Disclosure Initiatives" of IAS 7	January 1, 2017
Amendment to IAS 12, "Recognition of Unrealized Deferred Income Tax Assets"	January 1, 2017
Amendment to IAS 16 and IAS 38, "Interpretation of Acceptable Depreciations and Amortizations"	January 1, 2016
Amendment to IAS 16 and IAS 41, "Agriculture: Productive Plantation"	January 1, 2016
Amendment to IAS 19, "Determined Benefit Plan: Appropriation of employee benefit"	July 1, 2014
Amendment to IAS 27, "Equity Method in Financial Statements of Independent Entities"	January 1, 2016
Amendment to IAS 36, "Disclosure of Recoverable Amount of Non-Financial Assets"	January 1, 2014
Amendment to IAS 39, "Replacement of Derivative Contracts and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

Note 1: Unless otherwise specified, the aforementioned announced/amended/improved IFRSs or interpretations shall become effective as of respective effective dates.

Note 2: The amendment to IFRS 2 shall be applicable to share-based payment beyond July 1 2014; The amendment to IFRS 3 shall be applicable to corporate mergers for acquisition beyond July 1 2014; amendment to IFRS 13 shall come into force immediately. All other amendments shall be applicable to respective dates beyond July 1 2014.

Note 3: With the exception of the amendment to IFRS 5, which effective date is postponed to the year starting January 1 2016, all other amendments shall be effective in retrospect from respective dated from January 1 2016.

Further to the aforementioned detail, the applicability of the aforementioned announcements/amendments/improvements of the IFRSs and interpretations will not cause significant change in the accounting policies of the Bank and its subsidiaries:

(1) IFRS 9 "Financial Instruments"

A. The Recognition and Measurement of Financial Assets

Subsequent measurement of the financial assets previously falling within the scope of IAS 39, "Financial Instruments: Recognition and Measurement" shall be based on the cost after amortization or at fair value. Financial assets are classified as follows pursuant to IFRS 9:

Debt instruments invested by the Bank and its subsidiaries, in which cash flows bound by contracts are fully for the payment of principal and the interest for the outstanding principal, shall be classified and measured as follows:

(A) Financial assets held for receiving cash flows from contracts shall be measures on the basis of the cost after amortization. The interests accrued from this category of financial assets shall be recognized as interest income under the title of income subject to impairment. Impairment shall be recognized as profit and loss.

(B) Financial assets held for receiving cash flows from contracts and for disposal shall be measured at fair value through other comprehensive income statements. The interests accrued from this category of financial assets shall be recognized as interest income under the title of income subject to impairment. Impairment and exchange gain/loss shall be recognized as profit and loss. Other changes in fair value shall be recognized as comprehensive income. At the time of the removal or reclassification of these assets, the fair value previously accumulated as other comprehensive incomes shall be reclassified as profit and loss at fair value.

The financial assets invested by the Bank and its subsidiaries did not meet the aforementioned conditions but measured at fair value. The Bank and its subsidiaries may, at the time of initial recognition, designate equity investments not available for sale as financial assets at fair value through profit and loss in measurement. The dividend income of this category of financial assets shall be recognized as income. Other related income and loss shall be recognized as other comprehensive incomes without the necessity of subsequent evaluation for impairment but accumulate as change in other comprehensive incomes at fair value without reclassification as profit and loss.

B. Impairment of Financial Assets

IFRS 9 adopted the "projected credit loss model" to recognize impairment of financial assets in its update version. Financial assets on the basis of cost after amortization, financial assets at fair value through other comprehensive income statement on compulsory basis, receivable rental income, assets from contracts under IFRS 15 "Revenue from Contracts with Customers" or promise of loan and financial guarantee contracts, shall be recognized for provision for credit loss. If the aforementioned credit risk did not intensify after initial recognition, the recognized provision for credit loss shall be measured on the basis of the projected credit loss in the 12 months ahead. If the aforementioned credit risk intensified significantly after initial recognition, the recognized provision for credit loss shall be measured on the basis of the remaining period of projected credit loss. Accounts receivable that did not include major financial components shall be recognized for provision for credit loss on the basis of projected credit loss during the perpetuity of the accounts.

For financial assets that had credit impairment at the time of initial recognition, the Bank and its subsidiaries shall calculated the effective interest rate on the basis of the projected credit loss at the time of initial recognition. Subsequent provision for credit loss shall be measured on the basis of the accumulated changes in projected credit loss in the future.

(2) Amendment to IAS 36, "Disclosure of Recoverable Amount of Non-financial Assets"

IASB amended the disclosure requirement of IAS 36, "Impairment of Assets" at the time of announcing IFRS 13 "Fair Value Measurement" thereby the Bank and its subsidiaries are required to disclose the recoverable amount from assets or cash in each reporting period. The amendment to IAS 36 for this instance explicitly stated that the Bank and its subsidiaries shall disclose the recoverable amount in the period with recognition or reversal of impairment. In addition, if the Bank calculates the recoverable amount from assets or

cash by subtracting the cost of sale from fair value, the class of fair value and key evaluation assumption (Class II and Class III) shall be disclosed.

(3) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 is regulatory for revenue from contracts with customers and will replace IAS 18 "Revenue" and IAS 11 "Construction Contracts", and related interpretations.

In adopting IFRS 15, the Bank and its subsidiaries recognized revenues in the steps specified below:

A. Indentify the contracts with customers;
B. Identify the contractual obligations;
C. Determine the transaction price;
D. Amortize the transaction price to contractual obligations; and
E. Recognize for revenue when contractual obligations are satisfied.

From the effective date of IFRS15, the Bank and its subsidiaries may apply the principle retroactively to the period of comparison or recognize the accumulated influence of first use on the first day of application.

(4) "Disclosure initiatives" of amendment to IAS1

The amendment specified that the purpose of consolidated financial reporting is the disclosure of materiality. Important items of different nature or functions shall be disclosed separately and cannot be combined with material items for disclosure so that the financial reporting can be more understandable.

In addition, the amendment also explained that the Bank and its subsidiaries shall consider the consolidated financial reporting be understandable and comparable to determined a systematic way of preparing the notes to the compilation of the statements.

Further to the aforementioned effect, and until the date this consolidated financial statement was announced, the Bank and its subsidiaries continued to evaluate the effect of the amendment to other standards and interpretations on the financial position and financial performance. The evaluation result will be disclosed upon completion.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting polices applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the period presented, unless otherwise stated.

4.1 Statement of Compliance

These consolidated financial statements are prepared according to Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee interpretations (IFRIC), and Standards Interpretation Committee interpretations (SIC) (referred to as "IFRSs" hereafter) that have been ratified by the FSC.

4.2 Basis of Preparation

(1) Except for the following items, these consolidated statements have been prepared under the historical cost convention:

A. Financial assets and liabilities measured at fair value through profit or loss (including derivatives) measured at fair value.

B. Available-for-sale financial assets measured at fair value.

C. Liabilities of cash-settled share-based payment agreement measured at fair value.

D. Defined benefit liabilities recognized at the net value of pension fund assets less the present value of defined benefit obligations.

(2) Some important accounting estimates are required for the compilation of financial statements under the IFRSs recognized by FSC. In pursuing the account policies of the Bank and its subsidiaries, the management shall make relevant judgment. Items involving judgment of high intensity or complexity, or involving major assumption and estimated in consolidated financial reporting, are explained in Note 5.

4.3 Basis of consolidation

(1) The principles for the compilation of consolidated financial statements

A. The Bank has included all its subsidiaries as the entities in the consolidated financial statements. Subsidiaries as referred to are the entities controlled by the Bank (including structural entities). When the Bank is exposed to the variable return from the participation in specific entity or is entitled to the variable return of the entities, and can influence such return through the power of the entity, the Bank is in control of such entity. Subsidiaries are included into the consolidated financial statements as of the date the Bank has acquired control and consolidation will be terminated as of the day the Bank lose its control.

B. The transactions among companies, the balance, and unrealized income/loss are removed. Necessary adjustment has been made to accounting policies of the subsidiaries in conformity to the accounting policy of the Bank.

C. If the change in shareholding of the subsidiaries did not result in the loss of control (transaction with uncontrolled equity) shall be taken as equity transaction. In other words, it is the transactions among shareholders. The difference between the amount of adjustment for uncontrolled equity and the corresponding fair value receive paid or received shall be recognized as equity.

D. When the Bank loses its control over a specific subsidiary, the residual investment in such subsidiary shall be reevaluated at fair value and recognized as the cost of the initial recognized financial assets at fair value, or the initial recognized investment in associates or joint ventures. The difference between fair value and book value shall be recognized as income for the current period. The accounting of the amount related to such subsidiary previously recognized as other comprehensive income shall be identical to the accounting of direct disposition of related assets or liabilities of the Bank. In other words, it is the gain or loss previously recognized as other comprehensive incomes, and reclassified as income when related assets or liabilities are disposed. When the Bank loses its control over such subsidiary, the gain or loss shall be reclassified from equity to profit and loss.

(2) Subsidiaires included in the consolidated financial statements

Name of Subsidiary	Main Business Activities	Shareholding %	
		Dec. 31, 2015	Dec. 31,2014
Kaohsiung Bank Insurance Agency Co., Ltd.	Life insurance agency business	100%	100%
Kaohsiung Bank General Insurance Agency Co., Ltd	Property insurance agency business	100%	100%

The financial statement of the Kaohsiung Bank General Insurance Agency Co., Ltd. was unaudited. However, the management of the Bank holds that the unaudited financial statement of this subsidiary caused no significant influence on the consolidated financial statements of the Bank.

A. Change in the number of subsidiaries in consolidation: None.
B. Subsidiaries not included in the consolidated financial statements: None.
C. Adjustment and management of subsidiaries using different accounting periods: None.
D. Major restriction: None.
E. The content of the holding of securities issued by the parent company by subsidiaries: None.
F. Information on subsidiaries of material uncontrolled equity: None.

4.4 Foreign Currency Translation:

(1) Functional and Presentation Currency

Items included in the financial statements of the Bank and its subsidiaries (including the Head Office, domestic branches, offices and the OBU) are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”).The financial statements are presented in “New Taiwan Dollars”, which is the functional currency of the Bank’s Head Office and domestic branches and offices.

(2) Foreign Currency Transactions and Balances

The transactions denominated in foreign currency or to be settled in foreign currency are translated into a functional currency at the spot exchange rate between the functional currency and the underlying foreign currency on the date of the transaction.

Foreign currency monetary items are reported using the closing rate (market exchange rate) at the date of each balance sheets. Foreign currency non-monetary items measured at historical cost are reported using the exchange rate at the date of the transaction. Foreign currency non-monetary items measured at fair value are reported at the rate that existed when the fair values were determined.

Exchange differences arising when foreign currency transactions are settled or when monetary items are translated at rates different from those at which they were translated when initially recognized or in previous financial statements are reported in profit or loss in the period, with one exception. The exception is that exchange differences associated with the gains or losses of the parts of effective hedges of cash flow hedges or hedges of net investments in foreign operations are recognized in other comprehensive income.

If a gain or loss on a non-monetary item measured at fair value is recognized in other comprehensive income, any foreign exchange component of that gain or loss is also recognized in other comprehensive income. If a gain or loss on a non-monetary item measured at fair value is recognized in profit or loss, any foreign exchange component of that gain or loss is also recognized in profit or loss.

The operating results and financial position of the Bank and its subsidiaries OBU in the financial statements that has a functional currency different from the presentation currency are translated into the presentation currency as follows:

A. Assets and liabilities presented are translated at the Bank's and its subsidiaries ' closing exchange rate at the date of that balance sheets;

B. The profit and loss presented is translated by the average exchange rate in the period (except for the situation that the exchange rate on the trade date shall be adopted when the exchangerate fluctuate rapidly); and

C. All resulting exchange differences are recognized in other comprehensive income.

The translation differences arising from above processes are recognized as 'Exchange differences on translating the financial statements of foreign operations' under equity items.

When a foreign operation is disposed of in full or in part, the exchange differences recognised in other comprehensive income are reclassified as profit or loss from equity.

4.5 Cash and Cash Equivalents

"Cash and cash equivalents" in the balance sheets includes cash on hand, due from other banks, short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. In respect of the consolidated statements of cash flows, cash include cash and cash equivalents shown in the balance sheets and due from the Central Bank of China and other banks and bills and bonds purchased under agreements to resell satisfying the definition of cash and cash equivalents in IAS 7.

4.6 Bills and Bonds Under Repurchase or Resale Agreements

For transactions of bills and bonds with a condition of repurchase agreement or resell agreement, the interest expense and interest income are recognized as incurred at the date of sale and purchase and the agreed period of sale and purchase. The repo trade liabilities, bond liabilities, reverse repo trade bills and bond investments are recognized at the date of sale or purchase.

4.7 Financial Assets or Liabilities

The financial assets and liabilities of the Bank and its subsidiaries including derivatives are recognized in the balance sheets and are properly classified in accordance with IFRSs as endorsed by FSC.

(1) Financial Assets

The IFRSs as endorsed by the FSC apply to the financial assets of the Bank and its subsidiaries , which are classified into: loans and receivables, financial assets at fair value through profit or loss, held-to-maturity financial assets and available-for-sale financial assets.

A. A regular way purchase or sale

All the financial assets of the Bank and its subsidiaries are accounted for using trade date accounting.

B. Loans and receivables

There are two types of loans and receivables: one is originated by an entity and the other is not. Loans

and receivables originated by an entity refer to the direct provision by the Bank and its subsidiaries of money, merchandise or services to debtors, and loans and receivables not originated by the Bank and its subsidiaries are loans and receivables other than those originated by the Bank and its subsidiaries .

Loans and receivables are initially recognized at fair value, which includes the price of transaction, significant costs of transaction, significant handling fees paid or received, discount and premium, etc., and subsequently measured using the effective interest method. However if the effect of discount is insignificant, pursuant to paragraphs 7 and 10, Article 10 of the "Regulations Governing the Preparation of Financial Reports by Public Banks", loans and receivables can be measured at initial amount.

C. Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are acquired by the Bank and its subsidiaries principally for the purpose of selling or repurchasing or gaining profit in the short-term, or if they are derivative instruments. These financial assets are initially recognized at fair value.

Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(A) They eliminate or significantly reduce a measurement or recognition inconsistency such as measurement of financial assets or liabilities or recognition of related gain or loss on different bases; or

(B) Their performance is evaluated on a fair value basis; or

(C) Hybrid (combined) instruments including embedded derivative instruments.

Financial assets designated at fair value through profit or loss and financial assets designated at fair value through profit or loss on initial recognition are recognized under the "financial assets at fair value through profit or loss" in the balance sheets and any changes in their fair value is recognized under the 'gain or loss on financial assets and liabilities at fair value through profit or loss' account in the consolidated statement of comprehensive income.

D. Held-to-maturity financial assets

Held-to-maturity financial assets are measured at fair value plus acquisition or issuance cost on initial recognition and subsequently at the amortized cost and the interest income using the effective interest rate.

E. Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value plus acquisition or issuance cost on initial recognition and subsequently at fair value. Any subsequent change in fair value of available-for-sale financial assets is adjusted against equity. Cumulative valuation gain or loss of a financial asset is recognized as current income or loss when the asset is derecognized.

F. Other financial assets

(A) Financial assets carried at cost

Equity instruments with no quoted price in an active market are initially recognized at fair value plus acquisition or issuance cost. The fair value can be reasonably estimated when the following criteria are met at the balance sheets date: (a) the variability in the range of reasonable fair value estimate is not significant for that equity instrument; or (b) probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value. If the variability in the range of reasonable fair value estimate of the instruments is significant and that it is not possible to assess the probabilities of the various estimates, the instruments shall not be measured at fair value. Financial assets that cannot be measured at fair value shall be carried at cost.

(B) Debt investments with no active market

Investments in debt instruments without active market are initially recognized at fair value on the trade date plus transaction costs of acquisition or issuance. Disposal gain or loss is recognized when derecognized. Bond investments without active market are measured at amortized cost using the effective interest method.

(2) Financial Liabilities

Financial liabilities held by the Bank and its subsidiaries comprise financial liabilities at fair value through profit or loss (including financial liabilities as at fair value through profit or loss on initial recognition), financial liabilities measured at amortized cost and hedging derivatives.

A. Financial liabilities at fair value through profit or loss

This category includes financial liabilities held for trading or financial liabilities measured at fair value through profit or loss on initial recognition.

A financial liability shall be classified as held for trading, if it is acquired or incurred principally for the purpose of repurchasing it in the near term; or on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. A derivative is also classified as held for trading, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities designated at fair value through profit or loss and financial liabilities designated at fair value through profit or loss on initial recognition are recognized under the "financial liabilities at fair value through profit or loss" in the balance sheets and any changes in their fair value is recognized under the 'gain or loss on financial assets and liabilities at fair value through profit or loss' account in the statement of comprehensive income.

B. Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include financial liabilities which are not classified as financial liabilities measured at fair value through profit or loss, hedging derivative financial liabilities, financial guarantee contracts, and financial liabilities arising from transfer of financial assets that does not qualify for derecognition to the extent of transferor's continuing involvement.

C. Determination of fair value

Fair value and level information of financial instruments are provided in Note 7.

D. Deferring recognition of first-day profit or loss

The fair value of a financial instrument with no active market held by the Bank and its subsidiaries is not generated from a valuation model by inputting observable market prices or interest rates. As such, financial instruments with no active market are recognised at the cost of acquisition on initial recognition. However, the acquisition price may differ from the amount generated from the valuation model. The difference is commonly referred to as "first-day profit or loss" and is not immediately recognised in the statements of comprehensive income.

As such, recognition of first-day profit or loss may be deferred until all parameters used in the valuation model are observable in the market or until settlement.

E. Derecognition of financial assets and liabilities

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

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

In case of securities lending or borrowing by the Bank and its subsidiaries or provision of bonds or stocks as security for Repo trading, the Bank and its subsidiaries do not derecognize the financial asset, because substantially all risks and rewards of ownership of the financial asset are still retained in the Bank and its subsidiaries .

4.8 Reclassification of Financial Assets

Reclassification of the non-derivative financial assets is in accordance with IAS 39 as endorsed by the FSC.

4.9 Offsetting Financial Instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheets when (1) there is a legally enforceable right to offset the recognized amounts and (2) there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

4.10 Interest Income and Expense

Other than those classified as financial assets and liabilities at fair value through profit and loss, all the interest income and interest expenses generated from interest-bearing financial assets are calculated by effective interest rate according to relevant regulations and recognized as "interest income" and "interest expense" in the

statement of comprehensive income.

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

4.11 Service Fee and Commission Income

Service fee income and expense are recognized upon the completion of services of loans or other services; service fee income and expense of subsequent services of loans are amortized or included in the calculation of effective interest rate of loans and receivables during the service period.

4.12 Impairment of Financial Assets

(1) Financial assets carried at amortized cost

At each reporting date, a financial asset or a group of financial assets is assessed by the Bank and its subsidiaries to determine whether there is objective evidence of impairment. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a single or serveral loss event(s) has (have) occurred after the initial recognition of the asset, and that the "loss event" has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that a financial asset or a group of financial assets is impaired includes:

A. significant financial difficulty of the issuer or obligor;

B. a breach of contract, such as a default or delinquency in interest or principal payments;

C. the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

D. it becoming probable that the borrower will enter bankruptcy or other financial reorganization;

E. the disappearance of an active market for that financial asset because of the issuer's financial difficulties; or

F. observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

(A) adverse changes in the payment status of borrowers in the group; or

(B) changes in national or local economic conditions that correlate with defaults on the assets in the group.

The Bank and its subsidiaries consider the evidence of impairment for financial assets at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar credit risk characteristics. Financial assets that are assessed individually with impairment recognized or continue to be recognized need not be included in the collective assessment.

Where there is objective evidence indicating impairment loss, The amount of the impairment loss is the difference between the financial assets' book value and the estimated future cash flow (excluding future credit loss not yet incurred) discounted using the original effective interest rate. The carrying amount of assets is adjusted in the allowance for credit loss and the amount of impairment loss is listed under "allowance for credit loss and loss on guarantees" or "loss on impairment of financial assets". The amout of impairment loss of financial assets with a floating interest rate is discounted using the prevailing interest rate as set out in the agreement.

Financial assets through group assessment are grouped based on similar credit risk characteristics, such as types of assets, industry and collaterals. Such credit risk characteristics represent the ability of the debtors to pay all the amounts at maturities according to the contract term (such as credit risk assessment or rating procedures that consider the type of asset, industry and security, the overdue status and other key factors), which is related to future cash flow estimates of each group of financial assets.

The future cash flows of group of financial assets for group assessment are estimated based on historical impairment experience of financial assets in the group with similar credit risk characteristics. The historical impairment experience is adjusted on the basis of observable data for each period in order to reflect the effect

of current conditions that did not have an impact on historical impairment experience and to eliminate the impact of past conditions that no longer exist at present.

When a loan is unable to be recovered, the carrying amount of the loan is offset against the related allowance for credit loss. The amount of impairment loss is offset against the uncollectible loan with the consent of the Board of Directors after the Bank and its subsidiaries complete all mandatory legal procedures and provided that the amount of impairment loss may be determined.

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 (such as an improvement in the credit rating of the borrower), the amount of impairment loss recognized previously shall be reserved by adjusting allowance for credit loss. 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. The amount of the reversal shall be recognized in the current income statement.

The above process of evaluation follows the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non accrual Loans" (the "Regulations") issued by the FSC under which loan assets are classified into the following categories. Normal credit assets shall be classified as "Category One". The Bank and its subsidiaries shall make an allowance for credit losses and guarantees equaling 1% of the balance of Category One assets less government claims. The remaining unsound assets shall be evaluated based on the status of the loan collaterals and the length of time overdue. Assets that require special mention shall be classified as "Category Two," assets that are substandard shall be classified as "Category Three," assets that are doubtful shall be classified as "Category Four," and assets for which there is loss shall be classified as "Category Five." The minimum allowance for credit losses and guarantees should be 2% for Category Two, 10% for Category Three, 50% for Category Four and 100% for Category Five, respectively.

(2) Available-for-sale financial assets

When the decrease in the fair value of an available-for-sale financial asset is recognized in other comprehensive income and where there is objective evidence indicating an impairment has occurred, the losses accumulated in the fair value reserve in equity are reclassified to profit or loss, even if the available-for-sale financial asset is not derecognized yet.

Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Any subsequent increases in fair value of an investment in an equity instrument are recognized in other comprehensive income. If the impairment loss of bond investments decreases with objective evidence indicating that an impairment loss has been incurred after the impairment is recognized, the impairment amount is reversed and recognized in current profit and loss.

(3) Financial assets carried at cost

When there is objective evidence that financial assets carried at cost are impaired, the loss amount is recognized in "loss on impairment of financial assets" and the impairment loss is non-reversible.

4.13 Derivative Financial Instruments

(1) Derivative financial instruments are measured at fair value at initial recognition and in the subsequent period. Fair value is determined using valuation techniques that consider using quoted prices in an active market, recent market price, discounted cash flow models and option pricing models. If the result of its valuation at fair value is positive, a derivative instrument is classified as a financial asset, otherwise, it is classified as a financial liability.

(2) Economic characteristics and risks of the embedded derivatives and the economic characteristics of the main contract should be examined for the embedded derivatives. If the two are not closely correlated and the main contract is not a financial asset or liability at fair value through profit and loss, the main contract and embedded derivatives should be respectively recognized unless the overall hybrid contract is designated as assets or liabilities at fair value through profit and loss. The embedded derivatives are the financial assets or liabilities at fair value through profit and loss.

(3) Non-qualifying hedging derivatives

When a derivative is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit or loss as "gain or loss on financial assets and liabilities at fair value through

profit or loss".

4.14 Property and Equipment

The property and equipment of the Bank and its subsidiaries are recognized on the basis of the historical cost less accumulated depreciation. Historical cost includes all costs directly attributable to the acquisition of the assets. Such assets are subsequently measured using the cost model.

When the future economic benefit related to subsequent expenditure related to the asset is highly likely to flow into the Bank and its subsidiaries and that the costs can be reliably measured, such expenditure may be included in the carrying amount of the asset or may be seperately recognized as assets. The carrying amount of the replaced part is derecognized.When the future economic benefit generated from subsequent costs is highly likely to flow into the entity and subsequent major improvements or repair expenses shall be capitalized. On-going repairs and maintenance cost is expensed as incurred.

The Bank and its subsidiaries examine the residual value and useful lives of the property and equipment and make appropriate adjustments accordingly on an annual basis.

Land is not affected by depreciation. Depreciation for other assets is provided on a straight-line basis over the estimated useful lives of the assets until carrying amount of the assets reaches their residual value as follows:

Building	48-60 years
Leasehold improvement	5 years, or the lease term if less than 5 years
Equipment and machinery	3-20 years

Gain or loss on disposal is the difference between the carrying amount and proceeds from disposal and is recognized in "other net non-interest income" in the consolidated statements of comprehensive income.

4.15 Intangible Assets

Intangible assets refer to computer software acquired by the Bank and its subsidiaries. The cost incurred on acquiring the software is capitalized and is amortised over the useful life of the software which is estimated to be 6 years.

4.16 Impairment of Non-financial Assets

In accordance with International Accounting Standards 36 Asset impairment ("IAS 36") endorsed by the FSC, at each reporting date or as circumstance changes, the Bank and its subsidiaries assess non-financial assets for any indication of impairment in which the recoverable amount of an asset is less than its carrying amount. If the recoverable amount of an asset is less than its carrying amount, the difference between the recoverable amount and carrying amount is recognized as impairment loss. Assets are grouped together into the smallest group of identifiable assets (cash-generating unit) that generates cash inflows. Impairment test is also applied to an individual asset when its fair value less selling cost or its value-in-use can be reliably measured. Impairment loss on non-financial assets (other than goodwill) recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased.

4.17 Foreclosed Collaterals

Foreclosed collaterals are recognized at the foreclosure price. Foreclosed properties are stated at the lower of its carrying amount or fair value less costs to sell at the end of period.

4.18 Leases

All lease agreements of the Bank and its subsidiaries are operating leases. Expenses incurred under an operating lease is recognized in profit or loss on a straight-line basis over the lease term and recognized in "other business and administrative expenses" and "other net non-interest income".

4.19 Income Taxes

(1) Income tax in the period

Income tax payable (refundable) is calculated on the basis of the tax laws enacted in the countries where the Bank operates and generates taxable income. Except that the transactions or other matters are directly recognized in other comprehensive income or equity, and that related income taxes in the period are recognized in other comprehensive income or directly derecognized from equity, all the others should be recognized as income or expense as recorded as gain and loss in the period.

(2) Deferred income tax

Deferred income tax assets and liabilities are measured based on the tax rate of the anticipated period that the future assets realization or the liabilities settlement requires, which is based on the effective or existing tax rate at the balance sheets date. The carrying amount and temporary differences of assets and liabilities included in the balance sheets are calculated through liability method and recognized as deferred income tax. The temporary difference of the Bank and its subsidiaries mainly occurs due to the setting aside and transferring of depreciation of property and equipment, valuation of certain financial instruments (including derivatives), and reserve for pension and other post-employment benefits.

Deductible temporary difference within the scope that is probable to offset taxable income is recognized as deferred income tax.

Deferred income tax assets and liabilities are not offset if they relate to income taxes levied by different tax authorities.

4.20 Employee Benefits

(1) Short-term employee benefits

The Bank and its subsidiaries recognize the undiscounted amount of the short-term benefits expected to be paid in the future as expenses in the period when the employees render service.

(2) Benefit after retirement

A. Determined appropriation plan

The appropriation to pension fund under the determined benefit plan is made on the accrual basis and the amount appropriates is recognized as pension cost. Advanced appropriation shall be recognized as assets within the scope of refundable cash or reduced payment in the future.

B. Determined benefit plan

(A) Net obligation of determined benefit plan is based on the amount of benefit earned by the employees for their service in current period or in the past under discount, and presented by the fair value of the present value of determined benefit obligation net of planned assets as of the balance sheet date. The determined benefit net obligation shall be calculation under the projected unit benefit method by professional actuary annually and the discount rate is the market yield rate of government bonds (on the balance sheet date).

(B) The reevaluation value generated from determined benefit plan is recognized as comprehensive income in the period of accrual and stated as retained earnings.

(C) Related expenses of the cost of service in the previous period shall be immediately recognized as income.

(3) Employment benefit - preferential interest on employees' deposits

The Bank and its subsidiaries offer preferential interest rate to its current employees and retired employees for their deposits within a prescribed amount. The preferential interest rate in excess of market interest rate is treated as employee benefits.

Under Article 28 of the "Regulations Governing the Preparation of Financial Reports by Public Banks", if the Bank's preferential deposit interest rate for an employee as stated in the employment contract exceeds the market interest rate, the excess will be subject to IAS 19 "Defined Benefit Plan" as endorsed by the FSC upon the employee's retirement. The actuarial valuation assumptions and parameters are based on those announced by the authority, if any.

(4) Remuneration to employees and directors and shareholders

Remuneration to employees and directors and supervisors shall be recognized as expense and liabilities if could be defined as mandatory or presumed obligation and the amount can be reasonably estimated. If the exact amount resolved for distribution is different from the estimated amount, proceed to accounting change.

(5) Termination benefits

A severance benefit shall be offered when ending the employment with a specific employee before normal retirement, or when a specific employee accepts the offer of the Bank with a benefit in exchange for the termination of employment. The Bank and its subsidiaries shall recognize the irrevocable offer of

severance benefits or related regrouping costs as expenses, whichever comes first. Benefit not anticipated for full settlement within 12 months after the balance sheet date shall be subject to discount.

4.21 Provision for Liabilities, Contingent Liabilities and Contingent Assets

When all the following criteria are met, the Bank and its subsidiaries shall make a provision for liabilities:

(1) A present obligation (legal or constructive) as a result of a past event;

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

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

The Bank and its subsidiaries do not make a provision for liabilities for future operating losses.

If there are several similar obligations, the outflow of economic benefit as a result of settlement is determined based on the overall obligation. Provisions for liabilities should be recognized when the outflow of economic benefits is probable in order to settle the obligation as a whole even if the outflow of economic benefits from any one of the obligation is remote.

Provisions are measured by the present value of expense which is required for settling the anticipated obligation. The pre-tax discount rate is used with timely adjustment that reflects the current market assessments on the time value of money and the risks specific to the obligation.

Contingent liability is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank and its subsidiaries. Or it could be a present obligation as a result of past event but the payment is not probable or the amount cannot be measured reliably. The Bank and its subsidiaries did not recognize any contingent liabilities but made appropriate disclosure in compliance with relevant regulations.

Contingent asset is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank and its subsidiaries. The Bank and its subsidiaries did not recognize any contingent assets and made appropriate disclosure in compliance with relevant regulations when the economic inflow is probable.

4.22 Financial Guarantee Contracts

The Bank and its subsidiaries initially recognize financial guarantee contracts at fair value on the date of issuance. The Bank and its subsidiaries charge a service fee when the contract is signed and therefore the service fee income charged is the fair value at the date that the financial guarantee contract is signed. Service fee received in advance is recognized in deferred accounts and amortized through straight-line method during the contract term.

The best estimate of the liability amount of a financial guarantee contract requires management to exercise their judgment combined with historical loss data based on the similar transaction experiences.

The increase in liabilities due to financial guarantee contract is recognized in “Reserve for guarantee liabilities”.

4.23 Bank Debentures

Bank debentures issued by the Bank and its subsidiaries are measured at amortised cost using the effective interest rate method.

4.24 Capital

(1) Cost of issuing shares

Incremental costs directly attributable to the issuance of new shares are removed from equity.

(2) Common share dividends

Stock dividends are not recognized and are only disclosed as subsequent event in the notes if the dividend declaration date is later than the balance sheets date.

4.25 Comparative Information

The Bank and its subsidiaries shall disclose the comparative information for the amounts reported in the current financial statements unless otherwise specifically provided by the IFRS or regulations endorsed by the FSC.

Comparative information was adjusted to reflect changes in accounting policies or account reclassification to ensure that such information is comparable to the financial information for the current year.

4.26 Operating Segments

Information of operating segments of the Bank and its subsidiaries is reported in the same method as the internal management report provided to the Chief Operating Decision-Maker (CODM). The CODM of the Bank refers to the Board of Directors of the Bank and its subsidiaries.

5. MAJOR SOURCES OF UNCERTAINTIES ASSOCIATED WITH SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements of the Bank and its subsidiaries requires management to make appropriate professional judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The Bank and its subsidiaries made appropriate assumptions on and estimates of material risks associated with significant adjustments to be made to the carrying amount of assets and liabilities in the next financial year.

The assumptions and estimates made by the Bank and its subsidiaries are the best assumptions and estimates under the IFRSs. Assumptions and estimates are evaluated on an on-going basis and adjusted based on historical experience and other factors including projections of the future.

Management's critical judgements and the accounting policies applicable to some items had significant impact on the amounts reported in the financial statements of the Bank and its subsidiaries.

5.1 Impairment Loss on Loans

The Bank and its subsidiaries regularly review loan portfolios to assess impairment periodically. In determining whether an impairment loss should be recorded in the income statement, the Bank and its subsidiaries make judgments to recognize impairment loss as to whether there is observable evidence indicating that an impairment has occurred. This evidence includes repayment status of debtor, event that would cause delinquency in payments, and any significantly unfavorable changes in national or local economic circumstances. The management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly by the Bank and its subsidiaries in order to decrease the difference between estimated loss and actual loss.

5.2 Financial Instruments

(1) The fair value of non-active market or non-quoted financial instruments is determined using valuation techniques. Such fair value is based on observable data of similar financial instruments or valuation model. If there are no observable market parameters, the fair value of financial instruments is evaluated based on appropriate assumptions. If the fair value is determined by the valuation model, the model is calibrated to ensure that all output data and the results reflect the actual market price. This valuation model use only observable data as much as possible. The management is required to estimate the volatility and correlation of credit risks (own and counterparty risks).

(2) Financial assets－impairment on equity investment

The Bank and its subsidiaries determine whether impairment has occurred on individual financial assets-equity investment in accordance with IFRS 39. The decision requires the management to exercise important judgment. The Bank and its subsidiaries separately evaluate the time when the fair values of individual investments fall below their costs

(3) Financial assets carried at cost

The more recent information obtainable for equity instruments with no active market held by the Bank and its subsidiaries was insufficient to determine the fair value of such assets, and as such the fair value of the assets cannot be reliably measured. These investments were classified as "financial assets carried at cost".

(4) Please refer to Note 8.5 for analysis on the risks of financial instruments.

5.3 Income Tax

The estimates of income taxes payable involve many transactions and calculations. The Bank and its subsidiaries may recognize additional income tax liabilities for some tax issues when necessary. Any difference between the final income tax payable and initially recognized income tax payable will affect the amounts of income taxes and deferred income taxes.

Please see Note 6.8 for evaluation of deferred income tax items.

5.4 The calculation of net determined welfare liabilities

In calculating the present value of determined benefit obligation, The Bank and its subsidiaries determined the actuarial assumption under judgment and estimation on the balance sheet date, including the discount rate and the salary growth rate in the future. Any change in the actuarial assumption will significantly affect the amount of determined benefit obligation of The Bank and its subsidiaries. As of December 31 2015, the book value of net determined benefit liabilities of The Bank and its subsidiaries amounted to $939,409 thousand.

6. DETAILS OF SIGNIFICANT ACCOUNTS

6.1 Cash and Cash Equivalents

Items	Dec. 31, 2015	Dec. 31, 2014
Cash on hand and petty cash	$1,370,243	$1,431,657
Notes and checks for clearing	324,924	592,723
Due from banks	1,689,336	2,083,536
Total	$3,384,503	$4,107,916

(1) For the purpose of preparing the consolidated cash flow statements, cash and cash equivalents comprise of the following amounts:

Item	Dec. 31, 2015	Dec. 31, 2014
Cash and cash equivalents in consolidated balance sheets	$3,384,503	$4,107,916
Due from the Central Bank of China and other banks that meet the definition of cash and cash equivalents in IAS 7	7,870,737	16,275,436
Bills and bonds purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	20,065,435	13,385,318
Cash and cash equivalents in consolidated statement of cash flow	$31,320,675	$33,768,670

6.2 Due from Central Bank and Call Loans to Banks

Items	Dec. 31, 2015	Dec. 31, 2014
Deposit reserve:		
Category A	$4,846,952	$6,301,201
Category B	5,893,748	5,979,927
Foreign currency deposits	22,970	15,803
Due from Central Bank－National Treasury	815	407
Subtotal	$10,764,485	$12,297,338
NCD issued by Central Bank	$3,700,000	9,900,000
Due from Central Bank－interbank settlement funds	503,666	815,773
Call loans to banks	—	158,025
Total	$14,968,151	$23,171,136

(1)The deposit reserves deposited at the Central Bank of China are determined monthly at prescribed rates based on the average balances of deposits. Category A deposit reserve account is non-interest bearing and withdrawals may be made at any time. Category B reserve account is interest-bearing and no withdrawal is permitted unless upon monthly adjustment of the account or otherwise specifically provided by law.

(2)Please refer to Note 11 for details of NCD issued by the Central Bank of China as security over the various businesses of the Bank and its subsidiaries as of December 31, 2015 and 2014.

6.3 Financial Assets at Fair Value Through Profit or Loss

Items	Dec. 31, 2015	Dec. 31, 2014
Financial assets held for trading:		
Short-term notes	$3,434,623	$10,691,968
Fund	1,631	7,375
Stocks	—	—
Bonds (government bonds)	271,679	271,177
Foreign bonds	171,487	—
Subtotal	$3,879,420	$10,970,520
Derivative instruments		
Forwards	$1,029	$3,429
Foreign exchange swaps	—	1,765
Subtotal	$1,029	$5,194
Total	$3,880,449	$10,975,714

(1)Please refer to Note 6.16 for details of derivative contracts that have yet to mature as of December 31, 2015 and 2014.

(2)Please refer to Note 11 for details of financial assets held for trading of the Bank and its subsidiaries provided as collateral for the various businesses.

6.4 Available-For-Sale Financial Assets－Net

Items	Dec. 31, 2015	Dec. 31, 2014
Bonds (government and corporate bonds)	$4,888,317	$2,948,972
Stocks	167,350	244,964
Fund	12,793	56,303
NCD issued by the Central Bank	28,600,493	19,700,132
Foreign bonds	3,167,738	3,251,142
Subtotal	$36,836,691	$26,201,513
Less: accumulated impairment	—	(60,264)
Total	$36,836,691	$26,141,249

(1) Please refer to Note 11 for details of available-for-sale financial assets held by the Bank and its subsidiaries provided as collateral for the various businesses as of December 31, 2015 and 2014.

(2) The above available-for-sale financial assets of the Bank and its subsidiaries provided as the underlying securities for RP/RS trading as of December 31, 2015 and 2014 amounted to $329,380 thousand and $55,700 thousand, respectively.

6.5 Bills and Bonds with Agreements to Resell

Items	Dec. 31, 2015	Dec. 31, 2014
Short-term notes	$13,798,833	$12,630,902
Bonds (government and corporate bonds)	6,266,602	754,416
Total	$20,065,435	$13,385,318

Bills and bonds with agreements to resell held by the Bank and its subsidiaries will be sold at agreed prices of $20,070,107 thousand and $13,389,557 thousand, respectively after December 31, 2015 and 2014. As of December 31, 2015 and 2014, bonds with resell agreements were not provided as underlying securities for repurchase agreements.

6.6 Accounts Receivable－Net

Items	Dec. 31, 2015	Dec. 31, 2014
Credit card fees receivable	$179,789	$198,824
Accounts receivables from credit card issuers	7,277	9,825
Subtotal	$187,066	$208,649
Interest receivable	$490,115	372,456
Acceptances receivable	195,446	118,283
Revenues receivable	143,185	135,240
Other receivable	77,316	70,739
Receivable proceeds for delivery of securities	—	3,582
Total	$1,093,128	$908,949
Less: allowance for doubtful accounts	(66,169)	(53,663)
Net	$1,026,959	$855,286

6.7 Income tax Assets/Liabilities

(1) Income tax expense (benefit)

Items	2015	2014
Income tax		
Income tax expense	$102,657	$30,740
10% Surtax on undistributed retained earnings	5,589	623
Adjustment for prior periods	140	6,385
Subtotal	$108,386	$37,748
Deferred tax expense		
Origination and reversal of temporary differences	($46,453)	($36,588)
Subtotal	($46,453)	($36,588)
Income tax expense (benefit)	$61,933	$1,160

The Bank and its subsidiaries expect to recover income tax assets within 12 months of December 31, 2015 and 2014 in the amounts of $23,593 thousand and $25,981 thousand; No current asset is expected to be recovered beyond 12 months of the respective balance sheets dates. Income tax liabilities that will be repaid within 12 months of the balance sheets dates were $52,605 thousand and $4,847 thousand, respectively; no tax liability was due beyond 12 months of the respective balance sheets dates.

(2) Differences between pre-tax income and taxable income are reconciled as follows:

the Bank and its subsidiaries pre-tax income multiplied by the statutory tax rate and income tax expense were reconciled as follows:

Items	2015	2014
Pre-tax income	$653,264	$509,685
Income tax from pre-tax income calculated at a statutory rate of 17%	$111,055	$86,646
Adjustments:		
Effects of income tax exemption	(54,018)	25,136
Effects of other tax adjustments		
Tax-book difference on the disposal of debt investments without an active market	(17,407)	(82,835)
Excessive provision for bad debt	57,524	—
other	(1,064)	1,793
Differences in general tax amounts and basic tax amounts	6,567	—
Income tax adjustment for prior period	140	6,385
Net changes in deferred tax assets	(46,453)	(36,588)
10% Surtax on undistributed retained earnings	5,589	623
Income tax expense (benefit)	$61,933	$1,160

(3) Please see Note 6.24 - other equity for details of tax effects of other comprehensive income items.

(4) Imputation Tax System and Other Information:

Items	Dec. 31, 2015	Dec. 31, 2014
Balance of imputation tax credit	$158,455	$200,053
Unappropriated earnings - before June 30, 1998	—	—
Unappropriated earnings - July 1, 1998 & thereafter	607,376	484,322

Items	2015	2014
Ratio of deductible tax credit for the appropriation of earnings	20.48% (Estimated)	20.64% (Actual)

According to the Tax Code, the earnings on or before 1998 for distribution to shareholders not residing in the Republic of China shall be entitled to tax deduction in proportion to the tax payable as of the distribution days. Article 66-6 of the Tax Code after amendment requires that individual shareholders residing in the Republic of China shall be entitled to half of the deduction of tax payable. This new law shall be applicable to the distribution of earnings from January 1 2015.

The tax deductible allocated to the shareholders of the Bank shall be based on the balance of the tax deduction account for shareholders as of the dividend day in the calculation. As such, the tax deduction rate estimated in 2015 may vary with actual tax deduction rate due to the Tax Code and adjustment shall be made.

5. The corporate income tax of the Bank has been approved by the taxation authorities until FY 2013.

6.8 Deferred Tax Assets/Liabilities

(1) Deferred income tax assets and liabilities are offset on the balance sheets when the Bank and its subsidiaries have a legally enforceable right to do so and that they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities for FY 2015 and 2014 were calculated by multiplying all temporary differences by the weighted-average effective tax rate of 17%.

Items	Dec. 31, 2015	Dec. 31, 2014
Deferred tax assets		
Deferred tax assets - recoverable in more than 12 months		
—Unrealized expense on provision of employees' pension	$159,700	$146,785
—Allowance for bad debt in excess of the limit	60,120	10,646
—Unrealized amount of impairment loss	—	10,245
—Other	6,885	2,143
Subtotal	$226,705	$169,819
Deferred tax assets - recoverable in less than 12 months		
—Other	$3,183	$3,067
Subtotal	$3,183	$3,067
Deferred income tax assets-net	$229,888	$172,886

(2) Unrecognised deferred income tax assets

As of December 31, 2015 and 2014, the balance of unrecognized deferred income tax assets was nil as of the respective balance sheets dates.

(3) Deferred income tax assets deriving from temporary difference

FY 2015

Items	Amount at beginning of period	Recognized as income	Recognized as other incomes	Amount at ending of period
Net determined benefit liabilities	$146,785	$6,425	$6,490	$159,700
Excessive provision for bad debts	10,646	49,474	—	60,120
Unrealized impairment	10,245	(10,245)	—	—
Deferral of expenses from guarantee	4,293	581	—	4,874
Deferral of evaluation loss	3,067	116	—	3,183
Exchange difference from conversion of financial statement from overseas operation segments	(4,044)	—	4,059	15
Others	1,894	102	—	1,996
Total	$172,886	$46,453	$10,549	$229,888

FY 2014

Items	Amount at beginning of period	Recognized as income	Recognized as other incomes	Amount at ending of period
Net determined benefit liabilities	$134,486	$8,009	$4,290	$146,785
Excessive provision for bad debts	—	10,646	—	10,646
Unrealized impairment	—	10,245	—	10,245
Deferral of expenses from guarantee	—	4,293	—	4,293
Deferral of evaluation loss	(172)	3,239	—	3,067
Exchange difference from conversion of financial statement from overseas operation segments	(374)	—	(3,670)	(4,044)
Others	1,738	156	—	1,894
Total	$135,678	$36,588	$620	$172,886

(4) Deductible temporary difference and unused tax losses within the scope that are probable to offset taxable income are recognized by the Bank and its subsidiaries as deferred income tax. The recoverability of deferred income tax assets recognized by the Bank and its subsidiaries as of in December 31, 2015 was assessed on the basis of profitability projections for the next 10 years. The Bank and its subsidiaries shall make adjustments to the recognized deferred tax asset amounts accordingly shall there be subsequent changes in the profitability assumptions.

6.9 Discounts and Loans－Net

Items	Dec. 31, 2015	Dec. 31, 2014
Discounts	$7,998	$20,033
Overdrafts	16,499	40,597
Short-term loans	29,809,774	44,674,961
Short-term secured loans	20,318,136	18,664,846
Medium-term loans	25,619,336	23,849,278
Medium-term secured loans	22,209,323	23,608,922
Long-term loans	12,007,380	12,894,780
Long-term secured loans	57,370,994	60,250,945
Import/export negotiations	1,968	124,617
Overdue loans	601,122	603,285
Subtotal	$167,962,530	$184,732,264
Less: allowance for doubtful accounts	(2,018,612)	(1,849,247)
Net	$165,943,918	$182,883,017

(1) Please see Note 8.3 (8) for details of evaluation on impairment of discounts and loans and receivables as of December 31, 2015 and 2014.

(2) The Bank and its subsidiaries made appropriate allowance for credit losses arising from discounts, loans and receivables. As of December 31, 2015 and 2014, details for allowance for credit losses in respect of discounts, loans and receivables are as follows:

A. Changes in allowance for credit losses with respect to discounts and loans:

Items	2015	2014
Balance, January 1	$1,849,247	$1,281,095
Provisions	347,237	646,529
Write-offs	(289,016)	(217,050)
Recovery of written-off credits	103,293	175,401
Effects of exchange rate changes and others	7,851	(36,728)
Balance, December 31	$2,018,612	$1,849,247

B. Changes in allowance for credit losses with respect to accounts receivable:

Items	2015	2014
Balance, January 1	$53,663	$54,533
Provisions (reversal)	13,913	(3,422)
Write-offs	(2,233)	(678)
Recovery of written-off credits	844	3,452
Effects of exchange rate changes and others	(18)	(222)
Balance, December 31	$66,169	$53,663

C. Changes allowance for credit losses with respect to overdue accounts other than loans:

Items	2015	2014
Balance, January 1	$21,383	$9,679
Provisions	9,436	18,972
Write-offs	(19,784)	(7,608)
Recovery of written-off credits	—	—
Effects of exchange rate changes and others	18	340
Balance, December 31	$11,053	$21,383

D.The Bank and its subsidiaries recognized $370,586 thousand bad debt expenses for the FY 2015, of which $370,586 thousand were included in allowance for credit losses and $0 thousand in guarantee reserves. The Bank and its subsidiaries recognized $691,079 thousand bad debt expenses for the FY 2014, of which $662,079 thousand were included in allowance for credit losses and $29,000 thousand in guarantee reserves.

6.10 Held-to-Maturity Financial Assets－Net

Items	Dec. 31, 2015	Dec. 31, 2014
Foreign bonds	$5,586,406	$2,551,765
Domestic bonds	6,149,770	194,574
Subtotal	$11,736,176	$2,746,339
Less: accumulated impairment	—	—
Total	$11,736,176	$2,746,339

None the held-to-maturity financial assets used as collateral held by the Bank and its subsidiaries as of December 31, 2014 and 2013.

(1) As of December 31 2015 and 2014, the face value of investments with conditions for trading held-to-maturity amounted to $685,643 thousand and $0.

(2) To meet the requirement of a higher mandatory level of equity capital, and the intensification of risk control over Mainland China by the competent authority, the Bank has sold its financial assets held-to-maturity. The proceeds for the sale amounted to $1,215,514 thousand and recognized capital gain amounting to $28,564 thousand in 2015.

6.11 Other Financial Assets－Net

Items	Dec. 31, 2015	Dec. 31, 2014
Equity investments carried at cost	$1,161,567	$1,161,567
Time deposit with original maturity date of over 3 months	496,300	—
Bond investments with no active market	131,260	329,557
Non-performing loans transferred from accounts other than loans	31,256	41,426
Short-term advances	13,847	12,872
Remittances purchased	1,221	—
Subtotal	$1,835,451	$1,545,422
Less: allowance for doubtful accounts	(11,053)	(21,383)
Less: Accumulated Impairment- bond investment	—	(75,899)
Net	$1,824,398	$1,448,140

Changes in accumulated impairment:

Items	2015	2014
Balance, January 1	$75,899	$147,332
Provisions	23,586	41,640
Write-off	(102,392)	(123,503)
Effects of exchange rate changes	2,907	10,430
Balance, December 31	$ —	$75,899

6.12 Property and Equipment－Net

Name of Asset	Dec. 31, 2015			
	Cost	Accumulated Depreciation	Accumulated Impairment	Carrying Amount
Land	$2,031,893	$ —	$ —	$2,031,893
Building	1,218,188	448,426	—	769,762
Machinery and computer equipment	445,890	328,993	—	116,897
Transportation equipment	18,128	15,869	—	2,259
Miscellaneous equipment	80,525	71,383	—	9,142
Leasehold improvement	124,981	109,582	—	15,399
Total	$3,919,605	$974,253	$ —	$2,945,352

Name of Asset	Dec. 31, 2014			
	Cost	Accumulated Depreciation	Accumulated Impairment	Carrying Amount
Land	$2,031,893	$ —	$ —	$2,031,893
Building	1,218,188	426,680	—	791,508
Machinery and computer equipment	605,941	482,890	—	123,051
Transportation equipment	20,851	17,725	—	3,126
Miscellaneous equipment	88,481	79,068	—	9,413
Leasehold improvement	268,852	249,341	—	19,511
Total	$4,234,206	$1,225,704	$ —	$2,978,502

(1) Changes in property and equipment:

Items	Land	Building	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Total
Cost							
Balance, Jan. 1, 2015	$2,031,893	$1,218,188	$605,941	$20,851	$88,481	$268,852	$4,234,206
Additions	—	—	24,444	88	2,395	420	27,347
Disposals	—	—	(185,088)	(2,811)	(9,769)	(144,291)	(341,959)
Reclassification	—	—	583	—	(583)	—	—
Foreign exchange differences	—	—	10	—	1	—	11
Balance, Dec. 31, 2015	$2,031,893	$1,218,188	$445,890	$18,128	$80,525	$124,981	$3,919,605
Accumulated Depreciation							
Balance, Jan. 1, 2015	$ —	$426,680	$482,890	$17,725	$79,068	$249,341	$1,255,704
Depreciation	—	21,746	30,851	955	2,420	4,532	60,504
Disposals	—	—	(185,088)	(2,811)	(9,769)	(144,291)	(341,959)
Reclassification	—	—	336	—	(336)	—	—
Foreign exchange differences	—	—	4	—	—	—	4
Balance, Dec. 31, 2015	$ —	$448,426	$328,993	$15,869	$71,383	$109,582	$974,253
Net Balance, Dec. 31, 2015	$2,031,893	$769,762	$116,897	$2,259	$9,142	$15,399	$2,945,352

Items	Land	Building	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Total
Cost							
Balance, Jan. 1, 2014	$2,031,893	$1,218,188	$530,460	$22,270	$87,547	$268,852	$4,159,210
Additions	—	—	99,175	146	2,559	—	101,880
Disposals	—	—	(23,768)	(1,565)	(1,626)	—	(26,959)
Foreign exchange differences	—	—	74	—	1	—	75
Balance, Dec. 31, 2014	$2,031,893	$1,218,188	$605,941	$20,851	$88,481	$268,852	$4,234,206
Accumulated Depreciation							
Balance, Jan. 1, 2014	$ —	$404,934	$480,206	$18,285	$78,262	$243,243	$1,224,930
Depreciation	—	21,746	26,391	1,005	2,430	6,098	57,670
Disposals	—	—	(23,768)	(1,565)	(1,626)	—	(26,959)
Foreign exchange differences	—	—	61	—	2	—	63
Balance, Dec. 31, 2014	$ —	$426,680	$482,890	$17,725	$79,068	$249,341	$1,255,704
Accumulated Impairment							
Balance, Jan. 1, 2014	$190,198	$ —	$ —	$ —	$ —	$ —	$190,198
Provisions (reversal)	(190,198)	—	—	—	—	—	(190,198)
Balance, Dec. 31, 2014	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Net Balance, Dec. 31, 2014	$2,031,893	$791,508	$123,051	$3,126	$9,413	$19,511	$2,978,502

(2) Reconciliation of property and equipment additions with the cash flow:

Items	2015	2014
Property and equipment additions	$27,347	$101,880
Foreign exchange differences	7	12
Decommissioning liabilities	—	—
Consideration paid for property and equipment	$27,354	$101,892

6.13 Intangible Assets－Net

Items	Dec. 31, 2015	Dec. 31, 2014
Cost of computer software	$217,219	$197,519
Less: Aaccumulated amortisation	(148,814)	(133,202)
Accumulated impairment	—	—
Net	$68,405	$64,317

Changes in intangible assets:

Items	2015	2014
Cost		
Balance, January 1	$197,519	$159,760
Additions	21,720	37,759
Disposals	(2,020)	—
Balance, December 31	$217,219	$197,519
Accumulated amortisation		
Balance, January 1	$133,202	$118,445
Amortisation expense	17,632	14,757
Disposals	(2,020)	—
Balance, December 31	$148,814	$133,202
Intangible assets, net	$68,405	$64,317

6.14 Other Assets－Net

Items	Dec. 31, 2015	Dec. 31, 2014
Refundable deposits	$41,512	$31,431
Miscellaneous assets	11,179	8,780
Prepayments	64,066	28,941
Total	$116,757	$69,152

6.15 Due to Central Bank of China and Other Banks

Items	Dec. 31, 2015	Dec. 31, 2014
Due to the Central Bank	$106,140	$75,801
Due to banks	201,374	194,617
Due to Chunghwa Post	379,720	783,072
Overdrafts on banks	—	557,576
Calls loan from other (central) banks	8,468,148	7,908,063
Total	$9,155,382	$9,519,129

6.16 Financial Liabilities at Fair Value Through Profit or Loss

Items	Dec. 31, 2015	Dec. 31, 2014
Derivatives		
Forwards	$556	$2,385
Foreign exchange swaps	19,198	20,852
Total	$19,754	$23,237

The Bank and its subsidiaries engaged in derivative transactions for the FY2015 and 2014 for the purpose of meeting clients' trading needs, squaring the Bank and its subsidiaries positions, meeting the Bank and its subsidiaries funding requirements in different currencies and hedging against risks arising from interest rate fluctuations. The hedging strategy of the Bank and its subsidiaries primarily aims at hedging against risks arising from market price or cash flow fluctuations. As of December 31, 2015 and 2014, the contractual amounts (notional principal) of the derivative contracts held by the Bank and its subsidiaries were as follows:

Items	Contractual Amount	
	Dec. 31, 2015	Dec. 31, 2014
Forward exchange contracts	205,262	225,908
Foreign exchange swap contracts	2,057,008	2,518,919

6.17 Bills and Bonds Sold with Agreement to Repurchase

Items	Dec. 31, 2015	Dec. 31, 2014
Government bonds	$46,731	$61,121
Foreign government bonds	69,877	—
Financial bonds	954,476	—
Total	$1,071,084	$61,121

The purchase considerations for bills and bonds sold with agreement to repurchase after December 31, 2015 and 2014 were $1,074,513 thousand and $61,199 thousand.

6.18 Payables

Items	Dec. 31, 2015	Dec. 31, 2014
Payroll transfers payable	$1,109,386	$1,123,991
Checks for clearing	324,924	592,723
Interest payable	370,440	375,147
Outstanding bills for collection	231,958	203,055
Accrued expenses	325,412	233,596
Acceptances	198,888	118,283
Collections for others	67,903	72,910
Accounts payable	6,501	8,866
Other payables	139,700	143,492
Total	$2,775,112	$2,872,063

6.19 Deposits and Remittances

Items	Dec. 31, 2015	Dec. 31, 2014
Checking account deposits	$2,130,507	$2,414,512
Public treasury deposits	13,245,842	13,470,305
Demand deposits	26,919,099	24,943,820
Time deposits	68,940,455	83,681,036
Negotiable certificate of deposits	511,100	411,800
Demand savings deposits	50,593,654	49,790,165
Time savings deposits	67,399,185	62,215,645
Remittances	27	168
Total	$229,739,869	$236,927,451

6.20 Bank Debentures

Items	Offering Period Interest Rate	Dec. 31, 2015	Dec. 31, 2014
Subordinate financial debentures First issue, 2009	2009.1.20-2016.1.20 / 3.4%	3,000,000	$3,000,000
Subordinate financial debentures First issue, 2013	2013.8.6-2020.8.6 / 2.1%	1,300,000	1,300,000
Subordinate financial debentures Second issue, 2013	2013.9.5-2020.9.5 / 2.1%	700,000	700,000
Subordinate financial debentures First issue, 2014	2014.3.25-2021.3.25 /1.609%-1.738%	1,200,000	1,200,000
Subordinate financial debentures Second issue, 2014	2014.10.29-2021.10.29 / 2.35%	650,000	650,000
Subordinate financial debentures Third issue, 2014	2014.12.3-2021.12.3 / 2.35%	150,000	150,000
Total		$7,000,000	$7,000,000

6.21 Other Financial Liabilities

Items	Dec. 31, 2015	Dec. 31, 2014
Appropriated loans	$175,385	$178,408

Appropriated loans described above refer to the various special syndicated loans organized by the Bank and its subsidiaries, the Small and Medium Enterprise Development Fund, the National Youth Commission of the Executive Yuan and the Development Fund of the Executive Yuan. The collected funds were entrusted to the Bank by the respective committees to fund special project loans.

6.22 Reserves for Liabilities

Items	Dec. 31, 2015	Dec. 31, 2014
Reserve for employee benefit liabilities	$939,409	$871,608
Reserve for guarantee liabilities	80,300	80,300
Other	16,334	15,855
Total	$1,036,043	$967,763

(1) Reserves for Employee Benefits

Items	Dec. 31, 2015	Dec. 31, 2014
Recognised in balance sheets:		
— Defined benefit plan	$892,718	$826,406
— Employee preferential savings plan	46,691	45,202
Total	$939,409	$871,608

A. Determined appropriation plan:

(A)The pension system under the "Labor Pension Act" is the determined pension plan management by the government that required regular contribution. An appropriation of funds at 6% of the monthly salary of each employee shall be made to the personal special account of the employee at the Bureau of Labor Insurance.

(B)The amount for appropriation as explicitly stated in the determined appropriation plan in 2015 and 2014 has been recognized as expenses in the comprehensive income statement and the total amount of which was $15,085 thousand, and $14,594 thousand, respectively.

B. Determined benefit plan:

(A)The pension system of The Bank and its subsidiaries under the "Labor Standards Act" is a determined benefit retirement plan managed by the government. The pension will be disbursed on the basis of the average salaries in the 6 months prior to the retirement day and the term of service. The Bank and its subsidiaries appropriate 6% of the total monthly salaries of the employees for the pension fund, which will then be deposited to the special account at Bank of Taiwan bearing the title of Supervisory Committee of Business Entities' Labor Retirement Reserve. If the balance in the account before the end of the fiscal year is insufficient to cover the payment for pension to the employees entitled to retirement in the next fiscal year, the Bank shall make up the amount short by the end of March of the next fiscal year. The said special account is managed by the Bureau of Labor Fund of the Ministry of Labor Affairs. Neither the Bank nor its subsidiaries has the right to influence the investment management strategy.

(B)The amount of obligations of The Bank and its subsidiaries deriving from determined benefit plan to be recognized in the balance sheet is shown below:

Items	Dec. 31, 2015	Dec. 31, 2014
Present value of determined benefit obligation	$1,543,878	$1,433,928
Fair value of plan assets	(651,160)	(607,522)
Net determined benefit liabilities (assets)	$892,718	$826,406

Changes in net determined benefit liabilities (assets) are shown below:

Items	2015		
	Present value of determined benefit obligations	Fair value of planned assets	Net determined benefit liabilities
Balance on January 1	$1,433,928	$607,522	$826,406
Cost of service			
Cost of service in current period	$82,447	$ —	$82,447
Interest expense (income)	28,283	12,239	16,044
Recognized as income	$110,730	$12,239	$98,491
Reevaluation value			
Planned return on assets (except the amountunder net interest)	$ —	$4,051	($4,051)
Actuarial loss (gain) -			
Change in financial assumption	25,383	—	25,383
Adjustment by experience	17,807	—	17,807
Recognized as other comprehensive income	$43,190	$4,051	$39,139
Appropriation of employer	$ —	$49,185	($49,185)
Benefit payment	(43,970)	(21,837)	(22,133)
Balance on December 31	$1,543,878	$651,160	$892,718

Items	2014		
	Present value of determined benefit obligations	Fair value of planned assets	Net determined benefit liabilities
Balance on January 1	$1,343,378	$584,875	$758,502
Cost of service			
Cost of service in current period	$90,357	$ —	$90,357
Interest expense (income)	26,460	11,786	14,674
Recognized as income	$116,817	$11,786	$105,031
Reevaluation value			
Planned return on assets (except the amountunder net interest)	$ —	$1,998	($1,998)
Actuarial loss (gain) -			
Adjustment by experience	23,801	—	23,801
Recognized as other comprehensive income	$23,801	$1,998	$21,803
Appropriation of employer	$ —	$48,424	($48,424)
Benefit payment	(50,068)	(39,562)	(10,506)
Balance on December 31	$1,433,928	$607,522	$826,406

(C) The Bank and its subsidiaries are exposed to the following risks due to the pension system regulated by the "Labor Standards Act":

a. Investment Risk

The Bureau of Labor Fund of the Ministry of Labor utilizes the labor pension fund to invest in domestic and foreign equity securities, bonds, and bank deposits in proprietary trade or appointment of a third party. However, the share of return on the planned assets of the Bank is the interest from time deposits at banks with terms of no less than 2 years.

b. Interest Risk

The fall of the interest rate for government bond caused an increase of the present value of the determined benefit obligations. However, the return on debt investment on planned assets will increase and the two offset each other partially in the net determined benefit liabilities.

c. Salary Risk

The calculation of the present value of determined benefit obligation is based on the salaries of the members in the plan of the future. An increase in the salaries of the members of the plan will cause an increase of the present value of determined benefit obligations.

(D)The present value of determined benefit obligations of the Bank and its subsidiaries are calculated by qualified actuarial professionals. Major assumption as of the measurement day is shown below:

Items	Measurement day	
	Dec. 31, 2015	Dec. 31, 2014
Discount rate	1.75%	2.00%
Projected rate of salary increase	2.00%	2.00%
Average maturity of determined benefit obligation	13 years	14 years

a.The assumption of the morbidity rate in the future is based on the mortality rate chart of annuity after improvement.

b.If there is reasonable and possible change in major actuarial assumption and other assumptions remained unchanged, the amount of the increase (decrease) in the present value of determined benefit obligation is shown below:

Items	Dec. 31, 2015
Discount rate	
Increase by 0.25%	(42,302)
Decrease by 0.25%	44,000
Projected rate of salary increase	
Increase by 1%	185,882
Decrease by 1%	(163,033)

The actuarial assumptions may be interrelated. The change in particular assumption is unlikely. As such, the aforementioned sensitivity analysis may not be able to reflect the actual change in the present value of determined benefit obligations.

(E) The appropriation of the Bank and its subsidiaries in projected payment to pension plan in 2016 is $49,185 thousand.

C. Employee preferential savings plan:

(A)Please refer to Note 4.20 for details of the payment obligations of fixed-amount preferential savings of the Bank and its subsidiaries retired employees. The employee preferential savings plan is administered in accordance with internal policies.

(B)The amount of obligations of The Bank and its subsidiaries deriving from determined benefit plan to be recognized in the balance sheet is shown below:

Items	Dec. 31, 2015	Dec. 31, 2014
Present value of determined benefit obligation	$46,691	$45,202
Fair value of plan assets	—	—
Net determined benefit liabilities (assets)	$46,691	$45,202

Changes in net determined benefit liabilities (assets) are shown below:

Items	2015		
	Present value of determined benefit obligations	Fair value of planned assets	Net determined benefit liabilities
Balance on January 1	$45,202	$ —	$45,202
Cost of service			
Cost of service in current period	$ —	$ —	$ —
Difference in expense for recognition	16,717	—	16,717
Interest expense (income)	1,498	—	1,498
Recognized as income	$18,215	$ —	$18,215
Reevaluation value			
Planned return on assets (except the amountunder net interest)	$ —	$ —	$ —
Actuarial loss (gain) -			
Adjustment by experience	(958)	—	(958)
Recognized as other comprehensive income	($958)	$ —	($958)
Appropriation of employer	$ —	$ —	$ —
Benefit payment	(15,768)	—	(15,768)
Balance on December 31	$46,691	$ —	$46,691

Items	2014		
	Present value of determined benefit obligations	Fair value of planned assets	Net determined benefit liabilities
Balance on January 1	$40,754	$ —	$40,754
Cost of service			
Cost of service in current period	$ —	$ —	$ —
Difference in expense for recognition	14,903	—	14,903
Interest expense (income)	1,350	—	1,350
Recognized as income	$16,253	$ —	$16,253
Reevaluation value			
Planned return on assets (except the amountunder net interest)	$ —	$ —	$ —
Actuarial loss (gain) -			
Adjustment by experience	3,435	—	3,435
Recognized as other comprehensive income	3,435	$ —	3,435
Appropriation of employer	$ —	$ —	$ —
Benefit payment	(15,240)	—	(15,240)
Balance on December 31	$45,202	$ —	$45,202

(C) The Bank and its subsidiaries are exposed to the following risks due to the pension system regulated by the "Labor Standards Act":

a. Investment Risk

The Bureau of Labor Fund of the Ministry of Labor utilizes the labor pension fund to invest in domestic and foreign equity securities, bonds, and bank deposits in proprietary trade or appointment of a third party. However, the share of return on the planned assets of the Bank is the interest from time deposits at banks with terms of no less than 2 years.

b. Interest Risk

The fall of the interest rate for government bond caused an increase of the present value of the determined benefit obligations. However, the return on debt investment on planned assets will increase and the two offset each other partially in the net determined benefit liabilities.

c. Salary Risk

The calculation of the present value of determined benefit obligation is based on the salaries of the members in the plan of the future. An increase in the salaries of the members of the plan will cause an increase of the present value of determined benefit obligations.

(D) The present value of determined benefit obligations of the Bank and its subsidiaries are calculated by qualified actuarial professionals. Major assumption as of the measurement day is shown below:

Items	Measurement day	
	Dec. 31, 2015	Dec. 31, 2014
Discount rate	4%	4%
Projected rate of return on deposit of fund	2%	2%
Probability of cancellation of preferred deposit in the future	50%	50%
Average maturity of determined benefit obligation	9 years	10 years

a. The assumption of the morbidity rate in the future is based on the mortality rate chart of annuity after improvement.

b. If there is reasonable and possible change in major actuarial assumption and other assumptions remained unchanged, the amount of the increase (decrease) in the present value of determined benefit obligation is shown below:

Items	Dec. 31, 2015
Discount rate	
Increase by 1%	(2,708)
Decrease by 1%	3,082

The actuarial assumptions may be interrelated. The change in particular assumption is unlikely. As such, the aforementioned sensitivity analysis may not be able to reflect the actual change in the present value of determined benefit obligations.

(E) The payment for the projected employee preferred deposit plan of The Bank and its subsidiaries in 2016 amounted to $15,768 thousand.

(2) Changes in reserve for guarantee liabilities:

	2015	2014
Balance at beginning of period	$80,300	$51,300
Provisions	—	29,000
Balance at end of period	$80,300	$80,300

6.23 Other Liabilities

Items	Dec. 31, 2015	Dec. 31, 2014
Guarantee deposits received	$40,486	$47,568
Advance receipts	77,513	96,026
Temporary receipts and suspense accounts	5,620	6,222
Other	79	79
Total	$123,698	$149,895

6.24 Equity

(1) Ordinary share

As of December 31, 2015 and 2014, The Bank and its subsidiaries authorized capital was $15,000,000 thousand as of the balance sheets dates, while the issued capital was $7,788,659 thousand and $7,403,514 thousand, respectively represented by 778,866 thousand shares and 740,351 thousand shares, respectively, with a par value of $10 per share.

Shareholders of the Bank, in the shareholders' meeting held on June 17, 2015, adopted the proposal for appropriation of the 2014 earnings, which involved capital increase by capitalising shareholders' bonus in the amount of $347,965 thousand and employee profit sharing in the amount of $32,904 thousand (The number of shares, 3,718 thousand at $8.85 per share was issued with a face value of $37,180 thousand, which was determined by the closing price, $8.85, of the day before the resolution date of the Shareholders' Meeting, after taking into account the influence of the ex-right and ex-dividend factors.). The aforesaid capital increase proposal was approved by the FSC on July 21, 2015 authorizing the Bank to issue a total of 385,145 common shares with a par value of $10. The ex-dividend date for the capital increase was scheduled to be August 18, 2015.

(2) Capital surplus

Items	Dec. 31, 2015	Dec. 31, 2014	Jan. 1, 2014
Surplus arising from issuance of new shares at a premium	$1,872,334	$1,872,334	$2,016,544
Endowment received	61	61	61
Total	$1,872,395	$1,872,395	$2,016,605

The Bank Act provides that capital surplus arising from issuance of new shares at a premium and endowment received may be used to offset accumulated loss. Where a company incurs no loss, it may, distribute its capital surplus by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash. The Securities and Exchange Act also prescribes that the total amount of capital surplus capitalized for issuance of new shares shall not exceed 10% of the total issued capital per year. A company shall not use the capital reserve to recover its capital loss, unless the surplus reserve is insufficient to recover such loss.

(3) Legal reserve

A company shall set aside a legal reserve until its balance equals the amount of total issued capital. Legal reserve may be used to offset loss. Amendments to the Bank Act announced on January 4, 2012 provide that the portion of the legal reserve exceeding 25% of paid-in capital may be capitalized or distributed by cash. On the other hand, the Banking Law provides that prior to the balance of legal reserve reaching total paid-in capital, the maximum amount distributed by cash shall not exceed 15% of total paid-in capital.

(4) Special reserve

In addition to the legal reserve, the Bank shall set aside a special reserve in accordance with the Articles of Incorporation or regulatory requirements. As of December 31, 2015 and 2014, the Bank special surplus amounted to $0 thousand and $86,057, respectively.

(5) Other equity items

Items	Exchange differences on translation of financial statements of foreign operations	Available-for-sale financial assets	Other	Total
Balance, January 1, 2015	$19,744	($3,429)	$406	$16,721
Foreign currency translation adjustments				
—Gain or loss on translating the financial statements of foreign operating entities in the period	(23,874)	—	—	(23,871)
—Tax effects on Gain or loss on translating the financial statements of foreign operating entities in the period	4,059	—	—	4,059
Available-for-sale financial assets				
—Unrealized (loss) gain on available- for-sale financial assets	—	18,589	—	18,589
—Reclassification of accumulated (gain) or loss on disposal of available- for-sale financial assets to income statement	—	11,771	—	11,771
Other				
—Movements in current period	—	—	(185)	(185)
Balance, December 31, 2015	($71)	$26,931	$221	$27,081

Items	Exchange differences on translation of financial statements of foreign operations	Available-for-sale financial assets	Other	Total
Balance, January 1, 2014	$1,822	($88,333)	$454	($86,057)
Foreign currency translation adjustments				
—Gain or loss on translating the financial statements of foreign operating entities in the period	21,592	—	—	21,592
—Tax effects on Gain or loss on translating the financial statements of foreign operating entities in the period	(3,670)	—	—	(3,670)
Available-for-sale financial assets				
—Unrealized (loss) gain on available- for-sale financial assets	—	125,749	—	125,749
—Reclassification of accumulated (gain) or loss on disposal of available- for-sale financial assets to income statement	—	(40,845)	—	(40,845)
Other				
—Movements in current period	—	—	(48)	(48)
Balance, December 31, 2014	$19,744	($3,429)	$406	$16,721

A. Unrealized gains or losses arising from available-for-sale financial assets refer to accumulated gains or losses arising from available-for-sale financial assets revalued at fair value, which were recognized in other comprehensive income, less any amount that was reclassified to income statement upon disposal or impairment of such assets.

B. The income tax effects of other comprehensive income items:

FY 2015:

Items	Exchange differences on translation of financial statements of foreign operations	Available-for-sale financial assets	Actuarial gain or loss arising from defined benefit plan	Total
Pre-tax amount	($23,874)	$30,360	($38,181)	($31,695)
Income tax effects	4,059	—	6,490	10,549
Net of tax	($19,815)	$30,360	($31,691)	($21,146)

FY 2014:

Items	Exchange differences on translation of financial statements of foreign operations	Available-for-sale financial assets	Actuarial gain or loss arising from defined benefit plan	Total
Pre-tax amount	$21,592	$84,904	($25,238)	$81,258
Income tax effects	(3,670)	—	4,290	620
Net of tax	$17,922	$84,904	($20,948)	$81,878

6.25 Retained Earnings

Items	2015	2014
Unappropriated earnings at beginning of period	$494,005	$214,246
The impact of recompilation and applicability in retrospect	(9,683)	(9,064)
Unappropriated earnings at beginning of period (re-compilation)	$484,322	$205,182
Recognized the legal reserve	(148,202)	(64,274)
Reverse (Recognized) the special reserve	86,057	(86,057)
Stock dividend	(347,965)	(43,263)
Cash dividend	(22,200)	(14,421)
Issue at discount as employee stock dividend	(4,276)	(422)
Reevaluation value - employee pension liabilities	(32,486)	(18,097)
Reevaluation value - employee preferential savings	795	(2,851)
Net income(loss)	591,331	508,525
Unappropriated earnings at end of period	$607,376	$484,322

(1) According to the Bank's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating loss, and 30% of the remaining amount should then be set aside as legal reserve. A provision for or reversal of the special reserve shall be determined in accordance with provisions under the applicable laws and regulations and according to actual business requirements. The remaining earnings are then distributed as follows: (i) 2% to as remuneration to directors; (ii) 8% as bonuses to employees; and (iii) 90% for distribution of dividends to shareholders. The Board of directors may, depending on future business requirements and profitability, retain all or part of earnings. Distribution of dividends to shareholders may be determined according to current earnings and business development requirements with the Board of Directors proposing to the shareholders' meeting to make adjustments to the percentage of earnings to be distributed as cash dividends and stock dividends, to the extent that cash dividends shall be no less than 5% of stock dividends distributed in the current year. The maximum amount of earnings that may be distributed prior to the legal reserve reaching the total amount of paid-in capital or prior to the capital adequacy level reaching the required standard as set out in the Banking Law, shall be subject to the provisions of the Banking Law and laws and regulations prescribed by the competent authority.

According to the amendment to the Bank Act in May 2015, employees are not entitled to dividend and bonus payments. Dividends and bonuses are solely attributable to the shareholders. In compliance with the aforementioned law, the Bank resolved to amend the Articles of Incorporation in a Board session dated March 17 2016 accordingly, and prepared to present the proposal to the shareholders' meeting in 2016 for ratification. For the basis of estimation for remuneration to the employees and directors and supervisors and the actual payout, refer to Note 6.35.

(2) Legal reserve may not be appropriated unless used to offset prior year's loss or the portion of the legal reserve exceeding 25% of paid-in capital may be distributed by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash.

(3) A. In accordance with Article 41 of the Securities and Exchange Act, in addition to provision for legal reserve, a company is required to set aside a portion of earnings as special reserve equivalent to the balance of contra equity accounts (such as unrealized gain or loss of financial instruments, cumulative translation adjustments etc). Subsequent reversal of any contra equity amounts may be distributed.

B. Reversal of special reserve set aside in accordance with Gin-Guan-Zheng-Fa letter No. 1010012865 of FSC dated on April 6, 2012 upon the first-time adoption of IFRSs to retained earnings shall be based on the proportion of the original ratio of special reserve upon subsequent use, disposal or reclassification of related assets.

(4) Appropriation of earnings for 2014 and 2013 resolved by the shareholders' meeting in June 2015 and 2014, respectively and earnings per share:

	Earnings Appropriation		EPS ($)	
Items	2014	2013	2014	2013
Recognized the legal reserve	$148,202	$64,274		
Recognized (Reverse) the special reserve	(86,057)	86,057		
Common shares cash dividend	22,211	14,421	0.03	0.02
Common shares stock dividend	347,965	43,263	0.47	0.06
Total	$432,321	$208,015		

(5) The profit distribution proposed by the Board of Directors on March 26, 2015 was as follows:

	2015	
Items	Amount	EPS ($)
Legal reserve	$177,400	
Common shares cash dividend	23,366	0.03
Common shares stock dividend	405,010	0.52
Total	$605,776	

(6) Information on the appropriation of the Bank and its subsidiaries earnings as approved by the Board of Directors and in the shareholders' meeting is posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

6.26 Net interest Income

Items	2015	2014
Interest income		
Interest from bills discounted and loans	$4,019,715	$3,937,652
Interest from deposits and call loans from other banks	131,883	203,200
Interest from securities investment	542,397	402,147
Credit card revolving interest income	953	938
Other interest income	85,399	69,743
Subtotal	$4,780,347	$4,613,680
Interest expense		
Interest expenses from deposits	$1,939,009	$1,787,313
Interest expenses from interbank overdraft and call loans	168,238	188,486
Interest expenses on financial debentures	183,463	168,604
Other interest expenses	7,646	1,396
Subtotal	$2,298,356	$2,145,799
Net interest income	$2,481,991	$2,467,881

Interest accrued on financial assets on which an impairment has occurred for the years 2015 and 2014 was $10,271 thousand and $11,787 thousand, respectively.

6.27 Commission and Fee Revenues－Net

Items	2015	2014
Service fee revenue		
Service fee revenue - trust business	$118,801	$123,294
Service fee revenue - guarantees	63,995	47,115
Service fee revenue - foreign exchange	6,109	8,737
Service fee revenue - loans	78,904	65,898
Credit card service fee revenue	13,307	13,441
Agency fee revenue	269,068	251,880
Deposit and remittance service fee revenue and other service fee revenue	39,886	37,481
Subtotal	$590,070	$547,846
Service fee expense		
Service fee expense - foreign exchange	$7,588	$6,575
Deposit and remittance service fee expense and other service fee expenses	44,284	42,053
Subtotal	$51,872	$48,628
Net service fee revenue	$538,198	$499,218

The Bank and its subsidiaries provide custodian, trust, investment management and consulting services to third parties, which involve the planning, management and decision-making in determining the use of financial instruments. Assets managed under a trust fund or in an investment portfolio are separately presented in separate accounts and financial statements and are not included in the the Bank and its subsidiaries financial statements.

6.28 Financial Assets or Financial Liabilities at Fair Value Through Profit or Loss

Items	2015	2014
Gain and loss from disposal of financial assets and liabilities at fair value through profit or loss		
Interest income	$42,104	$31,596
Stock dividends	404	70
Gain (loss) on disposal－non-derivative instruments	4,037	2,487
Gain (loss) on disposal－derivative instruments	(121,707)	(137,342)
Subtotal	($75,162)	($103,189)
Valuation gains and losses on financial assets and liabilities at fair value through profit or loss		
Non-derivative instruments	$3,905	($1,347)
Derivative instruments	(683)	(19,060)
Subtotal	$3,222	($20,407)
Total	($71,940)	($123,596)

6.29 Realized Gain or (Loss) on Available-for-Sale Financial Assets－Net

Items	2015	2014
Stock dividend	$2,078	$4,083
Gain on disposal		
Bond	$22,246	32,597
Stock and funds	7,751	12,629
Subtotal	$29,997	$45,226
Loss on disposal		
Bond	$12,016	$18,821
Stock and funds	6,210	6,986
Subtotal	$18,226	$25,807
Total	$13,849	$23,502

6.30 Exchange Gain (Loss)

Items	2015	2014
Exchange gain (loss) - sight	$82,170	$50,498
Exchange gain (loss) - FX conversion, forwards	151,637	176,890
Exchange gain (loss) - reevaluation	(153)	(35)
Total	$233,654	$227,353

6.31 Gain on Reversal of Impairment (Loss) on Assets

Items	2015	2014
Gain on reversal of impairment loss on property, plant and equipment	$ —	$190,198
Impairment loss on available-for-sale financial assets	—	(60,264)
Loss on impairment of financial assets with no active market	(23,586)	(41,640)
Total	($23,586)	$88,294

6.32 Net gain (loss) on financial assets carried at cost

Items	2015	2014
Dividend income	$52,827	$51,537
Compensation for directors and supervisors	1,203	1,251
Total	$54,030	$52,788

6.33 Net investment gain (loss) on debts investment without an active market

Items	2015	2014
Gain (loss) on disposal－bonds	$10,606	$89,499

6.34 Other Net Non-Interest Income

Items	2015	20134
Compensation income	$ —	$36,051
Rent revenues	8,303	6,436
Revenues from converting unpaid accounts payable	2,681	11,554
Revenues from converting Lehman Brothers Distribution	2,311	6,810
Other net gain or (loss)	35,943	14,229
Total	$49,238	$75,080

6.35 Employee Benefit Expense

Items	2015	2014
Wages and salaries	$1,245,299	$1,203,240
Labor and health insurance fees	92,347	95,255
Pensions costs (Note)	134,294	136,404
Other employee benefits	10,681	10,670
Total	$1,482,621	$1,445,569

(Note): Including additional pension payments in FY 2015 and 2014 respectively and pensions $2,307 thousand and $344 thousand.

(1) The Bank and its subsidiaries have 940 and 949 employees as of December 31 2015 and December 31 2014, respectively.

(2) According to the Articles of Incorporation, the Bank shall appropriate its earnings, if applicable, at 8% as employee bonuses, 2% as remuneration to directors and 90% as dividends for shareholders. After the amendment to the Bank Act on May 20 2015, the Bank shall appropriate remuneration to employees at fixed amount or proportion to the profit status of the year. If the Bank has accumulated losses, the top priority is to cover the losses carried forward. The remuneration to employees may be made in cash or in stocks and shall be resolved by the Board in a session with the presence of at least two-third of the directors and a simple majority of the directors in the session, and shall be reported to the shareholders' meeting for ratification. The recipient of cash or stocks as mentioned shall be explicitly stated in the Articles of Incorporation, including the employees of specific qualified subsidiaries. The Bank passed the amendment to the Articles of Incorporation in a Board session dated Marcy 17 2016 in accordance with the new law thereby the Bank shall appropriate its earnings to loss carried forward, followed by the appropriation of 5% as remuneration to employees and up to 1.25% as remuneration to directors. This amendment to the Articles of Incorporation has been passed by the shareholders' meeting of 2016.

(3) The remuneration (bonus) to the employees in 2015 and in 2014 amounted to $34,600 thousand and $32,900 thousand, respectively. The estimate of remuneration to directors amounted to $8,640 thousand and $8,220 thousand, respectively. The aforementioned amount is stated as salary expenses in book and the estimate is shown below:

A. FY 2015:

Estimates were made at 5% and 1.25% on the basis of the profit position of the year. The estimated amounts were $34,600 thousand and $8,640 thousand, respectively. The differences from the estimated amount of $34,249 thousand and $8,562 thousand as resolved by the Board shall be adjusted as income in 2016. The aforementioned remuneration to employees will be paid in stock and the quantity shall be based on the fair value per share on the day before the day of release as resolved by the Board.

B. FY 2014:

The appropriation is based on the net earnings with consideration in legal reserve and others and was made at 8% and 2%. The employee bonuses and remuneration to directors and supervisors as resolved by the shareholders' meeting of 2014 amounted to $32,905 thousand and $8,226 thousand, respectively, which indicated a difference of $5 thousand and $6 thousand from the estimated amount of $32,900 thousand and $8,220 thousand as recognized in the financial statements of 2014, respectively. The differences were adjusted as income in 2015. In 2014, the quantity of stock released as dividend for employees was 3,718 thousand shares. The calculation was based on the stock price of $8.85 per share.

(4) The remuneration (bonus) to employees of Kaohsing Bank Insurance Agency Co., Ltd. a subsidiary to the bank, in 2015 and 2014 was estimated at $243 thousand and $198 thousand, respectively. The aforementioned amount was stated as salary expense in book and is shown below:

A. FY 2015:

The appropriation of 0.373% as remuneration to employees was based on the profit status of the year and the amount is identical with the estimation resolved by the Board. The aforementioned remuneration is made in cash.

B. FY 2014:

This is the amount of corporate earnings of the year and 0.5% is the basis for estimation in consideration of the appropriation of legal reserve and others. In case of a difference between the estimated amount and the actual amount of distribution, proceed to accounting of changes. The shareholders' meeting in 2014 resolved to allocated employee bonus amounting to $198 thousand, which is identical with the amount recognized in the financial statement of 2014.

(5) No full-time employees have been organized by Kaohsing Bank General Insurance Agency Co., Ltd. and it is not necessary to estimate remuneration (bonus) to employees in 2015 and 2014.

(6) For information on the remuneration (bonus) to employees and the directors and supervisors passed by the Board and the shareholders' meeting, please visit the official website of TWSE at "MOPS".

6.36 Depreciation and Amortization Expense

Items	2015	2014
Depreciation expense- property and equipment	$60,504	$57,670
Amortisation expense- intangible assets and other assets	21,003	17,119
Total	$81,507	$74,789

6.37 Other Business and Administrative Expense

Items	2015	2014
Taxes and dues (Note)	$247,855	$190,211
Rental expense	121,993	121,488
Insurance expenses	80,196	85,454
Professional service fees	55,468	52,258
Repair expense	33,294	36,051
Utility expense	23,411	25,574
Consumables	22,865	21,139
Public relations fees	16,573	17,644
Postage & handling	12,946	13,345
Other	112,025	115,733
Total	$726,626	$678,897

(Note): The gross business tax rate of the sales amount in the banking industry was restored from 2% to 5% since July 1, 2014 according to Article 11 of the Value-added and Non-value-added Business Tax Act.

6.38 Basic and Diluted Earnings Per Share

Items	2015	2014
Net income (loss) (A)	$591,331	$508,525
Weighted-average number of shares outstanding (thousand shares)	776,697	774,808
Weighted-average number of shares outstanding after retroactive adjustment (thousand shares)(B)	776,697	774,808
Basic and diluted earnings per share (A)/(B)	$0.76	$0.66

Shareholders of the Bank resolved in the annual general shareholders' meeting held on June 17, 2015 the proposal to increase capital by capitalizing earnings and employee bonuses, which will result in the issuance of 38,515 thousand new shares (34,797 thousand shares through capitalisation of earnings and 3,718 thousands through capitalisation of employee bonuses). The ex-dividend and ex-right date was set to be August 18, 2015. Weighted-average number of shares outstanding after retroactive adjustment as follows:

FY 2015：

740,351 * 1.047 + 3,718 * 5/12 = 776,697 thousand shares

FY 2014：

(721,049 * 1.006 * 1.047) + 14,421 * 1.047 + 554 * 1.047 * 5/12 = 774,808 thousand shares

7. FAIR VALUE AND HIERARCHY INFORMATION OF FINANCIAL INSTRUMENTS

7.1 Information on fair value

(1) Overview

Fair value is the price at which the participants or orderly trade in market receive from the selling of assets or the pay for the transfer of liabilities.

Initial recognition of financial instruments shall be booked at fair value, which will be the transaction price under most circumstances. Subsequent measurements will also be conducted at fair value except some of the financial instruments, which shall be evaluated on the basis of the cost after amortization. The prominent evidence of fair value is the quotation of the financial instruments in active market. If there is no active market for the financial instruments, the Bank and its subsidiaries will adopt pricing techniques or consult the information from Bloomberg, Reuters, or quotations from counterparties in the measurement of the fair value of the financial instruments.

(2) Definition of the 3 classes of fair value

A. Class I

The input value of this category of financial instruments in active market shall be the open quotation of financial instruments of the same kind in active market. Active market as referred to are market featuring the following conditions: the subject matters of trade are homogenous; the buyers and the sellers can buy and sell at free will with information available to the public. The Bank and its subsidiaries invested in the stocks and beneficiary certificates listed in TWSE and GTSM are hot items for investment in the bonds of the Central Government of Taiwan and derivatives with open quotation in open market at fair value. They all are Class I assets.

B. Class II

The input value of this category of financial instruments includes the observable input value directly (such as price) or indirectly (inference from price) obtained from active market further to the open quotation and observable price in active market. The Bank and its subsidiaries invested in government bonds, corporate bonds, bank debentures, convertible bonds, majority of the derivatives and the bank debentures issued by the Bank and its subsidiaries are Class II assets.

C. Class III

The input value of this category of financial instruments refers to the input parameters for measurement of fair value and it is not based on the information available from market (unobservable input parameters, such as: pricing model of options basing on historical volatility curve. But historical volatility cannot stand for the overall participation in market and the projected value of market volatility in the future). Some of the derivatives and equity instruments with no active market invested by the Bank and its subsidiaries belonged to this class of assets.

7.2 Measurement on the basis of fair value

(1) Information on the classes of fair value

The financial instruments of the Bank and its subsidiaries at fair value shall be measured on the basis of repetition at fair value. Information on the class of assets of the Bank and its subsidiaries at fair value is shown below:

Items	December 31 2015			
	Total	Quotation of the same asset in active market (Class I)	Other major observable input value (Class II)	Major unobservable input value (Class III)
Measurement of repetitive fair value				
Non-derivative assets and liabilities				
Assets				
Financial assets at fair value through profit and loss accounts				
Fund investment	$1,631	$1,631	$ —	$ —
Bond investment	443,166	320,104	123,062	—
Bill investment	3,434,623	—	3,434,623	—
Total	$3,879,420	$321,735	$3,557,685	$ —
Financial assets available for sale				
Stock investment	$167,350	$167,350	$ —	$ —
Bond investment	8,056,055	4,878,326	3,177,729	—
Others	28,613,286	12,793	28,600,493	—
Total	$36,836,691	$5,058,469	$31,778,222	$ —
Derivative financial assets and liabilities				
Assets				
Financial liabilities at fair value through profit and loss accounts	1,029	—	1,029	—
Liabilities				
Financial liabilities at fair value through profit and loss accounts	19,754	—	19,754	—

Items	December 31 2014			
	Total	Quotation of the same asset in active market (Class I)	Other major observable input value (Class II)	Major unobservable input value (Class III)
Measurement of repetitive fair value				
Non-derivative assets and liabilities				
Assets				
Financial assets at fair value through profit and loss accounts				
Fund investment	$7,375	$7,375	$ —	$ —
Bond investment	271,177	271,177	—	—
Bill investment	10,691,968	—	10,691,968	—
Total	$10,970,520	$278,552	$10,691,968	$ —
Financial assets available for sale				
Stock investment	$184,700	$184,700	$ —	$ —
Bond investment	6,200,114	2,618,385	3,581,729	—
Others	19,756,435	56,303	19,700,132	—
Total	$26,141,249	$2,859,388	$23,281,861	$ —
Derivative financial assets and liabilities				
Assets				
Financial liabilities at fair value through profit and loss accounts	5,194	—	5,194	—
Liabilities				
Financial liabilities at fair value through profit and loss accounts	23,237	—	23,237	—

(2) Pricing techniques for fair value measurement

A. Financial instruments

If there is open quotation in the open market for the financial instruments, the open quotation in the open market shall be the fair value. The market price announced by major exchanges and determined as the OTC market for the trading of popular central government bonds are the foundation for fair value of quotation of equity instruments listed in TWSE (GTSM) and debt instruments that have active market.

If the open quotations from the exchanges, brokers, underwriters, industry associations, and pricing service institutions or the competent authority can be accessible timely and regularly, and such quotations can stand for the routine fair trade in market, such financial instruments have open quotation in the active market. If the aforementioned conditions cannot be satisfied, the market is not active. In general, a market with wide spread buying and selling, significant variation in the buying or selling price or where trade volume is low will be an inactive market.

Further to the aforementioned financial instruments that have an active market, the fair value of all other financial instruments shall be obtained from pricing techniques or quotations from counterparties. For fair value obtained from pricing techniques, the fair value of financial instruments in similar nature and features at present time, the cash flow discount method or other pricing techniques, including the model for the calculation on the basis of the information from the market as of the consolidated balance sheet date (such as the yield rate curve of GTSM and the average quotation of commercial papers by Reuters).

For financial instruments with no standardized estimation and are not so complicated, such as debt instruments with no active market, interest rate swap, FX swap contract and options, the Bank and its subsidiaries will adopt the pricing techniques extensively used by market participants. The parameters commonly used in the pricing model of this type of financial instruments are observable market information.

The evaluation of derivatives is based on the pricing model commonly accepted by market users, such as the discount method and option pricing model. Forwards contracts are generally based on the forwards rate in pricing. Structured derivatives are based on the appropriate option pricing model (such as Black-Scholes model) or other pricing methods, such as the Monte Carlo simulation.

B. Non-financial instruments: None.

(3) Fair value adjustment

If the Bank and its subsidiaries found that the pricing model does not include related factors as suggested by the participants in market, the Bank and its participants will adjust the fair value. Such adjustment will mainly relate to risk parameters and the capital market.

(4) Transfer between Class I and Class II assets

In 2015 and 2014, the Bank and its subsidiaries did not have any transfer between Class I Assets and Liabilities and Class II Assets and Liabilities.

(5) Changes in Class III: None.

(6) Quantified information on value fair measured on the basis of major unobservable input value (Class III): None.

(7) Measurement process for fair value classified as Class III: Not applicable.

(8) For measurement of Class III fair value, the sensitivity analysis of the fair value on assumption that could possibly and reasonable be substituted: Not applicable.

7.3 Not at fair value

(1) Information on fair value

For financial instruments of the Bank and its subsidiaries not at fair value, such as cash and cash equivalents, due from banks and call loans to banks, R/P bills and bond investment, receivables, discounts and loans, due to Central Bank and other banks, R/P bills and bond liabilities, payables, deposits and remittances, payable bank debentures, and other financial liabilities, which book values approximated fair value within reasonable range, or investment in debt instrument without active market or financial assets on the basis of cost that have not quotation from active market, and may result significant difference in value from measurement. The fair value of these instruments cannot be reliably measured and therefore not disclosed as fair value except the following.

Items	December 31 2015	
	Book value	Fair value
Financial assets		
Financial assets held-to-maturity	11,736,176	11,820,709

Items	December 31 2014	
	Book value	Fair value
Financial Assets		
Financial assets held-to-maturity	2,746,339	2,778,660

Refer to Note 7.2 (3), for information on adjustment of fair value

(2) Information on the classes of fair value

Assets and Liabilities	December 31 2014			
	Total	Class I	Class II	Class III
Financial assets				
Financial assets held-to-maturity	11,820,709	6,393,627	5,427,082	—
Other financial assets – Investment in debt instruments without active market	131,260	—	—	131,260

(3) Pricing techniques

The Bank and its subsidiaries adopted the following methods and assumption in the estimation of financial instruments not at fair value:

A. The maturity date or prices for transactions in the future of cash and cash equivalents, due from Central Bank and call loans to banks, R/P bill and bond investment, receivable, due to Central Bank and other banks, R/P bill and bond liabilities, payables and refundable security deposit approximated the book value. The book value as of the balance sheet date is used for the estimation of fair value.

B. Discounts and loans (including overdue accounts): the Bank and its subsidiaries set the interest rate for lending on the basis of the prime rate plus a percentage (floating rate). This can reflect the market interest rate. It is reasonable to consider the book value of these instruments and the anticipated recoverable amount as the fair value. For mid to long-term loans at fixed rates, fair value is estimated on the basis of the discount of anticipated cash flows. This portion of loans just accounted for a tiny portion of the total loans and it is reasonable to estimate the fair value on the basis of the anticipated recoverable amount at book value.

C. Financial assets held-to-maturity: if there is open quotation in the open market, the market price shall be the fair value. If there is no market price available, use pricing method for estimation or the quotation from counterparties.

(A) Central Government Bond in NTD: pricing is made on the basis of the “Fair Value of Bonds from Different Issues” provided by GTSM.

(B) Corporate bonds and bank debentures in NTD: discount the future cash flow on the basis of the yield curve provided by GTSM for the present value of evaluation or the fair value provided by GTSM.

D. Deposits and remittances: the fair value shall be determined by nature of the business. If market interest rate (market price) is adopted, and the maturity of the deposits is within 1 year, the use of book value for the estimation of fair value shall be reasonable. For long-term deposits at fixed rate, fair value shall be estimated on the basis of the discount value of anticipated cash flow. If the deposits have maturities within 3 years, it is reasonable to estimate the fair value on the basis of book value.

E. Payable bank debentures: they are the bank debentures issued by the Bank and its subsidiaries. Fair value is estimated on the discount value of anticipated cash flow, which approximates the book value.

F. Other financial assets – investment in debt instruments with no active market: if there is a successful deal or there is a quotation from market maker, the nearest bid price and quotation shall be used as the basis for the estimation of fair value. If there is no market price available, pricing method shall be used. The discount value of cash flow from the estimation and assumption under the pricing method shall be the fair value.

G. Other financial assets – financial assets on the basis of cost: there is no open quotation from active market, and the range of fair value estimation is wide, or the probability of the all estimates within the range of variation cannot be reasonably assessed that the fair value cannot be reliably measured. The fair value cannot be disclosed.

8. FINANCIAL RISK MANAGEMENT

8.1 Overview

The primary objectives of the Bank and its 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 its 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 its 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 its 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 its 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 its 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 its 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 and its subsidiaries 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 its 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 and its 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 its 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 its 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 its 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 its 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 its 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 its 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 its 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 its 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 its 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 and treating the whole outstanding balance as matured, 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 its subsidiaries stipulate respective credit limits for loans granted to a single counterparty and a single group to avoid concentration of risks. The Bank and its subsidiaries 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 its 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 its 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.

D. Other means for reinforcement of credit

The Bank and its subsidiaries have specified the set-off clause in the loan agreements, and it is explicitly stated that in case of credit problems, the deposits of the borrowers at the accounts of the Bank and its subsidiaries shall be set off to cover the liabilities so as to 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, 2015	December 31, 2014
Irrevocable loan commitments	8,641,054	9,747,027
Irrevocable credit card commitments	6,492	6,129
Stand-by letter of credit	1,076,873	1,377,645
Financial guarantees	5,162,369	5,504,422
Total	14,886,788	16,635,223

Information on the collateral, general agreement on net amount delivery and other credit enhancement on and off the balance sheet that related to maximum exposure of credit risk is shown below:

December 31 2015	Collaterals	General agreement on net amount delivery	Other credit enhancement	Total
On the sheet items				
Receivables				
－Credit card	$ －	$ －	$54,418	$54,418
－Others	109,371	－	－	109,371
Discount and loans	100,953,460	－	5,430,429	106,383,889
Subtotal	$101,062,831	$ －	$5,484,847	$106,547,678
Off the sheet items				
Irrevocable promise of financing	$1,058,818	$ －	$1,359	$1,060,177
Undrawn credit limit granted to customers	34,162	－	－	34,162
Other guarantees	233,921	－	－	233,921
Subtotal	$1,326,902	$ －	$1,359	$1,328,260
Total	$102,389,732	$ －	$5,486,209	$107,875,938

December 31 2014	Collaterals	General agreement on net amount delivery	Other credit enhancement	Total
On the sheet items				
Receivables				
－Credit card	$ －	$ －	$58,796	$58,796
－Others	115,595	－	－	115,595
Discount and loans	104,009,267	－	5,420,602	109,429,869
Subtotal	$104,124,862	$ －	$5,479,398	$109,604,260
Off the sheet items				
Irrevocable promise of financing	$1,180,266	$ －	$1,267	$1,181,533
Undrawn credit limit granted to customers	34,528	－	－	34,528
Other guarantees	240,079	－	－	240.079
Subtotal	$1,454,873	$ －	$1,267	$1,456,140
Total	$105,579,735	$ －	$5,480,665	$111,060,400

The Bank and its 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 its 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 and its 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, 2015 and 2014, there was significant concentration of credit risk arising from loans to the Kaohsiung City Government totaling $16,870,023 thousand, representing 9.675% of total loans and $28,870,700 thousand, representing 15.05% of total loans, respectively. Information on significant concentration of credit risks of The Bank and its 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, 2015		December 31, 2014	
	Amount	%	Amount	%
1. Private enterprise	71,654,938	41.08	75,916,587	39.59
2. Public-sector enterprise	3,758,061	2.15	3,149,279	1.64
3. Governmental organisation	16,355,588	9.38	28,875,950	15.06
4. Not-for-profit organisation	115,408	0.07	89,963	0.05
5. Private individual	69,812,186	40.02	73,601,260	38.38
6. Financial institutions	12,732,925	7.30	10,140,934	5.28
Total	174,429,106	100.00	191,773,973	100.00

B. By region:

Region	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
R.O.C.	158,951,398	91.13	176,860,118	92.23
Unite States	5,518,345	3.16	5,737,405	2.99
Asia	8,516,013	4.88	7,686,632	4.01
Europe	766,393	0.44	542,717	0.28
Africa	279,950	0.16	353,379	0.18
Oceania	397,007	0.23	593,722	0.31
Total	174,429,106	100.00	191,773,973	100.00

C. By Collateral

Type of Collateral	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
Unsecured	60,282,006	34.56	75,714,292	39.48
Secured	114,147,100	65.44	116,059,681	60.52
— Financial collateral	7,903,055	4.53	6,750,996	3.52
— Accounts receivable	370,543	0.21	687,598	0.36
— Real estate property	94,205,655	54.01	95,795,013	49.95
— Guarantee	10,469,678	6.00	11,201,347	5.84
— Other	1,198,169	0.69	1,624,727	0.85
Total	174,429,106	100.00	191,773,973	100.00

(6) Credit quality and impairment assessment of financial assets

Financial assets held by the Bank and its 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, 2015	185,474	143,185	484,521	—	195,446	—	270	10,411	1,019,307	3,819	1,023,126	70,002	1,093,128
Dec. 31, 2014	206,831	135,240	367,201	—	118,283	—	91	7,596	835,242	3,046	838,288	70,661	908,949

Receivables	Amount provided for impairment loss (D)			Net (A)+(B)+(C)-(D)
	With objective evidence of impairment	With no objective evidence of impairment	Subtotal	
Dec. 31, 2015	55,227	10,942	66,169	1,026,959
Dec. 31, 2014	41,939	11,724	53,663	855,286

(B) Credit quality of discounts and loans

December 31, 2015	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	165,949,849	706,702	1,305,979	167,962,530	245,178	1,773,434	165,943,918
Overdue accounts that are not transferred from loans	—	—	30,667	30,667	10,414	—	20,253
Off-balance-sheet Items							
Commitments and guarantees	—	—	—				
Guarantees receivable	5,140,673	21,696	—	5,162,369	—	80,300	5,082,069
L/C receivable	1,076,238	635	—	1,076,873	—	—	1,076,873
Total	172,166,760	729,033	1,336,646	174,232,439	255,592	1,853,734	172,123,113

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

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

December 31, 2015	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	11,561,599	1,380,109	882,239	16,320,994	—	—	—	—	—	—	4,973,194	35,118,135
－Cash card	—	—	—	—	12,778	581,748	220,591	9,091	1,999	666	—	826,873
－Microcredit	—	—	—	—	19,279	469,620	138,082	116,613	11,470	4,722	28,388	788,174
－Student loan	—	—	—	—	—	—	—	—	—	—	5,577,911	5,577,911
－Other	—	—	—	—	1,470,372	16,208,789	4,227,259	3,075,520	759,847	153,039	289,258	26,184,084
Total	11,561,599	1,380,109	882,239	16,320,994	1,502,429	17,260,157	4,585,932	3,201,224	773,316	158,427	10,868,751	68,495,177

December 31, 2015	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	—	173,821	398,919	2,232,332	9,624,348	14,600,634	5,503,219	13,364,410	7,292,572	53,190,255
－Unsecured	16,870,023	3,382,111	1,587,047	2,137,261	6,431,176	7,068,670	2,660,334	3,095,504	7,249,202	50,481,328
Total	16,870,023	3,555,932	1,985,966	4,369,593	16,055,524	21,669,304	8,163,553	16,459,914	14,541,774	103,671,583

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	28,870,700	2,024,069	2,835,895	2,661,780	7,114,953	7,969,941	2,882,642	3,094,223	8,331,932	65,786,135
Total	28,870,700	2,130,834	3,781,288	4,168,281	15,275,983	21,804,620	11,954,906	13,756,273	15,429,954	117,172,839

(D) Credit quality of investment in securities

December 31, 2015	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	36,574,096	82,452	180,143	36,836,691	—	—	36,836,691	—	36,836,691
—Investment in bonds	7,973,603	82,452	—	8,056,055	—	—	8,056,055	—	8,056,055
—Investment in stocks	—	—	167,350	167,350	—	—	167,350	—	167,350
—Other	28,600,493	—	12,793	28,613,286	—	—	28,613,286	—	28,613,286
Held-to-maturity financial assets	11,441,690	294,486	—	11,736,176	—	—	11,736,176	—	11,736,176
—Investment in bonds	11,441,690	294,486	—	11,736,176	—	—	11,736,176	—	11,736,176
—Other	—	—	—	—	—	—	—	—	—
Other Financial Assets	131,260	—	1,161,567	1,292,827	—	—	1,292,827	—	1,292,827
—Investment in stocks	—	—	1,161,567	1,161,567	—	—	1,161,567	—	1,161,567
—Investment in bonds	131,260	—	—	131,260	—	—	131,260	—	131,260
—Other	—	—	—	—	—	—	—	—	—

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	—	—	—	—	—	—	—	—	—

(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:

Items	December 31, 2015			December 31, 2014		
	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	1,650	2,169	3,819	1,562	1,484	3,046
－Credit cards	508	469	977	598	138	736
－Interest receivable	1,142	1,700	2,842	964	1,346	2,310
Discounts and loans	379,996	349,037	729,033	325,804	285,128	610,932
Consumer Finance	355,725	313,017	668,742	321,568	172,831	494,399
－Residential mortgage	227,195	163,281	390,476	194,503	80,643	275,146
－Cash card	2,081	－	2,081	979	－	979
－Microcredit	2,746	1,592	4,338	1,470	1,799	3,269
－Student loan	71,422	73,142	144,564	84,040	78,657	162,697
－Other	52,281	75,002	127,283	40,576	11,732	52,308
Corporate Finance	24,271	36,020	60,291	4,236	112,297	116,533
－Secured	21,839	17,411	39,250	2,961	90,507	93,468
－Unsecured	2,432	18,609	21,041	1,275	21,790	23,065

(8) Analysis of impairment of financial assets

A.Investment in bonds with no active market held by the Bank and its subsidiaries were determined to have impaired upon assessment. As of December 31, 2015 and 2014, accumulated impairment recognised by the Bank and its subsidiaries amounted to $0 thousand and $75,899thousand, respectively.

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

Items		Total Discounts and Loans		Allowance for Doubtful Account	
		Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
With objective evidence of impairment	Individually assessed for impairment	248,101	251,695	57,900	175,805
	Collectively assessed for impairment	1,057,877	1,121,036	187,278	186,349
With no objective evidence of impairment	Collectively assessed for impairment	166,656,552	183,359,533	1,773,434	1,487,093
Total		167,962,530	184,732,264	2,018,612	1,849,247

Items		Total Accounts Receivable		Allowance for Doubtful Account	
		Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
With objective evidence of impairment	Individually assessed for impairment	66,650	66,647	48,723	34,323
	Collectively assessed for impairment	3,353	4,014	(Note)6,504	(Note)7,616
With no objective evidence of impairment	Collectively assessed for impairment	1,023,125	838,288	10,942	11,724
Total		1,093,128	812,033	66,169	54,533

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

(9) Foreclosed Collaterals Management Policy

Properties foreclosed by the Bank and its subsidiaries were land and buildings. As of December 31, 2015 and 2014, the carrying amount of foreclosed properties was nil for all respective balance-sheet dates.

The collateral being accepted shall be sold at right time. This category of collateral is classified as other assets in the balance sheet. The difference between the price of disposal and the book value shall be recognized as net income other than interest – capital gain (loss) from collateral.

(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, 2015				
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		269,939	39,465,237	0.68	645,213	239.02
	Unsecured		83,743	58,686,327	0.14	804,257	960.39
Consumer Finance	Residential mortgages (Note 4)		232,307	35,877,149	0.65	297,201	127.93
	Cash cards		—	829,243	—	1,843	—
	Micro credit (Note 5)		38,969	1,302,505	2.99	34,046	87.37
	Other (Note 6)	Secured	180,173	29,722,675	0.61	229,482	127.37
		Unsecured	3,187	2,079,394	0.15	6,570	206.15
Loans total			808,318	167,962,530	0.48	2,018,612	249.73
			Amount of Overdue Accounts	Accounts Receivable Balance	Overdue Account Ratio	Allowance for Credit Loss	Bad Debt Coverage
Credit Card			589	180,378	0.33	1,303	221.22
Non-recourse factoring (Note 7)			—	—	—	—	—

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	3,572	115.82
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)			—	—	—	—	—

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:

Items	December 31, 2015		December 31, 2014	
	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)	495	58	748	142
Amount exempt as a result of debt liquidation and restructuring plan (Note 2)	131,188	315	141,863	430
Total	131,683	373	142,611	572

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 its subsidiaries:

Year	December 31, 2015			December 31, 2014		
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)	3,072,508	25.82%	A Group (Ship and Parts Manufacturing Industry)	2,696,646	23.82%
2	B Group (Real Estate Development Industry)	2,061,563	17.32%	B Group (Sports Stadium Industry)	1,504,268	13.29%
3	C Group (Sports Stadium Industry)	1,445,676	12.15%	C Group (Real Estate Development Industry)	1,433,370	12.66%
4	D Group (Investment Consulting Industry)	1,388,102	11.66%	D Group (Ship and Parts Manufacturing Industry)	1,320,316	11.66%
5	E Group (Real Estate Development Industry)	1,365,190	11.47%	E Group (Short term accommodation)	1,093,769	9.66%
6	F Group (Other financial intermediation)	1,051,915	8.84%	F Group (Investment Consulting Industry)	1,088,956	9.62%
7	G Group (Short term accommodation)	957,200	8.04%	G Group (Real Estate Development Industry)	1,059,992	9.36%
8	H Group (Real Estate Development Industry)	952,320	8.00%	H Group (Iron and Steel Rolls over Extends and Crowding Industry)	1,031,879	9.11%
9	I Group (Real Estate Development Industry)	952,228	8.00%	I Group (Financial leasing industry)	903,730	7.98%
10	J Group (Real Estate Development Industry)	849,984	7.14%	J Group (Real Estate Leasing and Sale Industry)	894,503	7.90%

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).

8.4 Liquidity Risk

(1) Sources and definition of liquidity risk

The Bank and its subsidiaries define liquidity risk as the potential financial loss that may be suffered by the Bank and its subsidiaries as a result of inability to liquidate assets or obtain the finances required to meet financial obligations that are falling due. Examples include prepayment of deposits, channels through which and conditions under which the Bank is able to obtain inter-bank loans have deteriorated or become more difficult due to specific market conditions, borrower's default status deteriorated and funds are not repaid according to schedule and difficulty in liquidating investments. Circumstances described above may reduce the level of the Bank and its subsidiaries available cash to conduct business activities such as extension of loans or trading and investments. Under extreme circumstances, illiquidity may potentially cause an overall

decrease in the Bank and its subsidiaries balance-sheet positions, disposal of assets or inability to carry out loan commitments. Liquidity risk is inherent in the bank operations and may be affected by industry-specific or market events. The events include but not limited to: credit event, merger or acquisition, systematic shock and natural disaster.

(2) Liquidity risk management policy

With the aim of maintaining long-term profitability and business growth, the Bank and its subsidiaries adopt a management strategy that is in between the pro-active and passive approach to manage the liquidity of our NTD funds. The following benchmarks are used to evaluate and monitor the liquidity level of the Bank and its subsidiaries NTD funds:

A. Cashflow gap for obligations falling due within 30 days (incl.).

B. Cashflow gap for all other maturities.

C. Provide a deposit reserve in accordance with the regulatory ratio prescribed by the Central Bank.

D. Liquidity reserve shall not fall below the minimum liquid assets to liabilities ratio for financial institutions prescribed by the Central Bank.

E. Deposit to loan ratio.

F. Liabilities purchased (NCD issued) to deposits ratio.

The following benchmarks are used to evaluate and monitor the liquidity level of the Bank and its subsidiaries major currency funds:

A. Liquidity gap for the respective maturities to total assets ratio.

B. Deposit reserve ratio provided in accordance with the Central Bank requirements.

The Risk Management Department examines the benchmark statistics on quarterly basis and reports such information to the Assets-Liabilities and Risk Management Committee for presentation a quarterly basis to the Board of Directors for approval. The Bank shall also establish respective limits applicable to call loans to other banks and inter-bank loans from other banks and review the limits once a year to enhance the liquidity level.

(3) Maturity analysis of financial assets and non-derivative financial liabilities held for liquidity management

A. Financial assets held for liquidity management

The Bank and its subsidiaries hold cash and highly liquid, premium assets to meet payment obligations and potential emergency liquidity needs arising from market conditions. Assets held to manage liquidity risk include: cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, discounts and loans, available-for-sale financial assets, held-to-maturity financial assets and investment in bonds with no active market.

B. Maturity analysis of financial liabilities

The analysis of cash outflows associated with non-derivative financial liabilities of the Bank and its subsidiaries is made according to the number of days remaining from the balance sheets date to the respective contract's maturity date. The amounts disclosed below were prepared on the basis of the cash flows arising from the contracts and as such may not correspond to the amounts of related items presented on the balance sheets.

December 31, 2015	0~30 days	31~90 days	91~180 days	181~365 days	Over 1 year	Total
Due to central bank and other banks	6,078,972	2,696,690	35,100	344,620	—	9,155,382
Bills and bonds sold under agreements to repurchase	1,039,944	31,140	—	—	—	1,071,084
Accounts payable	2,300,305	220,119	132,411	87,520	34,757	2,775,112
Deposits and remittances	28,009,675	33,575,425	37,782,155	52,934,580	77,438,034	229,739,869
Bank debentures	3,000,000	—	—	—	4,000,000	7,000,000
Other capital outflow upon maturity	9,042	702,748	56,620	2,407	310,350	1,081,167

December 31, 2014	0~30 days	31~90 days	91~180 days	181~365 days	Over 1 year	Total
Due to central bank and other banks	7,219,017	1,533,070	56,670	710,372	—	9,519,129
Bills and bonds sold under agreements to repurchase	4,022	57,099	—	—	—	61,121
Accounts payable	2,421,343	288,083	40,381	89,335	32,921	2,872,063
Deposits and remittances	34,551,854	38,125,086	37,888,947	47,347,017	79,014,547	236,927,451
Bank debentures	—	—	—	—	7,000,000	7,000,000
Other capital outflow upon maturity	11,071	2,272	4,577	9,861	962,514	990,295

The maturity analysis of demand deposits included in "Deposits and Remittances" in the above table is conducted across different maturity periods based on the past experience of the Bank and its subsidiaries. Based on the assumption that all demand deposits must be repaid within the closest maturity, as of December 31, 2015 and 2014, cash outflow in the next the 0~30 days will increase by $83,036,521 thousand and $81,054,150 thousand, respectively.

(4) Maturity analysis of derivative financial liabilities

Derivatives settled in gross amounts

The Bank and its subsidiaries settle the following derivative instruments on gross amounts:

- Foreign exchange derivatives: foreign exchange futures and swaps;
- Interest rate derivatives: currency swap;
- Credit derivatives: all credit default swaps are represented in gross amounts. Periodic payments are made to the buyer of the credit guarantee. A lump-sum payment is made to the buyer of the credit guarantee when a credit risk event occurs.

The Bank and its subsidiaries derivative instruments settled in gross amounts are presented in the following table according to the days remaining from the balance sheets date to the respective contract's maturity date. Upon evaluation, a contract's maturity date is fundamental in understanding all derivative instruments presented on the balance sheets. The amounts disclosed below were prepared on the basis of the cash flows arising from the contracts and as such may not correspond to the amounts of related items presented on the balance sheets. The maturity of derivative financial liabilities settled in gross amounts is analyzed as follows:

December 31, 2015	0~30 days	31~90 days	91~180 days	181~365 days	Over 1 year	Total
Financial liabilities at fair value through profit or loss						
－Foreign exchange derivatives	2,196,241	2,189,835	117,117	—	—	4,503,193
－Cash outflow	1,106,531	1,096,177	58,522	—	—	2,261,230
－Cash inflow	1,089,710	1,093,658	58,595	—	—	2,241,963
－Interest rate derivatives	—	—	—	—	—	—
－Cash outflow	—	—	—	—	—	—
－Cash inflow	—	—	—	—	—	—
Derivative financial liabilities for hedging purpose						
－ Foreign exchange derivatives	—	—	—	—	—	—
－Cash outflow	—	—	—	—	—	—
－Cash inflow	—	—	—	—	—	—
－Interest rate derivatives	—	—	—	—	—	—
－Cash outflow	—	—	—	—	—	—
－Cash inflow	—	—	—	—	—	—
Cash outflow subtotal	1,106,531	1,096,177	58,522	—	—	2,261,230
Cash inflow subtotal	1,089,710	1,093,658	58,595	—	—	2,241,963
Net cashflow	16,821	2,519	(73)	—	—	19,267

December 31, 2014	0~30 days	31~90 days	91~180 days	181~365 days	Over 1 year	Total
Financial liabilities at fair value through profit or loss						
－Foreign exchange derivatives	1,441,494	2,111,372	1,904,887	－	－	5,457,753
－Cash outflow	723,801	1,055,218	962,409	－	－	2,741,428
－Cash inflow	717,693	1,056,154	942,478	－	－	2,716,325
－Interest rate derivatives	－	－	－	－	－	－
－Cash outflow	－	－	－	－	－	－
－Cash inflow	－	－	－	－	－	－
Derivative financial liabilities for hedging purpose						
－ Foreign exchange derivatives	－	－	－	－	－	－
－Cash outflow	－	－	－	－	－	－
－Cash inflow	－	－	－	－	－	－
－Interest rate derivatives	－	－	－	－	－	－
－Cash outflow	－	－	－	－	－	－
－Cash inflow	－	－	－	－	－	－
Cash outflow subtotal	723,801	1,055,218	962,409	－	－	2,741,428
Cash inflow subtotal	717,693	1,056,154	942,478	－	－	2,716,325
Net cashflow	6,108	(936)	19,931	－	－	25,103

(5) Maturity analysis of off-balance-sheet items

The maturity analysis of off-balance sheets items of the Bank and its subsidiaries shows the days remaining from the balance sheets date to the maturity date. For financial guarantee contracts that were issued, the maximum guarantee amounts that may be claimed were included in the nearest maturity period. The amounts disclosed below were prepared on the basis of the cash flows arising from the contracts and as such may not correspond to the amounts of related items presented on the balance sheets.

December 31, 2015	Under 1 year	1 ~ 5 year	More than 5 years	Total
Standby and irrevocable loan commitment	2,549,423	5,900,298	191,333	8,641,054
Standby and irrevocable credit card commitment	1,270	5,222	－	6,492
Unused letter of credit	1,076,873	－	－	1,076,873
Guarantees	2,067,433	1,301,806	1,793,130	5,162,369
Total	5,694,999	7,207,326	1,984,463	14,886,788

December 31, 2014	Under 1 year	1 ~ 5 year	More than 5 years	Total
Standby and irrevocable loan commitment	2,819,140	6,731,154	196,733	9,747,027
Standby and irrevocable credit card commitment	1,885	4,244	－	6,129
Unused letter of credit	1,377,645	－	－	1,377,645
Guarantees	2,515,912	1,194,149	1,794,361	5,505,422
Total	6,714,582	7,929,547	1,991,094	16,635,223

(6) Maturity analysis of lease agreement and capital expenditure commitments

The lease agreement commitments of the Bank and its subsidiaries are of operating lease commitments, which refer to the total minimum rents payable to the lessor by the Bank and its subsidiaries, the lessee, under irrevocable operating lease terms and conditions.

The Bank and its subsidiaries capital expenditure commitments refer to the agreement signed by the Bank and its subsidiaries to obtain the capital required for acquiring building and equipment.

The maturity analysis of the Bank's and subsidairies' lease and capital expenditure commitments is as follows:

December 31, 2015	Under 1 year	1 ~ 5 year	More than 5 years	Total
Lease agreement commitment				
Operating lease outflow (lessee)	$76,371	$160,842	$19,370	$256,583
Operating lease inflow (lessor)	9,161	31,627	2,497	43,285
Capital expenditure commitment	$ —	$ —	$ —	$ —

December 31, 2014	Under 1 year	1 ~ 5 year	More than 5 years	Total
Lease agreement commitment				
Operating lease outflow (lessee)	$77,635	$209,331	$37,659	$324,625
Operating lease inflow (lessor)	8,650	35,364	7,453	51,467
Capital expenditure commitment	$ —	$ —	$ —	$ —

(7) Information disclosed in accordance with the "Regulations Governing the Preparation of Financial Statements by Public Banks"

A. The maturity structure of the Bank and its subsidiaries' NTD capital

December 31, 2015							
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Main maturing capital inflow	238,275,988	40,796,893	44,061,311	12,850,263	14,616,301	19,725,358	106,225,862
Main maturing capital outflow	297,187,493	10,518,677	21,505,168	34,822,749	39,698,275	60,626,173	130,016,451
Maturity gap	(58,911,505)	30,278,216	22,556,143	(21,972,486)	(25,081,974)	(40,900,815)	(23,790,589)

December 31, 2014							
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Main maturing capital inflow	246,816,548	45,943,534	37,278,012	14,181,404	15,276,254	30,121,288	104,016,056
Main maturing capital outflow	307,393,090	11,694,458	23,048,094	40,406,958	42,461,336	59,263,191	130,519,053
Maturity gap	(60,576,542)	34,249,076	14,229,918	(26,225,554)	(27,185,082)	(29,141,903)	(26,502,997)

B. Maturity gap of the Bank and its subsidiaries' USD capital

Unit: US$ Thousand

December 31, 2015						
	Total	11~30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Main maturing capital inflow	601,540	104,849	67,370	44,083	44,414	340,824
Main maturing capital outflow	843,964	238,356	164,974	142,505	161,517	136,612
Maturity gap	(242,424)	(133,507)	(97,604)	(98,422)	(117,103)	204,212

December 31, 2014						
	Total	11~30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Main maturing capital inflow	606,589	85,190	76,598	47,332	65,861	331,608
Main maturing capital outflow	841,582	283,860	163,553	140,341	126,119	127,709
Maturity gap	(234,993)	(198,670)	(86,955)	(93,009)	(60,258)	203,899

8.5 Market Risk

(1) Sources and definition of market risk

Market risk refers to the risk of changes in the fair value or future cash flows of on-and off-balance-sheet financial instruments held by the Bank and its subsidiaries due to adverse changes in market prices in terms

of interest rates, foreign exchange rates, stock prices, and commodity prices. Essentially, it refers to the risk of fluctuations in the Bank and its subsidiaries' net profit or the values of investment portfolios as a result of changes in the aforesaid risk factors.

Market risk confronting the Bank and its subsidiaries mainly arises from fluctuations in the prices of equity instruments, interest rates and exchange rates. Positions in equity securities that are subject to market risk mainly consist of stocks listed on the stock/OTC exchanges and emerging stocks, funds, and ETFs. Positions subject to interest rate risks include bonds and interest rate derivatives such as fixed and floating interest rate swaps; positions subject to currency exchange risks primarily comprise of the various derivative instruments denominated in foreign currencies, the various foreign-currency bonds.

(2) Market risk management policy

The Bank and its subsidiaries monitor positions subject to market risk and the tolerable losses in accordance with the risk management objectives and limits approved by the Board of Directors.

The Bank and its subsidiaries have put in place a market risk information system to effectively monitor the risk limits of the positions of financial instruments, assess the profit and loss, conduct tress testing, sensitivity(DV01) and compute the value at risk(VaR). Such information is presented at the Assets-Liabilities and Risk Management Committee and Board of Directors meetings as guidelines for decision-making by senior management.

The Risk Management Department of the Bank and its subsidiaries is primarily responsible for reporting to senior management on a regular basis the control status of investment portfolios. Such information is also communicated with the relevant departmental supervisors.

(3) Market risk management procedures

A. Identification and measurement

The business units and risk management unit of the Bank and its subsidiaries have set market risk factors to identify positions exposed to risks and to measure market risk. Market risk factors refer to factors that may affect the value of interest rate, exchange rate and equity securities positions. Such factors include positions, profit or loss, sensitivity, stress testing and value at risk, which are used to measure the impact of interest risks, exchange rate risks and equity securities risks on the investment portfolios.

B. Control and reporting

The Risk Management Department of the Bank and its subsidiaries report the information on the execution of market risk management objectives, positions, profit or loss, sensitivity, stress testing and VaR to the ALCO (Assets-Liabilities and Risk Management Committee) or senior management and the departmental supervisor of the relevant business units. The Bank and its subsidiaries have put in place clearly defined reporting procedures and all transactions are governed by specific risk limits and stop-loss regulations. For example, where a transaction has reached the stop-loss limit, such transaction must be terminated immediately or the trading unit must submit in detail reasons for continuing the transaction and responsive measures to the Investment Review Committee or senior management for approval.

(4) Trading-book risk management policy

Trading-book positions refer to financial instruments and physical commodities held for trading purposes or to hedge against trading-book positions. Positions held for earning profits from changes in bid-ask spread or changes in price and interest rate. Positions that do not belong to trading book are assigned to banking book.

A. Strategy

The Bank and its subsidiaries undertake assessments and exercise controls to effectively control market risk and ensure that trading strategies adopted by business units are relatively free from constraints. The Bank and its subsidiaries formulate risk limits for the respective investment portfolios on the basis of trading strategies, type of product and annual profit target to manage trading-book investment portfolios.

B. Policies and procedures

The Bank has formulated the "Market Risk Management Guidelines" as the key regulations to monitor trading-book positions.

C. Valuation policy

Where market prices are available for valuation of trading-book financial instruments, the positions shall be valued at least once daily using readily available information obtained from independent resources.

D. Methods of risk measurement

(A) Refer to Note 8.5 (9) For assumptions and methods used to calculate VaR.

(B) The Bank and its subsidiaries conduct stress testing under scenarios based on 100bp changes in interest rate, 15% change in the price of equity securities and 3% of major currency exchange rates. Results of stress testing are presented at the ALCO and Board of Directors meetings.

(5) Management of trading-book interest rate risk

A. Definition of interest rate risk

"Interest rate risk" refers to the risk of changes in the fair value of the trading-book positions held by the Bank and its subsidiaries or risk of financial loss as result of interest rate movements. Instruments subject to interest rate risk include securities and derivative instruments linked to interest rate.

B. Trading-book interest rate management procedures

The Bank and its subsidiaries carefully select investment targets by conducting research on the issuer's credit standing and financial status, country risk and interest rate trends. The Bank and its subsidiaries also formulate limits applicable to trading-book transactions and stop-loss limit (applicable to the trading unit, trader, and instruments traded) on the basis of management strategies and market conditions for approval by senior management or the Board of Directors.

C. Methods of measurement

(A) Refer to Note 8.5 (9) For VaR assumptions and computation method.

(B) Use DV01 to measure the degree of impact of interest rate risks on the investment portfolios on a monthly basis.

(6) Management of banking-book interest rate risk

Management of banking-book interest rate risk is primarily aimed at enhancing interest rate risk management, improving the efficiency of capital utilization and ensuring sound business operation.

A. Strategy

Interest rate risk management aims at improving The Bank and its subsidiaries responsiveness to interest rate movement and involves measuring, managing and hedging against risks of adverse changes in the economic value of balance sheets items and profitability as a result of changes in interest rate.

B. Management procedures

The Bank and its subsidiaries identify the interest rate repricing risk when conducting businesses related to interest rate. The Bank and its subsidiaries also assess the potential effects of interest rate movements on the profit and economic value of the balance sheets items of the Bank and its subsidiaries.

The Bank and its subsidiaries monitor the risk limits applicable to positions exposed to interest rate risk and the various interest rate management indicators on a monthly basis. The monitoring results are reported to the ALCO and periodically to the Board of Directors.

C. Method of measurement

The Bank and its subsidiaries measure the interest rate repricing risk arising from different repricing dates of The Bank and its subsidiaries assets and liabilities. To ensure long-term profitability and business growth, the Bank and its subsidiaries have formulated monitoring indicators to conduct stress testing on the interest rate sensitivity of major maturities. The various interest rate risk indicators and results of stress testing are presented to the ALCO each month for approval.

(7) Management of exchange rate risk

A. Definition of exchange rate risk

Exchange rate risk refers to the profit and loss arising from conversion from one currency to the other in different time periods. Exchange rate risk confronting the Bank and its subsidiaries originates from spot and forward exchange contracts as well as derivatives. The Bank and its subsidiaries aim to square all foreign exchange positions on a daily basis and as such, are subject to relatively low exchange rate risks.

B. Exchange rate risk management policy, procedures and method of measurement

The Bank and its subsidiaries stipulate transaction limits and stop-loss limits applicable to each trading unit and trader to control exchange rate risks and potential losses with an acceptable range. Exchange rate risks are monitored using VaR. Please refer to Note 8.5 (9) for further details.

The Bank and its subsidiaries conduct stress testing on exchange rate risks at least once a year under scenarios with a 3% change in the exchange rate of major currencies. Results of stress testing are presented to the ALCO and Board of Directors for approval. Please refer to Note 8.5 (9) for further details on stress testing.

(8) Management of price risk of equity securities

A. Definition of the price risk of equity securities

Mark risk confronting the Bank and its subsidiaries includes individual risks arising from changes in the market price of individual equity securities as well as general market risk arising from a general movement in market prices.

B. The purpose for managing the price risk of equity securities

Price risk management aims at preventing severe fluctuations in the prices of equity securities from causing a deterioration in The Bank and its subsidiaries financial status or profitability and aims at improving the efficiency of fund utilization and ensuring sound business operation.

C. Procedures for managing the price risk of equity securities

The Bank and its subsidiaries stipulate investment limits applicable to the respective counterparties and industries and use the β value to measure the degree by which equity securities and funds are affected by systematic risk on a monthly basis. Stop-loss regulations are reviewed and approved by the Board of Directors. If a trading unit continues to hold a trading position in the situation where the stop-loss limit has been reached, special approval is required from the Investment Review Committee and senior management.

D. Method of measurement

Price risk arising from trading-book equity securities is controlled on the basis of VaR. Please refer to Note 8.5 (9) for further details.

Price risk arising from non-trading book equity securities held by the Bank and its subsidiaries is monitored by appropriate mechanisms designed specifically to meet the needs of the Bank or subsidiary's business development. The Long-term Investment Review Committee receives periodic reports on price risk.

(9) Market risk valuation technique

A. VaR (Value at Risk, VaR)

The Bank and its subsidiaries use the VaR model to conduct monthly evaluation on the market risk of positions held and the maximum potential loss that may arise for reporting to the ALCO and senior management.

Value at risk is a statistical estimate of potential losses on current positions that may result from adverse market movements. VaR is defined as "the worst expected loss" over a target horizon with a given level of confidence (99%) and normal market environment. As such, it is still probable (1%) that the actual loss may exceed the VaR estimate. The VaR model assumes a minimum holding period (10 business days) prior to closing off the positions. The Bank and its subsidiaries evaluate the VaR of positions held by the variance and covariance method. This valuation method cannot prevent losses as a result of severe market fluctuations.

Items	2015			2014		
	Average	Highest	Lowest	Average	Highest	Lowest
Foreign exchange VaR	4,785	11,688	1,136	4,013	6,862	1,773
Interest rate VaR	23,208	38,051	17,682	29,150	34,727	23,829
Equity securities VaR	12,756	17,667	9,524	18,123	25,184	14,471
Less: risk diversification effects	(22,673)	(31,746)	(17,122)	(31,564)	(37,434)	(26,693)
Total VaR	18,075	31,956	14,304	19,723	21,807	18,011

B. Stress testing

Stress testing is used to measure the maximum potential loss arising from the risk asset portfolios that may be suffered by the Bank in the worst case scenario. The Risk Management Dept. conducts stress testing on interest rate risk, exchange rate risk and equity securities risk. Results of stress testing are presented to the ACLO and Board of Directors for approval.

(10) Concentration of exchange rate risk

The following table shows the concentration of exchange rate risk exposures arising from all assets and liabilities expressed in the respective currencies and carrying amounts held by the Bank and its subsidiaries as of December 31, 2015 and 2014 (only information for the top 4 currencies is disclosed)

Unit: FCY / NTD Thousand

	December 31, 2015			
	USD	AUD	CNY	ZAR
Foreign-currency Financial Assets				
Cash and cash equivalents	$38,260	$1,045	$124,511	$8,589
Due from the Central Bank and call loans to banks	700	—	—	—
Financial assets at fair value through profit or loss	62	—	9,633	58,905
Available-for-sale financial assets	14,905	66,560	97,365	129,093
Discounts and loans	449,599	—	116,068	—
Accounts receivable	5,163	500	1,977	—
Held-to-maturity financial assets	64,048	62,694	257,126	235,761
Other financial Assets	4,037	—	—	—
Other assets	316	156	2,046	48,795
Total assets	$577,090	$130,955	$608,726	$481,143
Exchange rate	32.815	23.89	4.963	2.060
NTD equivalent of total assets	$18,937,208	$3,128,515	$3,021,107	$991,155
Foreign Currency Financial Liabilities				
Due to Central Bank and other banks	$141,000	$56,700	$285,000	$230,000
R/P bills and bonds liabilities	—	42,878	—	—
Deposits and remittances	380,318	31,377	323,269	247,134
Accounts payable	13,284	—	—	2,714
Other liabilities	24,802	—	457	1,295
Total liabilities	$559,404	$130,955	$608,726	$481,143
Exchange rate	32.815	23.89	4.963	2.060
NTD equivalent of total liabilities	$18,356,842	$3,128,515	$3,021,107	$991,155

Unit: FCY / NTD Thousand

	December 31, 2014			
	USD	AUD	CNY	ZAR
Foreign-currency Financial Assets				
Cash and cash equivalents	$27,946	$3,626	$149,512	$4,465
Due from the Central Bank and call loans to banks	5,500	—	—	—
Financial assets at fair value through profit or loss	100	—	—	—
Available-for-sale financial assets	19,168	71,388	—	184,218
Discounts and loans	470,638	7,500	66,000	—
Accounts receivable	7,394	—	—	—
Held-to-maturity financial assets	61,755	3,965	—	66,515
Other financial Assets	6,125	—	—	—
Other assets	8	1,252	151,915	96,770
Total assets	$598,634	$87,731	$367,427	$351,968
Exchange rate	31.605	25.77	5.064	2.684
NTD equivalent of total assets	$18,919,828	$2,260,840	$1,860,649	$944,682
Foreign Currency Financial Liabilities				
Due to Central Bank and other banks	$170,642	$61,400	$ —	$120,000
Deposits and remittances	328,345	26,330	360,464	230,672
Accounts payable	2,162	1	6,223	—
Other liabilities	78,992	—	740	1,296
Total liabilities	$580,141	$87,731	$367,427	$351,968
Exchange rate	31.605	25.77	5.064	2.684
NTD equivalent of total liabilities	$18,335,347	$2,260,828	$1,860,650	$944,682

(11) Information on foreign currency financial assets and liabilities with significant impacts:

Unit: NT$ Thousand

Items	December 31, 2015			December 31, 2014		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial Assets						
Monetary Items						
USD	582,643	32.815	19,119,430	602,735	31.605	19,049,440
GBP	4,238	48.480	205,458	2,936	48.960	143,747
HKD	140,119	4.204	589,060	168,004	4.045	679,576
AUD	130,799	23.890	3,124,788	86,479	25.770	2,228,564
SGD	339	23.150	7,848	140	23.840	3,338
CHF	315	33.080	10,420	623	31.82	19,824
CAD	2,254	23.580	53,149	2,501	27.16	67,927
JPY	1,776,834	0.2704	480,456	2,454,466	0.262	643,561
CNY	606,828	4.963	3,011,687	215,512	5.064	1,091,353
ZAR	432,475	2.060	890,899	255,198	2.684	684,951
SEK	167	3.860	645	441	4.030	1,777
EUR	19,953	35.680	711,923	5,674	38.200	216,747
NZD	13,088	22.410	293,302	22,964	24.650	566,063
Non-monetary Items						
USD	316	32.815	10,370	465	31.605	14,696
JPY	—	0.2704	—	—	0.262	—
EUR	—	35.680	—	601	38.200	22,958
Financial Liabilities						
Monetary Items						
USD	517,110	32.815	16,968,965	501,188	31.605	15,840,047
GBP	4,498	48.480	218,063	2,960	48.960	144,922
HKD	139,390	4.204	585,996	167,410	4.045	677,173
AUD	88,077	23.890	2,104,160	87,731	25.770	2,260,828
SGD	280	23.150	6,482	64	23.840	1,526
CHF	323	33.080	10,685	323	31.820	10,278
CAD	2,557	23.580	60,294	2,637	27.160	71,621
JPY	1,769,944	0.2704	478,593	2,533,225	0.262	664,212
CNY	608,269	4.963	3,018,839	366,687	5.064	1,856,903
ZAR	481,143	2.060	991,155	351,968	2.684	944,682
SEK	45	3.860	174	8	4.030	32
EUR	7,051	35.680	251,580	6,927	38.200	264,611
NZD	13,148	22.410	294,647	23,539	24.650	580,236
Non-monetary Items						
USD	851	32.815	27,926	1,265	31.605	39,980
HKD	735	4.204	3,090	1,292	4.045	5,226
JPY	—	0.2704	—	—	0.262	—
CNY	457	4.963	2,268	740	5.064	3,747

(12) Disclosures in accordance with the Regulations Governing the Preparation of Financial Statements by Public Banks

A. Interest rate sensitivity of The Bank and its subsidiaries assets and liabilities (NTD)

December 31, 2015					
Items	1~90 days (incl.)	91~180 days (incl.)	181~365 days (incl.)	Over 1 year	Total
Interest rate sensitive assets	206,264,173	6,003,639	598,445	9,670,248	222,536,505
Interest rate sensitive liabilities	149,082,085	24,304,221	34,828,504	8,392,398	216,607,208
Interest rate sensitivity gap	57,182,088	(18,300,582)	(34,230,059)	1,277,850	5,929,297
Net worth					11,321,213
Ratio of interest rate sensitive assets to liabilities (%)					102.74
Ratio of interest rate sensitivity gap to net worth (%)					52.37

December 31, 2014					
Items	1~90 days (incl.)	91~180 days (incl.)	181~365 days (incl.)	Over 1 year	Total
Interest rate sensitive assets	220,738,186	6,410,893	486,833	2,842,214	230,478,126
Interest rate sensitive liabilities	159,664,144	26,863,018	28,793,845	10,287,859	225,608,866
Interest rate sensitivity gap	61,074,042	(20,452,125)	(28,307,012)	(7,445,645)	4,869,260
Net worth					10,749,336
Ratio of interest rate sensitive assets to liabilities (%)					102.16
Ratio of interest rate sensitivity gap to net worth (%)					45.30

Explanation 1: Refer to total NTD assets and liabilities of all onshore branches of the Bank, excluding contingent assets or liabilities.
Explanation 2: Interest rate sensitive assets and liabilities refer to the interest-earning assets and interest-bearing liabilities of which the income or costs are affected by the fluctuations in interest rates.
Explanation 3: Interest rate sensitivity gap＝interest rate sensitive assets－interest rate sensitive liabilities.
Explanation 4: Ratio of interest rate sensitive assets to liabilities＝Interest rate sensitive assets ÷ interest rate sensitive liabilities (refer to NTD interest rate sensitive assets and interest rate sensitive liabilities).

B. Analysis of interest rate sensitive assets and liabilities (USD)

Unit: NT$ Thousand；%

December 31, 2015					
Items	1~90 days (incl.)	91~180 days (incl.)	181~365 days (incl.)	Over 1 year	Total
Interest rate sensitive assets	450,676	57,821	2,027	64,188	574,712
Interest rate sensitive liabilities	304,164	83,088	59,166	74,901	521,319
Interest rate sensitivity gap	146,512	(25,267)	(57,139)	(10,713)	53,393
Net worth					17,691
Ratio of interest rate sensitive assets to liabilities (%)					110.24
Ratio of interest rate sensitivity gap to net worth (%)					301.81

December 31, 2014					
Items	1 – 90 days (incl.)	91- 180 days (incl.)	181- 365 days (incl.)	Over 1 year	Total
Interest rate sensitive assets	473,931	54,887	1,330	62,537	592,685
Interest rate sensitive liabilities	342,005	52,081	49,143	55,757	498,986
Interest rate sensitivity gap	131,926	2,806	(47,813)	6,780	93,699
Net worth					18,089
Ratio of interest rate sensitive assets to liabilities (%)					118.78
Ratio of interest rate sensitivity gap to net worth (%)					517.99

Explanation 1: Refer to total USD assets and liabilities of all onshore branches of the Bank, excluding contingent assets or liabilities.
Explanation 2: Interest rate sensitive assets and liabilities refer to the interest-earning assets and interest-bearing liabilities of which the income or costs are affected by the fluctuations in interest rates.
Explanation 3: Interest rate sensitivity gap＝interest rate sensitive assets－interest rate sensitive liabilities.
Explanation 4: Ratio of interest rate sensitive assets to liabilities＝Interest rate sensitive assets ÷ interest rate sensitive liabilities (refer to USD interest rate sensitive assets and interest rate sensitive liabilities).

8.6 Transfer of Financial Assets

(1) Transferred financial assets not removed in whole

Most of the financial assets in routine operation of the Bank and its subsidiaries already transferred but not qualified for overall removal are debt securities under R/P agreements or equity securities lent out under securities lending agreements. These transactions resulted in the transfer of cash flow from contracts to a third party and also reflect the liabilities of the Bank and its subsidiaries deriving from the responsibilities of repurchase the transferred financial assets at fixed price in the future. For this type of transactions, the Bank and its subsidiaries cannot use, sell, or lien the transferred financial assets within the term of trade but the Bank and its subsidiaries still have to assume the interest risk and credit risk thereof and these instruments were not removed in whole. The following table shows the financial assets and other financial liabilities not qualified for removal in whole:

December 31 2015		
Financial assets category	Book value of transferred financial assets	Book value of related financial liabilities
Financial assets available for sales R/P contracts	362,948	349,798
Financial assets held-to-maturity R/P contracts	750,590	721,286

8.7 Offsetting Between Financial Assets and Financial Liabilities

The Bank and its subsidiaries are also engaged in trade not meeting the condition of offsetting under IFRSs but have entered into agreements with the counterparties on execution of delivery or similar agreements, or featuring R/P. The aforementioned general agreements on delivery at net amount or similar agreements provided that if the trading parties elect to deliver at net amount, they may offset the financial assets with financial liabilities in the transaction for delivery, or delivery at total amount. If either side of the trading parties is defaulted, the other side may elect to deliver at net amount.

The following table provides the quantified information on the financial assets and financial liabilities to be executed under the general agreement on net amount delivery:

December 31 2015:

Financial assets	Recognized total financial assets	Recognized total financial liabilities offset on balance sheet	Net financial assets on balance sheet	Amount not offset on balance sheet		
				Financial instruments	Collaterals in cash received	Net amount
Derivatives	$1,029	$ —	$1,029	($329)	$ —	$700
Total	$1,029	$ —	$1,029	($329)	$ —	$700

Financial liabilities	Recognized total financial liabilities	Recognized total financial assets offset on balance sheet	Net financial liabilities on balance sheet	Amount not offset on balance sheet		
				Financial insstrument	Collaterals in cash under lien	Net amount
Derivatives	$19,754	$ —	$19,754	($329)	$ —	$19,425
R/P bills and bond liabilities	1,071,084	—	1,071,084	(1,060,879)	(10,205)	—
Total	$1,090,838	$ —	$1,090,838	($1,061,208)	($10,205)	$19,425

December 31 2014:

Financial assets	Recognized total financial assets	Recognized total financial liabilities offset on balance sheet	Net financial assets on balance sheet	Amount not offset on balance sheet		
				Financial instruments	Collaterals in cash received	Net amount
Derivatives	$5,194	$ —	$5,194	($2,348)	$ —	$2,846
Total	$5,194	$ —	$5,194	($2,348)	$ —	$2,846

Financial liabilities	Recognized total financial liabilities	Recognized total financial assets offset on balance sheet	Net financial liabilities on balance sheet	Amount not offset on balance sheet		
				Financial insstrument	Collaterals in cash under lien	Net amount
Derivatives	$23,237	$ —	$23,237	($2,348)	$ —	$20,889
R/P bills and bond liabilities	61,121	—	61,121	(61,121)	—	—
Total	$84,358	$ —	$84,358	($63,469)	$ —	$20,889

9. CAPITAL MANAGEMENT

9.1 Overview

The Bank and its subsidiaries adopt the following capital management objectives:

- The primary objectives of the Bank and its subsidiaries in capital management is to ensure that the core capital of the Bank and its subsidiaries meets the regulatory capital requirement and shall at least equal to the minimum capital adequacy ratio required by law. Refer to the regulations enforced by the competent authority for calculation of the core capital and regulatory capital.
- Capital requirement is estimated on the basis of the risk components and features of the risks the Bank and its subsidiaries bound to confront for proper risk management and the optimization allocation of assets so that the Bank and its subsidiaries have sufficient capital to tackle with the risks.

9.2 Capital Management Procedures

The Bank and its subsidiaries maintain an adequate capital adequacy ratio that meets the requirements of the competent authority. The Bank and its subsidiaries lodge the capital adequacy ratio with the competent authority on a quarterly basis.

Tthe capital of the Bank and its subsidiaries. Pursuant to the "Regulations Governing the Capital Adequacy and Capital Category of Banks", qualifying core capital is made up of Tier 1 capital and Tier 2 capital:

- Tier 1 Capital: Including common stock equity tier 1 capital and other non-common equity tier 1 capital.
  - Common stock equity tier 1 capital: Refers to common stock equity (ordinary share capital and share premium, additional paid-in capital, legal reserve, special reserve, accumulated earnings, non-controlling interests, other component of equity, and etc.) deducting intangible assets, deferred income tax assets from the previous year, the insufficiency of operation reserves and loan loss provisions, properties revaluation increments, unamortized loss on sale of substandard debts and other adjustments prescribed by other calculation methods and regulations.
  - Other non-common equity tier 1 capital: Including non-cumulative perpetual preferred stock and share premium, non-cumulative perpetual subordinated debt, non-cumulative perpetual preferred stock and share premium issued by the subsidiary of the bank and not directly or indirectly held by the bank, and non-cumulative perpetual subordinated debt.
- Tier 2 capital: Includes cumulative perpetual preferred stock and share premium, cumulative perpetual subordinated debt, convertible subordinated bond, long-term subordinated bond, non-perpetual preferred stock and share premium, retained earnings increments measured at fair value or revaluation of properties on the first-time adoption of International Accounting Standards, 45% of gains from increments of investment property at fair value model and unrealized holding gains of available-for-sale financial assets, operation reserves and loan loss provisions, cumulative perpetual preferred stock and share premium issued by the subsidiary of the bank and not directly or indirectly held by the bank, cumulative perpetual subordinated debt, convertible subordinated bond, long-term subordinated bond, non-perpetual preferred stock and share premium, and etc.

9.3 Capital Adequacy:

Unit: NT$ Thousand ; %

Items \ FY (Note 2)			December 31, 2015	December 31, 2014
Equity Capital	Common Stocks Equity		11,196,125	10,652,950
	Other Tier I Capital		—	—
	Tier II capital		4,901,827	5,697,928
	Equity Capital		16,097,952	16,350,878
Total Weighted Average Risk Assets	Credit Risk	Standardized Approach	148,290,347	154,917,501
		Internal Rating Based Approach (IRB)	—	—
		Asset Securitization	26,252	832,647
	Operational Risk	Basic Indicator Approach (BIA)	5,803,908	5,419,853
		Standardized Approach / Alternative Standardized Approach	—	—
		Advanced Measurement Approach	—	—
	Market Risk	Standardized Approach	4,383,324	4,913,197
		Internal Model Approach	—	—
	Total Weighted Average Risk Assets		158,503,831	166,083,198
Capital Adequacy Ratio (%)			10.16	9.84
Common Stock Equity to Risk Assets Ratio (%)			7.06	6.41
Tier 1 Capital to Risk Assets Ratio (%)			7.06	6.41
Leverage Ratio (%)			4.04	3.08

Note 1: The equity capital, weighted average assets level and total exposure shall be calculated in accordance with the "Regulations Governing the Capital Adequacy and Capital Categories of Banks" and the "Notes to the Method of Calculation of Capital Adequacy and Capital Categories of Banks and related forms".

Note 2: The capital adequacy rate of current period and the previous period shall be stated in the annual financial statement. Interim reports shall contain information on capital adequacy in current period and previous period, and the capital adequacy rate as of the end of the previous year.

Note 3: Equation for calculation in current period is shown below:

(1) Equity capital＝common stock equity + other Tier I capital + Tier II capital.

(2) Total weighted average risk assets＝credit risk weighted average risk assets + provision of (operation risk + market risk) capital x 12.5.

(3) Capital adequacy ratio＝equity capital / total weighted average risk assets

(4) Common stock equity to risk assets ratio＝common stock equity / total weighted average risk assets

(5) Tier I capital to risk assets ration＝(common stock equity + other Tier I capital) / total weighted average risk assets

(6) Leverage ratio＝Tier I capital / total risk exposure

10. RELATED PARTY TRANSACTIONS

10.1 Name and Relationship of Related Parties with the Bank

Name of Related Party	Relationship with the Bank
Kaohsiung City Government	A major shareholder of the Bank
Kaohsiung Rapid Transit Corporation	Related party in substance
Others	Directors, supervisors and managerial officers and their relatives and related parties in substance

10.2 Significant transactions with related parties

The transactions, account balance, revenues and expenses between the Bank and its subsidiaries were eliminated and not disclosed in this note. Transactions between the Bank together with its subsidiaries and other related parties were as follows:

(1) Credit

Name of Related Party	December 31, 2015	December 31, 2014
Kaohsiung City Government	$16,870,023	$28,870,700
Others	131,890	136,705

	2015	
Name of Related Party	Interest & service fee income	Interest Rate Range
Kaohsiung City Government	$222,517	0.609%~2.375%
Others	2,599	1.385%~2.90%

	2014	
Name of Related Party	Interest & service fee income	Interest Rate Range
Kaohsiung City Government	$302,070	0.749%~2.375%
Others	2,552	1.39%~2.90%

For the FY 2015 and 2014, interest rates charged for credit extended to related parties are shown above by the type and purpose of loan and the interest rate range for credit extended to non-related parties (other than those under debt negotiation) was 1.00%~10.00% and 0.5%~10%, respectively.

(2) Deposit

Name of Related Party	December 31, 2015	December 31, 2014
Kaohsiung City Government	$13,245,842	$13,470,305
Kaohsiung Rapid Transit Corporation	326,959	384,792
Others	425,825	514,247

	2015	
Name of Related Party	Interest expense	Interest Rate Range
Kaohsiung City Government	$55,819	0%~1.45%
Kaohsiung Rapid Transit Corporation	3,361	0%~1.36%
Others	6,543	0%~13.00%

	2014	
Name of Related Party	Interest expense	Interest Rate Range
Kaohsiung City Government	$65,346	0%~1.45%
Kaohsiung Rapid Transit Corporation	3,073	0%~1.36%
Others	6,537	0%~13.00%

A. The interest rate range for the above related-party deposit accounts is shown up by the nature of the deposit. The interest rate range for related-party deposits was 0%~13%.

B. The highest deposit rate offered to employees of the Bank (not related parties) was 13%. Deposit rate offered to other related parties may vary depending on the nature of the deposits with the highest rate offered equivalent to that offered to bank employees.

(3) Lease:

The Bank and its subsidiaries leases the following premise from the Kaohsiung City Government:

FY 2015:

Leased Property	Lease Term	Payment Method	Rental Expense
Premise of Hsiao Kang Branch	2014.1.1~2015.12.31	Half-yearly payment	$209
Premise of Yen Cheng Branch	2014.1.1~2016.12.31	Half-yearly payment	736
Premise of Wan Nei Branch	2014.1.1~2015.12.31	Half-yearly payment	970
Premise of Shih Fu Branch	2014.1.1~2015.12.31	Half-yearly payment	236
Premise of Tso Ying Branch	2015.1.1~2017.12.31	Half-yearly payment	598
Premise of Kwei Lin Branch	2015.1.1~2016.12.31	Half-yearly payment	356
Premise of Gangshan Benjhou Branch	2012.9.1~2017.8.31	Half-yearly payment	405
		Total	$3,510

FY 2014:

Leased Property	Lease Term	Payment Method	Rental Expense
Premise of Hsiao Kang Branch	2014.1.1~2015.12.31	Half-yearly payment	$211
Premise of Yen Cheng Branch	2014.1.1~2016.12.31	Half-yearly payment	740
Premise of Wan Nei Branch	2014.1.1~2015.12.31	Half-yearly payment	970
Premise of Shih Fu Branch	2014.1.1~2015.12.31	Half-yearly payment	235
Premise of Tso Ying Branch	2012.1.1~2014.12.31	Half-yearly payment	598
Premise of Kwei Lin Branch	2013.1.1~2014.12.31	Half-yearly payment	358
Premise of Gangshan Benjhou Branch	2012.9.1~2017.8.31	Half-yearly payment	392
		Total	$3,504

Type of lease: operating lease.

The above rents are determined in accordance with current land value and the current taxable value of the building.

(4) The miscellaneous expenditure spent by the Bank and its subsidiaries on the related parties were as follows:

Name of Related Party	2015	2014
Kaohsiung City Government(Note)	$ —	$6,000
Others	—	450

(Note): The Bank and its subsidiaries donated $6,000 thousand to the Kaohsiung City Government in September, 2014 for emergency allowance to gas explosions occurred in Qianzhen District, Kaohsiung City.

(5) Information on transactions with related parties who are the borrower, guarantor or provider of collateral:

A. Loans

December 31, 2015:

Unit: NT$ Thousand

Type	Number of accounts or name of related party	Highest balance	Closing balance	Default Status		Collateral	Whether terms and conditions of the related party transactions are different from those of arms length transactions
				Normal loans	Overdue accounts		
Employee consumer loan	8	18,121	12,404	12,404	—	real estate, credit	No
Residential mortgage	11	86,359	81,963	81,963	—	real estate	No
Other loans	Chou ○○	2,005	1,923	1,923	—	real estate	No
Other loans	Tsao ○○	1,104	—	—	—	real estate	No
Other loans	Lin ○○	28,000	28,000	28,000	—	real estate	No
Other loans	Chen ○○	710	—	—	—	NCD	No
Other loans	Ko ○○	3,100	3,100	3,100	—	real estate	No
Other loans	Ko ○○	500	—	—	—	real estate	No
Other loans	Sung ○○	4,500	4,500	4,500	—	real estate	No

December 31, 2014:

Unit: NT$ Thousand

Type	Number of accounts or name of related party	Highest balance	Closing balance	Default Status		Collateral	Whether terms and conditions of the related party transactions are different from those of arms length transactions
				Normal loans	Overdue accounts		
Employee consumer loan	13	25,218	19,457	19,457	—	real estate, credit	No
Residential mortgage	10	89,028	79,127	79,127	—	real estate	No
Other loans	Chou ○○	2,116	2,021	2,021	—	real estate	No
Other loans	Lin ○○	28,000	28,000	28,000	—	real estate	No
Other loans	Chen ○○	468	—	—	—	NCD	No
Other loans	Ko ○○	3,100	3,100	3,100	—	real estate	No
Other loans	Ko ○○	500	500	500	—	real estate	No
Other loans	Sung ○○	4,500	4,500	4,500	—	real estate	No

Explanation 1: The balances of employee consumer loans and residential mortgages may be disclosed in one lump sum. The balance of loans to other related parties shall be disclosed separately according to the name of each related party.

Explanation 2: Collaterals include real estate short-term bills, government bonds, secured corporate bonds, unsecured corporate bonds, exchange, or OTC-listed stocks, unlisted stocks and other properties. Provide details for other properties.

Explanation 3: As of December 31, 2015 and 2014, allowance for doubtful accounts provided for loans to related parties amounted to $68 thousand and $88 thousand, respectively. For years ended December 31, 2015 and 2014, bad debt expenses recognized (reversal) in relation to loans to related parties amounted to ($20) thousand and ($44) thousand, respectively.

B. Guarantee: None.

C. Derivatives: None.

D. Disposal of non-performing loans: None.

(6) Remuneration to key managerial officers

Items	2015	2014
Salaries and other short-term employee benefits	$42,252	$36,834
Post-employment benefits	3,296	734
Other long-term employee benefits	—	—
Termination benefits	—	—
Share-based payment	—	—
Total	$45,548	$37,568

11. PLEDGED ASSETS

Items	December 31, 2014	December 31, 2013
Negotiable certificate of deposit	$6,600,000	$1,700,000
Negotiable certificate of deposit issued by Central Bank	—	2,600,000
Government bond (par value)	793,400	799,000
Foreign bonds	972,323	—
Total	$8,365,723	$5,099,000

The above pledged assets were placed with the court as the guarantee deposit for executing provisional seizure on borrowers' assets or used as the guarantee deposit for credit card payment, as compensation reserve (Trust Department), as the collateral of securities issuer and for real-time gross settlement mechanism implemented by the Central Bank for the Interbank Funds Bank Transfer System. The Bank and its subsidiaries provides negotiable certificates of deposit as the day guarantee for overdrafts and as such, the guarantee amount may be changed at any time and unused credit may still be used as liquid reserve.

12. SIGNIFICANT OR CONTINGENT LIABILITES AND COMMITMENTS

As of December 31, 2015 and 2014, the Bank and its subsidiaries had the Following Commitments:

Items	December 31, 2015	December 31, 2014
Securities sold with agreement to repurchase	$1,074,513	$61,199
Securities purchased with agreement to resell	20,070,107	13,389,557
Loan yet to be appropriated by the borrower (Note)	69,053,823	69,868,683
Credit line facility yet to be utilized by the credit card holder	6,492	6,129
Standby letter of credit yet to be utilized by the client	1,076,873	1,377,645
Guarantees	5,162,369	5,504,422
Amounts collected on behalf of customers	13,705,186	12,989,978
Agency loans payable	4,691,062	5,463,995
Agency sale of traveller's checks	66,402	78,673
Trust assets	19,394,376	19,112,086
Marketable securities held under custody	30,978,305	30,512,206

Note: Including those belonging to non-cancellable loan commitments, cancellable loan commitments (unconditionally cancellable) and cancellable loan commitments (conditionally cancellable)

13. SIGNIFICANT DISASTER LOSS: None.

14. SIGNIFICANT SUBSEQUENT EVENT: None.

15. OTHER

15.1 Details and Amounts of Trust Businesses Conducted in Accordance with Regulations Governing Trust Enterprises

Balance sheets of Trust Account

Trust Assets	December 31, 2015	December 31, 2014	Trust Liabilities	December 31, 2015	December 31, 2014
Bank deposit	$668,216	$782,411	Medium and long - term loans	$549,400	$720,730
Financial Assets					
Stock	13,157	852	Trust capital	18,913,386	18,473,955
Investment in funds	16,796,092	16,678,921			
Real Estate	1,916,911	1,649,902	Retained earnings	(68,410)	(82,599)
Total	$19,394,376	$19,112,086	Total	$19,394,376	$19,112,086

Inventory of Assets of Trust Account

Property Items	December 31, 2015	December 31, 2014
Bank deposit	$668,216	$782,411
Stocks	13,157	852
Investment in funds	16,796,092	16,678,921
Real estate	1,916,911	1,649,902
Total	$19,394,376	$19,112,086

Income Statement of Trust Account

Property Items	2015	2014
Trust Revenue		
Interest income	$6,379	$2,241
Investment income	334	266
Total trust revenue	$6,713	$2,507
Trust Expense		
Administrative expense	$7,673	$11,198
Taxes	321	77,316
Interest expense	—	—
Other expenses	349	70,412
Total trust expense	$8,343	$158,926
Net income (loss) before income tax	($1,630)	($156,419)
Income tax	(368)	(138)
Net income (loss)	($1,998)	($156,557)

Note: The above gains or losses from the trust account belonged to the trustor and not recognized by the Bank and its subsidiaries.

15.2 Where the Bank is a subsidiary of a financial holding company, apportionment of revenue, cost, expenses and profit or loss arising from business and transaction activities, joint business promotion activities, sharing of information or sharing of business facility or premise between the Bank and its subsidiaries and the financial holding company and other subsidiaries: the Bank and its subsidiaries is not a subsidiary of a financial holding company.

15.3 Profitability

Items		2015	2014
Return on assets	Before income tax	0.25	0.20
	After income tax	0.22	0.20
Return on equity	Before income tax	5.63	4.63
	After income tax	5.09	4.61
Net profit margin		17.84	14.96

Explanation: 1. Return on assets＝Income before (after) income tax / average total assets.
2. Return on equity＝Income before (after) income tax / average net worth
3. Net profit margin＝net income (loss) after income tax / net operating revenue
4. Income before (after) income tax refers to the amount of income for the period from 1 January to the current quarter.

16. SUPPLENENTARY DISCLOSURES

16.1 Information on Significant Transactions

(1) Cumulative purchase or sale of shares in the same investee company in excess of $300 million or 10% of paid-in capital: None.
(2) Acquisition of real estate in excess of $300 million or 10% of paid-in capital: None.
(3) Disposal of real estate in excess of $300 million or 10% of paid-in capital: None.
(4) Allowance for service fees to related parties in excess of $5 million: None.

(5) Receivables from related parties in excess of $300 million or 10% of the paid-in capital: Appendix 1.
(6) Information on sale of non-performing loans: None.
(7) Type of and other relevant information on securitization instruments approved for issuance in accordance with the securitization rules governing financial assets and real estate: None.
(8) Other significant transactions sufficient to influence the decisions of financial statement users: None.
(9) Important business transactions between the parent company and subsidiaries: Appendix 2.

16.2 Information on Investee Companies:

(1) Loans to others: None.
(2) Endorsements or guarantees to others: None.
(3) Marketable securities held as of December 31, 2013: None.
(4) Cumulative purchase or sale of the same securities in excess of $300 million or 10% of paid-in capital: None.
(5) Information on derivative transactions: None.

16.3 Information on Investee Companies and Total Shareholding in Investee Companies: Appendix 3.

16.4 Investments in Mainland China: None.

Appendix 1

Bank of Kaohsiung Co., Ltd. and its Subsidiaries
Statement of Receivables from Related Parties in Excess of $300 Million or 10% of Paid-in Capital
December 31, 2015

Unit: NT$ Thousand

Company in which accounts receivables are recognised	Counterparty	Relationship	Balance of Receivables from Related Parties	Turnover Rate	Overdue Receivables from Related Parties		Amount of receivables from related parties subsequently collected	Allowance for Doubtful Accounts
					Amount	Handling Method		
Bank of Kaohsiung Co., Ltd.	Kaohsiung City Government	Major shareholder of the Bank	16,870,023	Not applicable to financial institutions	None	Not applicable	As of March 17, 2015, $3,657,779 thousand were collected.	—

Appendix 2

Bank of Kaohsiung Co., Ltd. and its Subsidiaries
Business Relationships and Important Transactions between Parent and Subsidiaries
December 31, 2015

Individual transactions less than $1 million (incl.) are those disclosed as part of assets or revenues will not be separately disclosed:

Unit: NT$ Thousand

No. (Note 1)	Name of Related Party	Counterparty	Relationship with Counterparty (Note 2)	Transaction Status			
				Account	Amount	Terms of Transaction	Ratio of transaction to consolidated net income or total assets (Note 3)
0	Bank of Kaohsiung Co., Ltd.	Kaohsiung Bank Insurance Agency Co., Ltd.	Parent to subsidiary	Accounts receivable	43,921	—	0.02%
		Kaohsiung Bank Insurance Agency Co., Ltd.	Parent to subsidiary	Service fees and commission income, net	159,668	—	4.82%
1	Kaohsiung Bank Insurance Agency Co., Ltd.	Bank of Kaohsiung Co., Ltd.	Subsidiary to parent	Cash and cash equivalents	95,571	—	0.04%
2	Kaohsiung Bank General Insurance Agency Co., Ltd	Bank of Kaohsiung Co., Ltd.	Subsidiary to parent	Cash and cash equivalents	9,017	—	—

Note 1: Information on business dealings between the parent company and subsidiaries shall be identified with a code in the first column. That is: 1. "0" for parent company; 2. "1" and thereafter for subsidiary companies assigned to each subsidiary.

Note 2: There are three types of related party transactions. Provide the type of transaction: 1. Parent to subsidiary; 2. Subsidiary to parent; 3. Subsidiary to subsidiary.

Note 3: The transaction amount is expressed as a percentage of total consolidated income or total assets. For balance sheets accounts, the ratio is calculated using the balance as of the end of the period as a percentage of total consolidated assets; for income statement accounts, the ratio is calculated using an interim accumulated transaction amount as a percentage of total consolidated income.

Note 4: All transactions between the parent company and subsidiaries were eliminated.

Appendix 3

Bank of Kaohsiung Co., Ltd. and its Subsidiaries
Information on Investee Companies
December 31, 2015

Unit: Thousand shares; NT$ Thousand

Name of Investee Company	Location	Main Business Activities	Closing share-holding ratio	Carrying Amount of Investment	Investment Gain/Loss Recognised This Period (Note 3)	Aggregate Shareholding of the Bank and its subsidiaries (Note 1)				Note
						No. Of Shares	Pro Forma No. of Shares (Note 2)	Total		
								No. of Shares	Share-holding	
Finance Related Enterprise										
Kaohsiung Bank Insurance Agency Co., Ltd.	Kaohsiung	Life insurance agency	100%	62,112	53,958	300	—	300	100%	Equity-method investment
Kaohsiung Bank General Insurance Agency Co., Ltd.	Kaohsiung	Property insurance agency	100%	8,917	2,305	500	—	500	100%	Equity-method investment
Taiwan Finance Corporation	Taipei	Bills & finance	10.00%	516,165	27,357	51,617	—	51,617	10.00%	Financial assets carried at cost
Waterland Securities Co., Ltd.	Taipei	Securities	4.94%	407,830	1,164	44,925	—	44,925	4.94%	Financial assets carried at cost
Taiwan Asset Management Co., Ltd.	Taipei	Assets management	0.57%	75,000	6,084	7,500	—	7,500	0.57%	Financial assets carried at cost
Taiwan Financial Assets Service Co., Ltd.	Taipei	Financial assets services	2.94%	50,000	—	5,000	—	5,000	2.94%	Financial assets carried at cost
Financial Information Services Co., Ltd.	Taipei	Information Services	1.14%	45,500	13,309	5,938	—	5,938	1.14%	Financial assets carried at cost
iPASS Corporation	Kaohsiung	Electronic ticket industry	5.39%	40,000	—	4,000	—	4,000	5.39%	Financial assets carried at cost
Taipei Forex Inc.	Taipei	Foreign exchange brokerage	3.53%	7,000	2,800	700	—	700	3.53%	Financial assets carried at cost
Taiwan Futures Exchange Corporation	Taipei	Futures trading	0.30%	6,000	1,695	891	—	891	0.30%	Financial assets carried at cost
Taiwan Depository & Clearing Corporation	Taipei	Depository & clearing	0.08%	4,639	417	285	—	285	0.08%	Financial assets carried at cost
TWMP Co.,Ltd.	Taipei	Computer equipment installation	0.50%	3,000	—	300	—	300	0.50%	Financial assets carried at cost
Sunny Assets Management Co., Ltd.	Taipei	Assets management	0.0058%	3	1	0.347	—	0.347	0.0058%	Financial assets carried at cost
Non-Finance Related Enterprise										
Kaohsiung Rapid Transit Corporation	Kaohsiung	Rapid transit	0.23%	6,430	—	643	—	643	0.23%	Financial assets carried at cost
Taiwan High Speed Rail Corp.	Taipei	Transportation	0.10%	44,885	—	4,320	—	4,320	0.10%	Available-for-sale financial assets

Note 1: The shares in the investee companies held or to be held by the Bank or its directors, supervisors, president, vice president and affiliates as defined in the Bank Act shall be included.

Note 2: (1) Proforma shareholding refers to the number of shares acquired or hypothetically the holder is entitled to acquire upon conversion of equity securities purchased or derivative contracts entered into (that were yet to be converted to equity) in accordance with the agreed terms and conditions and that the securities held are acquired by the Bank with the intent of linking them to the equity of the investee companies and are acquired for reinvestment purpose in accordance with Article 74 of the Act.

(2)"Equity securities" refer to securities as defined in Article 11-1 of the Enforcement Rules of the Securities and Exchange Act , such as convertible corporate bonds and warrants.

(3) "Derivative contracts" referred to in the preceding paragraph refer to derivative instruments that meet the criteria set out in IFRS 39, such as stock options.

Note 3: Investment gain or loss on equity-method investment recognized in the current period refer to gain or loss recognized on investments accounted for under the equity method; gain or loss recognized on financial assets carried at cost refers to cash dividend income received.

17. SEGMENT INFORMATION

17.1 General Information:

The reportable segments of the Bank and its subsidiaries and its subsidiaries are strategic business units that provide different products and services and are capable of generating revenues and incurring expenses. Due to the fact that each strategic enterprise unit require different technology and marketing strategies, the decision-makers of the Bank and its subsidiaries separately manage and monitor the operating results of the respective enterprise units in order to make decisions on resource allocation and performance reviews. The reportable segments are as follows:

(1) DBU: primarily engages in deposit taking and underwriting of loans in the domestic market.

(2) OBU& Finance Administration Department: primarily engages in the investment and trading of securities and offshore deposits and loans.

(3) Other segments: primarily engages in public treasury, trust, foreign exchange, life insurance and property insurance businesses.

17.2 Measurement of Segment Information:

The Bank and its subsidiaries decision makers separately monitor the operating results of the respective operating segments to make decisions on resource allocation and performance reviews. Segment performance is evaluated on the operating income or loss derived by the segment concerned. Such operating income or loss is measured by methods consistent with those adopted for the income and expense items in the consolidated financial statements. Notwithstanding the forging, income tax reported in the consolidated financial statements is managed on a group basis and has not been allocated to the respective reportable segments.

17.3 Financial Information by Segment:

FY 2015:

	DBU	OBU& Finance Administration Dept.	Other Segments	Adjustment & Elimination	Total
Interest and service fee income from external customers	$3,771,401	$1,202,410	$396,606	$ —	$5,370,417
Interest and service fee income from internal segments	1,182,312	—	515	(1,182,827)	—
Interest and service fees paid to external customers	(2,082,568)	(146,253)	(121,407)	—	(2,350,228)
Interest and service fees paid to internal segments	(515)	(1,021,721)	(160,591)	1,182,827	—
Other net revenue	39,032	201,620	53,763	—	294,415
Net revenue	$2,909,662	$236,056	$168,886	$ —	$3,314,604
Bad debt expense	(324,707)	(45,879)	—	—	(370,586)
Operating expenses	(2,088,381)	(76,092)	(126,281)	—	(2,290,754)
Segment profit or loss	$496,574	$114,085	$42,605	$ —	$653,264
Assets					
Capital expenditure on non-current assets	$55,097	$ —	$ —	$ —	$55,097
Segment assets	$151,524,582	$97,806,416	$13,489,789	$229,888	$263,050,675
Segment liabilities	$140,744,630	$96,938,362	$13,465,940	$ —	$251,148,932

(1) Inter-segment revenues and expenses were eliminated.
(2) Segment profit (loss) excluded income tax expense amounting to $61,933 thousand.
(3) Segment assets excluded deferred income tax assets amounting to $229,888 thousand.

FY 2014:

	DBU	OBU& Finance Administration Dept.	Other Segments	Adjustment & Elimination	Total
Interest and service fee income from external customers	$3,705,577	$1,046,058	$409,891	$ —	$5,161,526
Interest and service fee income from internal segments	893,676	—	381	(894,057)	—
Interest and service fees paid to external customers	(1,908,378)	(172,162)	(113,887)	—	(2,194,427)
Interest and service fees paid to internal segments	(381)	(745,085)	(148,591)	894,057	—
Other net revenue	273,864	124,871	34,185	—	432,920
Net revenue	$2,964,358	$253,682	$181,979	$ —	$3,400,019
Bad debt expense	(680,458)	(10,621)	—	—	(691,079)
Operating expenses	(2,015,989)	(73,337)	(109,929)	—	(2,199,255)
Segment profit or loss	$267,911	$169,724	$72,050	$ —	$509,685
Assets					
Capital expenditure on non-current assets	$146,909	$ —	$35	$ —	$146,944
Segment assets	$171,400,831	$82,896,427	$14,554,809	$172,886	$269,024,953
Segment liabilities	$161,320,827	$81,920,949	$14,462,138	$ —	$257,703,914

(1) Inter-segment revenues and expenses were eliminated.

(2) Segment profit (loss) excluded income tax benefit amounting to $1,160 thousand.

(3) Segment assets excluded deferred income tax assets amounting to $172,886 thousand.

17.4 Information by Products:

The Bank and its subsidiaries have disclosed information on operating segments and thus information by products are not separately disclosed here.

17.5 Information by Geographic Location:

(1) Revenues from external customers (attributed based on the country in which a customer is located):

Unit: Thousand shares

Country	2015	2014
ROC	$4,609,636	$4,505,376
United States	28,358	33,988
Australia	39,605	35,994
Cayman Islands	22,863	35,425
Virgin Islands	17,676	79,120
Other countries	652,279	471,623
Total	$5,370,417	$5,161,526

(2) Non-current assets:

Country	2015	2014
ROC	$3,130,514	$3,111,971

17.6 Information on Major Client:

Client	2015	2014
Kaohsiung City Government	$222,517	$302,070

6.5 Audited Individual Financial Statements for FY 2015

6.5.1 Balance Sheets

BANK OF KAOHSIUNG CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2015 AND 2014 AND JANUARY 1, 2014

Unit：NT$ Thousand

ASSETS			December 31, 2015		December 31, 2014 (re-compilation)		January 1, 2014 (re-compilation)	
A/C No.	Accounts	Note	Amount	%	Amount	%	Amount	%
11000	Cash & cash equivalents	6.1	$3,384,493	1	$4,107,906	2	$3,329,141	1
11500	Due from the Central Bank of China and other banks	6.2	14,968,151	6	23,171,136	9	23,220,274	10
12000	Financial assets at fair value through profit or loss	6.3	3,880,449	1	10,975,714	4	1,590,421	1
14000	Available-for-sale financial assets, net	6.4	36,836,691	14	26,141,249	10	19,249,602	8
12500	Bills and bonds purchased under agreements to resell	6.5	20,065,435	8	13,385,318	5	3,460,558	1
13000	Accounts receivable	6.6	1,047,872	—	865,574	—	769,358	—
13200	Income tax assets	6.7	23,593	—	25,981	—	19,862	—
13500	Discounts and loans, net	6.9	165,943,918	64	182,883,017	67	178,261,475	77
14500	Held-to-Maturity financial assets, net	6.10	11,736,176	4	2,746,339	1	—	—
15000	Equity method's investments, net	6.11	71,029	—	60,597	—	59,362	—
15500	Other financial assets, net	6.12	1,824,398	1	1,448,140	1	1,566,331	1
18500	Property and equipment, net	6.13	2,945,105	1	2,978,157	1	2,743,677	1
19000	Intangible assets, net	6.14	68,345	—	64,232	—	41,205	—
19300	Deferred income tax assets, net	6.8	229,888	—	172,886	—	135,678	—
19500	Other assets, net	6.15	114,526	—	66,799	—	56,742	—
10000	**TOTAL**		$263,140,069	100	$269,093,045	100	$234,503,686	100

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

（Continued on next page）

LIABILITIES AND SHAREHOLDERS' EQUITY			December 31, 2015		December 31, 2014 (re-compilation)		January 1, 2014 (re-compilation)	
A/C No.	Accounts	Note	Amount	%	Amount	%	Amount	%
	LIABILITIES							
21000	Due to Central Bank of China and other banks	6.16	$9,155,382	3	$9,519,129	4	$15,024,665	6
22000	Financial liabilities at fair value through profit or loss	6.17	19,754	–	23,237	–	5,621	–
22500	Bills and bonds sold under agreements to repurchase	6.18	1,071,084	–	61,121	–	68,019	–
23000	Accounts payable	6.19	2,766,661	1	2,863,920	1	2,744,219	1
23200	Income tax liabilities	6.7	45,862	–	–	–	5,813	–
23500	Deposits and remittances	6.20	229,844,457	88	237,008,557	87	198,765,408	85
24000	Bank debentures	6.21	7,000,000	3	7,000,000	3	6,000,000	3
25500	Other financial liabilities	6.22	175,385	–	178,408	–	138,703	–
25600	Provisions	6.23	1,036,043	–	967,763	–	866,411	–
29500	Other liabilities	6.24	123,698	–	149,871	–	144,849	–
20000	**Total liabilities**		$251,238,326	95	$257,772,006	95	$223,763,708	95
	SHAREHOLDERS' EQUITY							
31101	Ordinary share	6.25	$7,788,659	3	$7,403,514	3	$7,210,492	3
31500	Capital surplus	6.25	1,872,395	1	1,872,395	1	2,016,605	1
32000	Retained earnings							
32001	Legal reserve	6.25	1,606,232	1	1,458,030	1	1,393,756	1
32003	Special reserve	6.25	–	–	86,057	–	–	–
32005	Unappropriated earnings	6.26	607,376	–	484,322	–	205,182	–
	Total retained earnings		$2,213,608	1	$2,028,409	1	$1,598,938	1
32500	Other equity	6.25	$27,081	–	$16,721	–	($86,057)	–
30000	**Total equity**		$11,901,743	5	$11,321,039	5	$10,739,978	5
	TOTAL		$263,140,069	100	$269,093,045	100	$234,503,686	100

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

Chairman：Ruey-Tsang Lee　　President：Moan-Sheng Huang　　Chief Accountant：Anna Hsu

6.5.2 Statements of Comprehensive Income

BANK OF KAOHSIUNG CO., LTD.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Unit：NT$ Thousand

A/C No.	Accounts	Note	2015		2014 (re-compilation)		Change%
			Amount	%	Amount	%	
41000	Interest income		$4,780,347	146	$4,613,680	137	4
51000	Less: Interest expenses		(2,298,871)	(70)	(2,146,180)	(64)	7
49010	Net interest income	6.27	$2,481,476	76	$2,467,500	73	1
	Net Revenues Other Than Interest						
49100	Commission and fee revenues, net	6.28	$464,672	14	$428,878	12	8
49200	Gain or loss on financial assets and liabilities at fair value through profit or loss	6.29	(71,940)	(2)	(123,596)	(4)	(42)
49300	Realized gain(loss) on available-for-sale financial assets	6.30	13,849	—	23,502	1	(41)
49400	Realized gain (loss) of held-to-maturity financial assets	6.10	28,564	1	—	—	100
49600	Foreign exchange gain (loss)	6.31	233,654	7	227,353	7	3
49700	Reversal of impairment loss on assets	6.32	(23,586)	(1)	88,294	3	(127)
49500	Adoption, the share of affiliates recognized under the equity method subsidiaries and joint loss.	6.11	56,263	2	46,168	1	22
49800	Other net non-interest income						
49805	Net gain or loss of financial assets measured at cost	6.33	54,030	2	52,788	2	2
49813	Net investing gain or loss on debt investments without active market	6.34	10,606	—	89,499	3	(88)
49899	Other miscellaneous incomes (loss)	6.35	16,569	1	65,019	2	(75)
	Net revenue		$3,264,157	100	$3,365,405	100	(3)
58200	Allowance for credit loss and loss on guarantees	6.9	(370,586)	(11)	(691,079)	(21)	(46)
58400	Operating expenses						
58500	Employee benefits expenses	6.36	($1,476,329)	(45)	(1,439,702)	(43)	3
59000	Depreciation expenses and amortization	6.37	(81,384)	(2)	(74,668)	(2)	9
59500	Other business and administrative expenses	6.38	(694,118)	(21)	(659,731)	(20)	5
61001	Net income (loss) from continuing operations before income tax		$641,740	21	$500,225	14	28
61003	Income tax (expense) benefit	6.7	(50,409)	(2)	8,300	—	707
64000	Net income (loss)		$591,331	19	$508,525	14	16
	Other comprehensive income:						
	Items not classified as income						
65201	Reevaluation value of determined benefit plan		(38,181)	(1)	(25,238)	(1)	51
65220	Income tax benefit (expense) related to items without reclassification		6,490	—	4,290	—	51
	Items subject to subsequent reclassification as incomes						
65301	Exchange difference from conversion of financial statements of overseas operation segments		($23,874)	(1)	$21,592	1	(211)
65302	Unrealized evaluation gain (loss) of financial assets available for sale		30,360	1	84,904	3	(64)
65320	Income tax benefit (expense) related to items subject to subsequent classification		4,059	—	(3,670)	—	(211)
65000	Other comprehensive income for the period, net of income tax	6.25	($21,146)	(1)	$81,878	3	(126)
66000	Total Comprehensive Income For The Period		$570,185	18	$590,403	17	(3)
	Earnings per share (NT$):						
67500	Basic and diluted earnings per share	6.38	$0.76		$0.66		

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

Chairman：Ruey-Tsang Lee　　President：Moan-Sheng Huang　　Chief Accountant：Anna Hsu

6.5.3 Statement of Changes in Equity

BANK OF KAOHSIUNG CO., LTD.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Unit：NT$ Thousand

Items	Capital Stock	Capital Surplus	Retained Earnings				Other Equity				Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences On Translating The Financial Statements Of Foreign Operations	Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Other	Total	
BALANCE, JANUARY 1, 2014	$7,210,492	$2,016,605	$1,393,756	$ —	$214,246	$1,608,002	$1,822	($88,333)	$454	($86,057)	$10,749,042
The impact of recompilation and applicability in retrospect	—	—	—	—	(9,064)	(9,064)	—	—	—	—	(9,064)
Balance at beginning of period after recompilation	$7,210,492	$2,016,605	$1,393,756	$ —	$205,182	$1,598,938	$1,822	($88,333)	$454	($86,057)	$10,739,978
Additional paid-in capital transferred to capital	144,210	(144,210)	—	—	—	—	—	—	—	—	—
Employee stock dividend	5,549	—	—	—	(422)	(422)	—	—	—	—	5,127
Appropriation of prior year's earnings:											
Legal reserve	—	—	64,274	—	(64,274)	—	—	—	—	—	—
Appropriating special reserve	—	—	—	86,057	(86,057)	—	—	—	—	—	—
Cash dividends	—	—	—	—	(14,421)	(14,421)	—	—	—	—	(14,421)
Capital increase by capitalization of earnings	43,263	—	—	—	(43,263)	(43,263)	—	—	—	—	—
Net income (loss)	—	—	—	—	508,525	508,525	—	—	—	—	508,525
Other comprehensive income for the period	—	—	—	—	(20,948)	(20,948)	17,922	84,904	—	102,826	81,878
Total comprehensive income for the period	$ —	$ —	$ —	$ —	$487,577	$487,577	$17,922	$84,904	$ —	$102,826	$590,403
Other	—	—	—	—	—	—	—	—	(48)	(48)	(48)
Total Changes	$193,022	($144,210)	$64,274	$86,057	$279,140	$429,471	$17,922	$84,904	($48)	$102,778	$581,061
BALANCE, DECEMBER 31, 2014(re-compilation)	$7,403,514	$1,872,395	$1,458,030	$86,057	$484,322	$2,028,409	$19,744	($3,429)	$406	$16,721	$11,321,039
BALANCE, JANUARY 1, 2015	$7,403,514	$1,872,395	$1,458,030	$86,057	$494,005	$2,038,092	$19,744	($3,429)	$406	$16,721	$11,330,722
The impact of recompilation and applicability in retrospect	—	—	—	—	(9,683)	(9,683)	—	—	—	—	(9,683)
Balance at beginning of period after recompilation	$7,403,514	$1,872,395	$1,458,030	$86,057	$484,322	$2,028,409	$19,744	($3,429)	$406	$16,721	$11,321,039
Employee stock dividend	37,180	—	—	—	(4,276)	(4,276)	—	—	—	—	32,904
Appropriation of prior year's earnings:											
Legal reserve	—	—	148,202	—	(148,202)	—	—	—	—	—	—
Reversal of special reserve	—	—	—	(86,057)	86,057	—	—	—	—	—	—
Cash dividends	—	—	—	—	(22,200)	(22,200)	—	—	—	—	(22,200)
Capital increase by capitalization of earnings	347,965	—	—	—	(347,965)	(347,965)	—	—	—	—	—
Net income (loss)	—	—	—	—	591,331	591,331	—	—	—	—	591,331
Other comprehensive income for the period	—	—	—	—	(31,691)	(31,691)	(19,815)	30,360	—	10,545	(21,146)
Total comprehensive income for the period	$ —	$ —	$ —	$ —	$559,640	$559,640	($19,815)	$30,360	$ —	$10,545	$570,185
Other	—	—	—	—	—	—	—	—	(185)	(185)	(185)
Total Changes	$385,145	$ —	$148,202	($86,057)	$123,054	$185,199	($19,815)	$30,360	($185)	$10,360	$580,704
BALANCE, DECEMBER 31, 2015	$7,788,659	$1,872,395	$1,606,232	$ —	$607,376	$2,213,608	($71)	$26,931	$221	$27,081	$11,901,743

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

Chairman：Ruey-Tsang Lee　　President：Moan-Sheng Huang　　Chief Accountant：Anna Hsu

6.5.4 Statements of Cash Flows

BANK OF KAOHSIUNG CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Unit：NT$ Thousand

Items	2015	2014 (re-compilation)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) before income tax	$641,740	$500,225
Adjustments:		
Earnings and loss		
Depreciation expenses	60,406	57,575
Amortization expenses	20,978	17,093
Allowance for or (reversal) of credit losses	474,723	840,932
Net (gain) or loss on financial assets and liabilities at fair value through profit or loss	71,940	123,596
Interest expenses	2,298,871	2,146,180
Interest income	(4,780,347)	(4,613,680)
Dividend income	(52,827)	(51,537)
Net changes in credit guarantees	—	29,000
Adoption, the share of affiliates recognized under the equity method subsidiaries and joint loss.	(56,263)	(46,168)
Loss (gain) on disposal of investments	(53,019)	(113,001)
Loss on impairment of financial assets	23,586	101,904
Impairment (reversal gain) on non-financial assets	—	(190,198)
Total of earnings and losses	($1,991,952)	($1,698,304)
Changes in operating assets and liabilities:		
Net changes in operating assets		
Increase in due from the Central Bank of China and other banks	($201,714)	$76,702
Decrease (increase) in financial assets at fair value through profit or loss	7,019,842	(9,491,273)
Decrease (increase) in accounts receivable	(79,143)	(105,089)
Decrease (increase) in discounts and loans	16,468,803	(5,450,740)
Decrease (increase) in available-for-sale financial assets	(10,651,233)	(6,843,505)
Decrease (increase) in held-to-maturity financial assets	(8,961,273)	(2,746,339)
Decrease (increase) in other financial assets	(387,067)	202,671
Total net changes in operating assets	$3,208,215	($24,357,573)
Net changes in operating liabilities		
Increase (decrease) in due to Central Bank of China and other banks	($363,747)	($5,505,536)
Increase (decrease) in bills and bonds sold under agreements to repurchase	1,009,963	(6,898)
Increase (decrease) in accounts payable	(59,655)	106,097
Increase (decrease) in deposits and remittances	(7,164,100)	38,243,149
Increase (decrease) in other financial liabilities	(3,023)	39,705
Increase (decrease) in provisions for employee benefits	29,620	47,114
Total net changes in operating liabilities	($6,550,942)	$32,923,631
Total net changes in operating assets and liabilities	($3,342,727)	$8,566,058
Total adjustments	($5,334,679)	$6,867,754

（Continued on next page）

Net cash provided by (used in) operations	($4,692,939)	$7,367,979
Interest received	4,662,688	4,622,776
Dividends received	98,658	96,470
Interest paid	(2,303,571)	(2,127,449)
Income tax refunded (paid)	(48,612)	(40,220)
Net cash provided by (used in) operating activities	($2,283,776)	$9,919,556
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets measured at cost	$ —	($43,000)
Acquisition of property and equipment	(27,354)	(101,857)
Acquisition of intangible assets	(21,720)	(37,759)
Increase in other financial assets	—	(5,373)
Decrease in other financial assets	7,974	—
Increase in other assets	(51,351)	(12,671)
Net cash provided by (used in) investing activities	($92,451)	($200,660)
CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of bank debentures	$ —	$1,000,000
Increase in guarantee deposit received	—	5,412
Decrease in guarantee deposit received	(2,257)	—
Decrease in other liabilities	(23,437)	(390)
Distribution of cash dividends	(22,200)	(14,421)
Net cash provided by (used in) financing activities	($47,894)	$990,601
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH & CASH EQUIVALENTS	($23,874)	$21,592
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	($2,447,995)	$10,731,089
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	33,768,660	23,037,571
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$31,320,665	$33,768,660
Composition of cash & cash equivalents:		
Cash and cash equivalents in balance sheets	$3,384,493	$4,107,906
Due from the Central Bank of China and other banks that meet the definition of cash & cash equivalents in IAS No.7	7,870,737	16,275,436
Bills and bonds purchased under agreements to resell that meet the definition of cash & cash equivalents in IAS No. 7	20,065,435	13,385,318
Cash and cash equivalents in consolidated statements of cash flows	$31,320,665	$33,768,660

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

Chairman：Ruey-Tsang Lee　　President：Moan-Sheng Huang　　Chief Accountant：Anna Hsu

6.6 Financial Difficulties that Occurred to the Bank of Kaohsiung and the Related Parties for FY 2015 & up to Mar. 2016: None.

7.1 Analysis of Financial Status

Unit：NT$ Million

Items \ FY	Dec. 31, 2015	Dec. 31, 2014 (re-compilation)	Increase (decrease) Amount	Increase (decrease) Rate (%)	
Cash & cash equivalents、Due from the Central Bank of China and other banks	18,353	27,279	(8,926)	(Note1)	(32.72)
Financial assets at fair value through profit or loss	3,880	10,976	(7,096)	(Note2)	(64.65)
Available-for-sale financial assets, net	36,837	26,141	10,696	(Note3)	40.92
Bills and bonds purchased under agreements to resell	20,065	13,385	6,680	(Note4)	49.91
Accounts receivable, net	1,027	855	172		20.12
Current income tax assets	24	26	(2)		(7.69)
Discounts and loans, net	165,944	182,883	(16,939)	(Note5)	(9.26)
Held-to-Maturity financial assets, net	11,736	2,746	8,990	(Note6)	327.39
Other financial assets, net	1,824	1,448	376		26.04
Property and equipment, net	2,945	2,979	(34)		(1.14)
Intangible assets, net	69	65	4		6.15
Deferred income tax assets, net	230	173	57		32.95
Other assets	117	69	48		68.12
Total Assets	263,051	269,025	(5,974)		(2.22)
Due to Central Bank of China and other banks	9,155	9,519	(364)		(3.82)
Financial liabilities at fair value through profit or loss	20	23	(3)		(13.04)
Bills and bonds sold under agreements to repurchase	1,071	61	1,010	(Note7)	1,655.74
Accounts payable	2,775	2,872	(97)		(3.38)
Current income tax liabilities	53	5	48	(Note8)	960.00
Deposits and remittances	229,740	236,928	(7,188)	(Note9)	(3.03)
Bonds payable	7,000	7,000	0		0.00
Other financial liabilities	175	178	(3)		(1.69)
Provisions	1,036	968	68		7.02
Other liabilities	124	150	(26)		(17.33)
Total Liabilities	251,149	257,704	(6,555)		(2.54)
Equity Attributable to Shareholders of the Parent					
Capital	7,789	7,404	385		5.20
Capital surplus	1,872	1,872	0		0.00
Retained earnings	2,214	2,028	186		9.17
Other equity	27	17	10		58.82
Total Equity	11,902	11,321	581		5.13

Note: Major reasons for change in assets, liabilities, and equity during the past two years:

1. Mainly due to the decrease in the purchasing of certificates of deposits from the Central Bank.
2. Mainly due to the decrease of the holding of financial assets available for sale.
3. Mainly due to the increase of selling negotiable certificates of deposits avilable for sale to the Central Bank.
4. Mainly due to the increase of R/P bonds.
5. Mainly due to the decrease of short-term loans.
6. Mainly due to the increase of held-to-maturity domestic government bonds.
7. Mainly due to the increase of R/P bank debentures.
8. Mainly due to the increase of payable income tax in the current period.
9. Mainly due to the decrease of time deposits and the increase of time saving deposits.

7.2 Analysis of Financial Results

Unit：NT$ Million

Items \ FY	Jan. 1~Dec. 31, 2015	Jan. 1~Dec. 31, 2014 (re-compilation)	Increase (decrease) Amount	Increase (decrease) Rate (%)
Interest income	4,780	4,614	166	(Note1) 3.60
Less: Interest expenses	(2,298)	(2,146)	(152)	(Note2) 7.08
Net interest income	2,482	2,468	14	0.57
Net Revenues Other Than Interest	833	932	(99)	(10.62)
Net revenue	3,315	3,400	(85)	(2.50)
Allowance for credit loss and loss on guarantees	(371)	(691)	320	(Note3) (46.31)
Operating expenses	(2,291)	(2,198)	(92)	4.18
Net income (loss) before income tax	653	510	143	28.04
Income tax (expense) benefit	(62)	(1)	(61)	6,100.00
Net income (loss)－operating department	591	509	82	16.11
Net income (loss)－non-operating department	0	0	0	－
Net income (loss)	591	509	82	16.11
Other comprehensive income for the period, net of income tax	(21)	81	(102)	(Note4) (125.93)
Total comprehensive income for the period	570	590	(20)	(3.39)
Net income (loss) attributable to: Shareholders of the parent	591	509	82	16.11
Net income (loss) attributable to: Minority interest	0	0	0	－
Total comprehensive income for the period attributable to: Shareholders of the parent	570	590	(20)	(3.39)
Total comprehensive income for the period attributable to: Minority interest	0	0	0	－
Earnings per share (NT$)	0.76	0.66	0.10	15.15

Note: Major reasons for change in assets, liabilities, and equity during the past two years:
1. Mainly due to the increase of income from discounts and interest for loans, and interest income from securities investment.
2. Mainly due to the increase in interest income from deposits.
3. Mainly due to the decrease of provisions for bad debts.
4. Mainly due to the decrease of the exchange difference from the conversion of financial statements of overseas operation segments and the unrealized gains from financial assets available for sale.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Past Two Years

Unit：%

Items \ FY	2015	2014	Increase (decrease) Rate(%)
Cash flow ratio (%)	Note1	87.10	－
Cash flow adequacy ratio (%)	1,022.91	2,331.83	Note2 (56.00)
Cash flow satisfied ratio (%)	Note1	4,939.84	－

Note：1. FY 2015 was cash flow from operating activities was a net outflow.
2. The decrease of the cash flow adequacy ratio was mainly due to the decrease of net cash flow from operations over the last 5 years.

7.3.2 Next Year Cash Flow Analysis

Unit：NT$ Million

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow (Used) by Operating Activities (2)	Estimated Cash Outflow (3)	Cash Surplus (Deficit) (1) + (2) - (3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
31,321	(1,424)	3,258	26,639	—	—

Note：1. Analysis of changes in cash flow estimates next year:
(1) Operating activities: Estimated discount and due to increased lending.
(2) Cash outflow: Estimated increase in maturity financial bonds issued to pay the amount due.
2. Correction action for deficit in cash and liquidity analyses:
(1) Investing plans: None.
(2) Financing plans: None.

7.4 The Impact of Major Capital Expenditures on Financial Operations in FY 2015

7.4.1 Utilization of Capital Expenditure and Source of Funds

Unit：NT$ Million

Capital Expenditure Project	Source of Fund	Projected Completion Date	Fund Needed	Utilization of Fund
Project for the online banking system installation	Earnings support	2016.6.30	About 70 million	1. It was pay 35 million in 2015. 2. It is expected to pay 35 million in 2016.

7.4.2 Estimated potential effects:

"Project for the online banking system installation" not only updates the personal online banking and corporate banking system of the Bank, but also improves the operational safety mechanism, the service quality for customers and the expansion of services and competitiveness of the Bank.

7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plan for the Coming Year.

7.5.1 Investment policy for 2015 and investment plans for the next year:

In 2015, the Bank didn't new investments. The Bank will continuously observe and understand the development trend of the market in accordance with active and stable investment policies, and proceed with investment insofar as it is permitted by law upon appraisal of the cost and benefit subject to the needs for the development of the Bank's business and the whole industry.

7.5.2 The Gain on the Transfer Investment in the Last Two Years

Unit：NT$ Million

FY	Amount of profit	Source of profit
2015	109	Recognized earnings and cash Dividends
2014	99	Recognized earnings and cash Dividends

7.5.3 The Loss on the Transfer Investment in the Last Two Years

Unit：NT$ Million

FY	Amount of loss	Source of loss
2015	0	None.
2014	60.26	Asset impairment is recognized for Taiwan High Speed Rail Corporation of investee.

7.6 Analysis & Evaluation of Risk Management

7.6.1 Qualitative and Quantitative Information of the Various Risks

1. Credit risks management system and capital charge.

(1) Credit risks management system:

FY 2015

Items	Contents
1. Credit risks strategy, target, policy and flow.	■ Strategy The Bank adopts stable credit extension strategies, adjust local finance, help public works, boost industrial and commercial development, strengthen financing to small- and medium-size enterprises, upgrade credit extension quality and achieve the Bank's purpose and business objectives. To increase the profit margin and take risk into account, business strategies should be included in annual operational plans (Ex. increase guarantee fund guarantee credit extension transferred by small-and medium-size enterprises and loans to city governments), and adjusts its loan portfolio from time to time in response to future political and economic developments. ■ Target The Bank's credit risk management objective is to establish the credit risk management mechanism recognized and complied with throughout the Bank, to identify, measure and control the credit risk to be borne by the Bank, ensure that the Bank's credit risk is maintained within the tolerable extent, maintain the balance between the credit risk and remuneration borne by the Bank and keep the adequate credit risk capital to manage the Bank's credit risk stably. ■ Policy In order to fulfill the Bank's credit risk management strategies, the Bank defines the following relevant credit risk management policies and regulations: ◆ Investigation/credit extension procedure: Stipulate the procedure to standardize the review procedure for credit extension applications, strengthen the internal management and upgrade the service efficiency. ◆ Approving authority: Stipulate the approving authority for credit extension cases, and provide the relevant licensing standards and approving procedure with respect to the change of credit extension terms to achieve the divisional responsibility and shorten the credit extension procedure. ◆ Limit of credit extension: Sets the limit of credit extension and combined credit llimit with respect to counterparts, industries, territories and nations, and plans and controls the credit extension portfolio in a timely manner lower credit extension risk. ◆ Risk pricing: Determine cost of risk that corresponds to internal rating of customers, and put into pricing of products. ◆ Post-loan management and risk control: The follow-up and appraisal case by case upon granting the loans, so that it might take appropriate steps to protect the credit right, if necessary. • Audit on loans: Audit on the compliance with review procedure and laws and regulations about credit investigation procedure for loaning. • Reexamine credit extension: The credit extension and reexamination are handled by different persons. According to the extent of risk exposure, periodic and irregular reexamination on credit extension shall be conducted in writing or in the form of on-site survey, to verify whether the credit extension customers may utilize the loan truly in accordance with the original plan and perform the contract and other agreements. Additionally, the branch's location, international economic condition and change in local political and economic condition are also the reference for frequency of the recheck. • Control of credit extension quality: The Bank's business supervising entities supervise and control business entities, overestimated extension credit.

Items	Contents
	◆ NPL management: Apart from stringent collection procedures and allowances for overdue loans pursuant to the competent authority's laws and regulations, in order to accelerate clearing NPL, the Bank also defines the guidelines governing the sale of NPL. ◆ Accounting management: The credit extension accounting and archive are handled by the dedicated persons, and the procedure for documentation and archive is defined. ■ Flow The Bank's credit risk management procedures are categorized as identification, measurement, communication and control: ◆ Identification： Source of credit risk, including borrowers' default risk, deterioration of credit rating, collateral devaluation, the defaults of financial derivative issuers or counterparties etc. The identification of credit risk must also account for internal operations and changes in the external environment when determining proper risk factors. The Bank's credit risk management procedures require that each business entity should verify the credit risk involved therein before underwriting any business, and also identify the possibility of breach in the process of credit extension, investment or transaction. ◆ Measurement： Depending on the trading counterpart, purpose of capital, source of repayment, protection of credit right and prospect of borrowers, the Bank collects credit information and evaluates the credit extension applications. Also, the Bank establishes an internal rating system to properly assess and monitor customers' credit risks. Major factors of credit assessment include: internal ratings, external ratings, impairment probabilities, loss given default, the exposure, the likelihood of asset impairment, the statutory capital etc. ◆ Communication： Risk management units report regularly to senior executives all information relating to credit risk management. This information is also communicated to the board of directors and disclosed to the public on a regular basis. ◆ Monitor and Controlling： The scope of credit risk management covers credit risks arising from all on-balance sheets as well as off-balance sheet items. Through information systems, the Bank monitors and manages various limits imposed on credit assets to ensure that credit asset composition, concentration, and large exposures are within manageable levels. The credit risk monitoring mechanism of the Bank includes credit risk management, concentration and limit management, collateral value assessment, asset quality management, post-lending management, exceptional loan management, and investment risk management.
2. Credit risks management organization and strucure.	The Bank's credit risk management organization and structure as following: ◆ Board of Directors: authorize the important credit risk policies according to the entire operating strategies and business environment to ensure the effective operation of credit risk management, which is the supreme policy-making entity of the Bank's credit risk management. ◆ Asset and liability and risk management committee: Drafting and reviewing financial improvement plans and management matters related to asset and liability and risk management matter, such as the review of capital adequacy ratio, capital increase, issue of financial bonds. ◆ Credit Evaluation Committee: responsible for evaluating credit applications that require levels of approval authority higher (inclusive) than Deputy General Managers. ◆ Investment Evaluation Committee: responsible for evaluating the investment in securities.

Items	Contents
	◆ Risk Management Dept.: responsible for integrating the Bank's credit risk management operation, executing the credit risk management monitoring for the entire bank, summarizing the Bank's credit risk management information and reporting it to the Asset and Liability and Risk Management Committee and the Board of Directors periodically, and handling the credit risk capital charge and disclosure of information pursuant to the competent authority's requirements. ◆ Business Supervising Entities: Executing the credit risk policies approved by the Board, being responsible for the credit risk control of the operation it is in charge of, knowing the credit risk of the business handled by them, include the risk management when defining the various business requirements, and managing and supervising the business entities' execution of business, and helping Risk Management Dept. to complete the control of the Bank's credit risk. ◆ Business Entities: Comply with the Bank's credit investigation, credit extension and credit risk management requirements to engage in the routines for credit risk management, confirm the accuracy and sufficiency of the information, and report to the various business supervising entities or Risk Management Division pursuant to the requirements.
3. Report of credit risks, scope and features of measuring system	(1) E-Loan System The establishment of the E-Loan system started in connection with credit information system provided by the Joint Credit Information Center, the check inquiry system of Taiwan Clearing House, and land administration database. Since E-Loan performs analyses based on borrowers' historical risk factors stored in system database, the system make it possible to manage credit risks using statistical management. (2) Internal Rating System The Corporate Banking segment adopted an expert model scorecard for credit rating, while the Consumer Banking segment adopted a personal credit rating scorecard. These scorecards were developed by the Credit Assessment Department of the Bank's Credit Administration Division based on fundamental credit theories, and historical experience characteristics of borrowers, debt servicing capabilities, prospects, and collaterals are also taken into consideration for a complete credit assessment and effective segregation of customers' risk grades. (3) External Rating System The Taiwan Corporate Risk Index (TCRI) published by Taiwan Economic Journal (TEJ) is used to evaluate the credit risks of companies listed on Taiwan Stock Exchange, GreTai Securities Market, Emerging Stock Market, and other stock exchanges. (4) Management of Concentration risk The Bank regularly and irregularly monitors credit risk exposures through various perspectives based on risk management reports. Caps were imposed to ensure close monitoring of concentration risk. The Bank established the "Mobile Banking" and "Mobile Payment" platforms in 2014, which provides customers multiple services of account transfer, paying fees, financial management, and payment via smart phones; the "New Era Online Banking System" is launched in 2016, creating whole new personal online banking, online counter 3.0 and corporate financial network in order to establish comprehensive Bank 3.0 digital finance environment. (5) Stress Testing A. The Bank set the "Minor" and "Severe" pressure scenario based on the overall economic environment (e.g. economic growth rate, unemployment rate and house price), corporate banking (operating revenue of public non-electronic/electronic manufacturers/service suppliers, and operating revenue of non-public non-electronic/electronic manufacturers/service suppliers), and consumer banking (e.g. collateral for real estate in various districts, house price in various districts, revenue of military, government officer and teacher, and revenue of advantaged/general/disadvantaged groups in the market). B. Structure the risk based on the loans to sale ratio, full security ratio, CLTV and DBR.

Items	Contents
	C. The expected loan, credit derivative products and investment loss is estimated by multiplying by PD provided by JCIC and LGD and EAD of the Bank (PD x LGD x EAD) to complete the pressure test and evaluate the Bank's ability to tolerate loss. Risk Management Division will conduct a pressure test each year, and submit the pressure test report to Board of Directors for approval, and then to FSC. Monthly credit risk monitoring results reported Assets and Liabilities and Risk Management Committee. The credit risk monitoring quarterly results reported Assets and Liabilities and Risk Management Committee and the Board of Directors.
4. Credit risk hedging or risk mitigation policy, and strategies and procedures for continuous validity of supervision, avoidance and risk mitigation tools.	(1) Collateral Management The Bank has established policies and limits relating to the categories and quantities of collaterals, and the exposures they are permitted to secure. These collaterals are revalued through proper procedures and are inspected on a regular or irregular basis. In addition, the Bank performs due diligence assessments on the coverage and legality of guarantees provided by guarantor over debt entitlements to ensure the effectiveness of credit guarantees, which also forms part of a credit decision. (2) Post-Lending Management The Bank conducts regular credit reviews on approved credit cases. Customers of different risk grades are subject to varying extents and frequencies of reviews and limit caps. These regular reviews facilitate the Bank's apprehension and response over changes in customers' risks. (3) External Credit Guarantees Lending to small and medium enterprises with weaker credit quality or insufficient collateral may be enhanced through the guarantees of the "Small and Medium Enterprise Credit Guarantee Fund". According to The Banking Law, credit guarantee institutions approved by the government may provide guarantees for the benefit of Bank. (4) Credit risk Audit Policy The internal audit unit performs regular audits over the progress and process of credit product initiation, credit policy establishment, credit assessments, debt management etc to properly monitor credit risk.
5. Method adopted for providing statutory capital.	The Standardized Approach.

(2) Exposure and capital charge after risk mitigation under the credit risk standard approach

March 31, 2016

Unit：NT$ Million

Items	Exposure after Risk Mitigation	Capital Charge
Sovereign country	45,935	3
Non-central government public sector	32,733	765
Banks (including multi-development banks)	7,774	146
Enterprise (including securities and insurance)	69,846	5,418
Retail exposure	46,582	2,826
Real estate for residential	33,843	2,202
Equity securities investments	75	24
Other assets	4,880	299
Total	241,668	11,683

2. Asset Securitization Risk Management System, Exposure and Capital Charge:

(1) Securitization risk management system:

FY 2015

Items	Contents
1. Asset securitization risk management strategy and flow.	The Bank only engages in the investing activities with respect to asset securitization products, and never played the role of founding bank, service organization, credit enhancement organization or liquidity financing provider. The investment policies and management procedure with respect to asset securitization products shall be managed in accordance with the Bank's rules for management of marketable securities.
2. Asset securitization risk organization and structure.	The Bank executes control and reports on the credit risks, operational risks, market risks, interest rate risks, and liquidity risks that could be generated from investment activities in securitized instruments pursuant to the management organization and structure stated in the "Risk Management Policies and Procedures" of The Bank.
3. Asset securitization risk scope and features of managing report, measuring system.	The Bank regularly performs risk evaluations on securitized instruments and reports them to high-ranking supervisors.
4. Asset securitization risk hedging or risk mitigation policy, and strategies and procedures for continuous validity of supervision, avoidance and risk mitigation tools.	The Bank never played the role of the originator bank or liquidity financing provider and, therefore, has not yet developed any policies related to the asset securitization hedging or risk reduction. If the Bank wishes to engage in said business, it is necessary to define the relevant management policies first.
5. Methods adopted to legal capital charge.	The Standardized Approach.
6. general qualitative disclosure requirements, comprising: (1) The purpose of engaging in asset securitization activities, and banks engaged in re-securitization activities and risks borne by the type reserved. (2) Other assets securitized risks (eg liquidity risk) inherent. (3) asset securitization process, banks play a variety of roles, and the degree of participation of banks in each process. (4) describe changes in the credit and market risk of securitization exposures involved in the monitoring process adopted. (5) the Bank at risk securitization and re-securitization of credits reserved, the use of credit risk.	None.
7. Summary of bank asset securitization accounting policies.	None.
8. In the banking book, the asset securitization used external rating agency (ECAI) name, and its use in the case of securitization exposures for each asset class.	None.
9. Interpretation (such as asset moves in the inter-bank book and the trading book) any material changes since the last reporting period of quantitative information.	None.

(2) Securitization: None.

(3) Exposure and capital charge after securitization risk by type of trading:

March 31, 2016

Unit: NT$ Thousand

The role of bank / Type of books / Type of Risk Exposure		Type of Assets	Traditional					combo		Total		
			Amount of Risk Exposure				Capital Charge (2)	Amount of Risk Exposure	Capital Charge (4)	Amount of Risk Exposure (5)=(1)+(3)	Capital Charge (6)=(2)+(4)	Capital Charge before Securitization Risk
			Reserve or purchase	Liquidity financing facility is provided	Provide credit enhancement.	Subtotal (1)		Reserve or purchase (3)				
Non-Originator bank	Banking	Collateralized Debt Obligation (CDO)										
		Collateralized Loan Obligation (CLO)	128,760			128,760	2,060			128,760	2,060	
		Structured Investment Vehicle (SIV)										
	Trading											
	Subtotal		128,760			128,760	2,060			128,760	2,060	
Originator bank	Banking											
	Trading											
	Subtotal											
Total			128,760			128,760	2,060			128,760	2,060	

(4) Information on securitized products

A. Summarization of information about investment in securitization products.

March 31, 2016

Unit: NT$ Thousand

Items	Account	Original Cost	Accumulated Value Income	Accumulated Impairment	Book Value
Collateralized Debt Obligation (CDO)	Bond investment without market price	0	0	0	0
Collateralized Loan Obligation (CLO)		128,760	0	0	128,760
Structured Investment Vehicle (SIV)		0	0	0	0

Note: Original Cost means the cost after discount/premium amortization (including exchange rate effect), not the original purchasing cost.

B. (A) Information about initial cost of single transaction for investment in securitization products amounting to more than NT$300 million: None.

(B) Information pertaining to: the position held by the Bank, which serves as an initiating organization of securitization, for the purpose of credit rating enhancement: None.

(C) Information pertaining to: The Bank acting in the process of securitization as a buyer of assets with impaired credit or purchasing institution in a liquidation process: None.

C. Information on: The Bank acting as a guaranteeing institution for securitized products or the balance of liquidity loan provided by the Bank: None.

3. Operational Risks Management System and Capital Charge

(1) Operational risks management system:

FY 2015

Item	Contents
1. Operational risks management strategy and flow.	■ Strategy Through the establishment of an operational risk management system, the Bank seeks to quantify and formalize operational risk management as part of sound corporate governance. The Bank monitors operational risks of its various business activities through proper risk management policies, procedures, and tools in an attempt to minimize potential losses, strengthen our business foundation, and increase shareholders' equity. ■ Flow Through operational risk data collection, key risk indicators system (KRI) and operational risk control self-assessments (RCSA), the Banks seeks to enhance operational risk identification, measurement, communication and control to reduce operational risk, and deliver higher service quality. ◆ Identity： Business units are responsible of identifying, assessing, and reporting the potential risks within the Bank's operating procedures. If the evaluation result shows a high-risk level, it is necessary to explore the root cause and propose "correction action", and propose countermeasure against the loss of specific amount to prevent, control or reduce the operational risk. ◆ Measure： Ensure systematic collection of loss events data, key risk indicators system, risk control self-assessments, establishment of a loss database, collection of key indictor data, and risk assessment of core businesses to facilitate effective documentation, evaluation, analysis, and management of operational risks. ◆ Communication： In the occurrence of an operational risk event, the unit where the event has occurred must report promptly the area of responsibility and the nature of event through proper procedures. The risk management unit consolidates operational risk management information regularly from various sources and compiles operational risk analysis reports.

Item	Contents
	◆ Monitor and Controlling： Gain an understanding of operational risk exposures through analyses of quarterly loss statistics; produce regular operational risk reports for each business unit to supervise rectification within their areas of responsibility, and to strengthen the Bank's business foundation.
2. Operational risks management organization and structure.	The Bank's operating risk management organization and structure as following: ◆ Board of Directors: authorize the important Operational risks policies according to the entire operating strategies and business environment to ensure the effective operation of credit risk management, which is the supreme policy-making entity of the Bank's credit risk management. ◆ Asset and liability and risk management committee: Drafting and reviewing financial improvement plans and management matters related to asset and liability and risk management matter, such as the review of capital adequacy ratio, capital increase, issue of financial bonds. ◆ Business R&D Taskforce: responsible for the renovation projects, research and suggestions of the Bank's businesses. ◆ Risk Management Dept.: responsible for integrating the Bank's operational risks, summarizing the Bank's operational risks management information and reporting it to Board of Directors periodically, and handling the operational risks capital charge and disclosure of information pursuant to the competent authority's requirements. ◆ Business Supervising Entities: know the operational risks of the business handled by them, include the risk management when defining the various business requirements, and managing and supervising the business entities' execution of business, and helping Risk Management Dept. complete the control of the Bank's Operational risks. ◆ Business Entities: comply with the relevant operational guidelines and internal control regulations to engage in the routines for operating risk management, confirm the accuracy and sufficiency of the information, and report to the various business supervising entities or Risk Management Dept. pursuant to the requirements.
3. Operational risks scope and features of managing report, measuring system.	The Bank incorporates the three functions of "Collection of loss data", "key risk indicators system", and "operational risk control self-assessments" to enhance operational risk management. (1) Loss Data Collection(LDC) The Bank uses the system to gather loss incidents and classifies them according to eight major business categories and seven major loss incident types. The Bank assesses the impact of the incident, amount of loss, the expense involved, the amount of recovery, and the net loss, as the basis for improvement. (2) Key Risk Indicator (KRI) The system captures major indicators across 5 areas (internal operations, personnel, system, external events, and overall) at various frequencies of observation (monthly, quarterly, semi-annually, and annually) and analyzes operational risks by monitoring statistical changes through time. (3) Risk Control Self-Assessment (RCSA) Evaluating past experience through the RCSA system used by all units, the Bank's core business units, including deposit, credit, foreign currencies, wealth management, IT, accounting, treasury etc. perform self-assessments at each risk control point based on practical experience, with specific emphasis on "frequency of occurrence" and "magnitude of impact (including financial and non-financial losses)." The information system automatically calculates risk scores and assigns high, medium, and low level monitoring according to the risk matrix. If the result of the evaluation is in the high-risk category, the Bank should investigate the reason of the risk, propose an improvement plan, and prevent operational risk losses. In the occurrence of an operational risk event, the unit where the event has occurred must report promptly the area of responsibility and the nature of event through proper procedures to each management personnel. The risk management unit analyzes and compiles data reported by business units, operational risk events collected by the loss event database, key risk statistics from the key risk indicators system, and self-assessment results and reports to senior executives. These reports will be disseminated to the relevant business unit supervisors and provide the basis for future rectification. Monthly credit risk monitoring results reported Assets and Liabilities and Risk Management Committee. The credit risk monitoring quarterly results reported Assets and Liabilities and Risk Management Committee and the Board of Directors.

Item	Contents
4. Operational risk hedging or risk mitigation policy, and strategies and procedures for continuous validity of supervision, avoidance and risk mitigation tools.	■ Categorize operational risk according to business procedures. Identify the main factors of risk formation through risk descriptions. ■ Assess risks based on "frequency of occurrence" and "magnitude of impact (including financial and non-financial losses)" and impose control measures to manage risk. ■ Assess risks on a regular basis. Appropriate measures must be taken and the Board of Directors must be informed immediately upon the discovery of major exposures capable of jeopardizing the Bank's financial position, business operations, or regulatory compliance. ■ Mitigate risks against proper uses of insurance instruments. Establish emergency responsive tactics to ensure business continuity in the occurrence of extraordinary events.
5. Methods adopted to legal capital charge.	Basic indicator approach.

(2) Operational Risks Capital Charge

Unit：NT$ Million

FY	Gross Income	Capital Charge
2015	3,229	
2014	3,189	
2013	2,806	
Total	9,224	461

4. Market Risks Management System and Capital Charge

(1) Market risks management system:

FY 2015

Items	Contents
1. Market risks management strategy and flow	■ Strategy Adhering to the trading strategies of safety, liquidity, profitability and dispersion of risk, the Bank establishes the market risk management mechanism recognized and complied with throughout the Bank, to identify, measure and control the market risk to be borne by the Bank, and keep the adequate market risk capital to manage the Bank's market risk stably. ■ Flow ◆ Identify： Market risks of financial products and trading activities involved in every business must be comprehended prior to initiation.The scope of risk identification covers the positions of interest rate and equity secutities in trading books and the positions of foreign exchange and commodities. Risk factors include interest rate, exchange rate, stock price and commodity price. ◆ Measure： The values at risk (VaR), VaR ratios, VaR to net equity ratio, ß of equity stocks and funds, unrealized gains/losses of trading book positions, and duration of interest-based instruments including various financial instruments and investment portfolios are assessed regularly according to the basic assumptions and market risk evaluation methods (Ex. variance co-variance, historical simulation) stipulated by the new Basel Capital Accord and the Financial Supervisory Commission. DVO1 is used to determine changes to gains/losses on interest-based instrument portfolios given a 1bp (0.01%) change in the interest rate. ◆ Communication： The Bank's risk management personnel shall report market risk management information including investment portfolio composition, limit management, exposure, VaR, and unrealized gains/losses etc to management personnel to facilitate decision making.

Items	Contents
	The risk management division consolidates the book values and gains/losses on revaluation of all investment positions to compile "Risk evaluation reports". These reports are subject to quarterly reviews by the Asset and Liability Risk Management Committee, and will be presented to the Board of Directors upon the committee's approval. ◆ Monitor and Controlling： The Bank's market risk management unit is independent of the trading unit, and reports regularly to the Asset and Liability Risk Management Committee the utilization of market various risk caps. The Bank defines the control mechanism over limit management, and evaluates the income of invested objects and reports it to the management to prevent the excess in limits, and takes the measures to realize the profit, stop loss or reduce exposure depending on any change in the market price.
2. Market risks management organization and structure	The market risks management organization and structure include Board of Directors, Assets & Liabilities and risk Management Committee, Investment Evaluation Committee, Risk Management Dept., and business supervising entities, which are specified as following: ◆ Board of Directors: authorize the important market risks policies according to the entire operating strategies and business environment to ensure the effective operation of credit risk management, which is the supreme policy-making entity of the Bank's credit risk management. ◆ Assets & Liabilities and Risk Management Committee: responsible for utilization of capital in NTD and foreign currencies, capital utilization plans and interest rate sensitivity analysis, strengthening the comprehensive assets & liabilities management, adjusting the operating policies in a timely manner, and seeking stable earnings and growth. ◆ Investment Evaluation Committee: responsible for evaluating the investment in securities. ◆ Risk Management Dept.: To be responsible for the Bank's overall Market risk management operation, summarizing the Bank's market risks management information and reporting it to Board of Directors periodically, and handling the market risks capital charge and disclosure of information pursuant to the competent authority's requirements. ◆ Business Supervising Entities: know the market risks of the business handled by them, include the risk management when defining the various business requirements, and managing and supervising the business entities' execution of business, and helping Risk Management Dept. complete the control of the Bank's Operational risks.
3. Market risks scope and features of managing report, measuring system	(1) The Bank adopted the statistical model of the VaR evaluation system published by the Taiwan Economic Journal (TEJ), and supplied data from the Bloomberg system to develop an independent, rational, and accurate risk quantification mechanism. This model is used to evaluate the exposure and VaR of financial instruments and investment portfolios under the trading book. Descriptions are as follows: ■ In reference to the assumptions of the New Basel Capital Accord and the Financial Supervisory Commission: ■ 99% one-tail confidence level. ■ One year of historical observations. ■ Holding periods of 10 business days. ■ Risk evaluation methods ■ Variance and Co-variance. ■ Historical simulation. ■ Quantified assessment coverage ■ VaR. ■ VaR ratio. ■ Average VaR to net equity ratio ■ ß of equity stocks and funds. ■ Unrealized gains/losses.

Items	Contents
	(2) Pressure test Set the "Minor" and "Severe" pressure scenario for "domestic" and "foreign" equity securities, trading book of interest rate, gold and foreign exchange rate and commodities to evaluate the expected investment loss under minor and severe scenario and evaluate the Bank's ability to tolerate loss. Risk Management Division will conduct a pressure test each year, and submit the pressure test report to Board of Directors for approval, and then to the FSC.
4. Market risk hedging or risk mitigation policy, and strategies and procedures for continuous validity of supervision, avoidance and risk mitigation tools	◆ Avoid over-exposure by evaluating the rationality of risk-return trade-off, based on historical VaR and VaR ratios, and the average real commodity yield. ◆ In accordance with the Bank's limit and market risk management mechanism and policies, if the market risk exposure is attained and some proper actions need to be taken, the Bank will take the trading strategies to reduce exposure to a manageable level, e.g. sell call option, put option, write-off or swap.
5. Methods adopted to legal capital charge.	The Standardized Approach.

(2) Market risk capital charge

Unit: NT$ Million at 2016.3.31

Items	Capital Charge
Interest rate risks	169
Equity exposure risks	19
Foreign exchange risks	37
Product risks	0
Total	225

5. Liquidity Risks

(1) Maturity analysis of assets and liabilities：

A. Analyses of the Structure of the Maturity Date (NT$) as follows: Please refer to page 138.

B Analyses of the Structure of the Maturity Date (US$) as follows:

Analyses of the Structure of the Maturity Date (US$)

Dec. 31, 2015

Unit：US$ Thousand

Items	Total	Amount of the Residual Period from Maturity Date				
		0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Main matured cash inflow	601,540	104,849	67,370	44,083	44,414	340,824
Main matured cash outflow	843,964	238,356	164,974	142,505	161,517	136,612
Duration gap	(242,424)	(133,507)	(97,604)	(98,422)	(117,103)	204,212

Dec. 31, 2014

Items	Total	Amount of the Residual Period from Maturity Date				
		0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Main matured cash inflow	606,589	85,190	76,598	47,332	65,861	331,608
Main matured cash outflow	841,582	283,860	163,553	140,341	126,119	127,709
Duration gap	(234,993)	(198,670)	(86,955)	(93,009)	(60,258)	203,899

Note: 1. The statement shows the amount US$ of whole the Bank.
2. The Bank's offshore assets account for less than 10% of the Bank's total assets.

(2) Methods to manage the asset liquidity and funds gap liquidity

To help manage interest rate risk and liquidity risk, ensure the ability to pay, maintain financial stability and strengthen the ability to respond to emergencies, the Bank enacts the "Guidelines for Interest Rate Risk and Liquidity Risk Management" with respect to NT$ and major foreign currencies of which the liabilities account for more than 5% of all foreign currency liabilities.

In order to stabilize long-term profitability and maintain business growth, the Bank adopts a management strategy between active and defensive and defines various management indicators to measure and control NTD cash flow gap of various tenors, required reserve ratio, liquid reserve ratio, loans to deposits ratio, liabilities purchased (issuance of negotiable certificates of deposit) and deposits ratio, to control the various indicators within the required scope at any time, and prepare and submit daily, monthly or quarterly statements to the management for review.

7.6.2 The Impact of International and Domestic Policies, Regulatory Changes on the Bank Financial & Business and the Responsive Measures

Changes	Impact	Responsive Measures
Competent authority amended partial articles of "Regulations Governing the Scope of Business, Restrictions on Transfer of Beneficiary Rights, Risk Disclosure, Marketing, and Conclusion of Contract by Trust Enterprises." Whichever using trust properties to invest in financial instruments issued in domestic market that is pricing in foreign currencies shall be in the scope of "a trust enterprise utilizes trust assets to make foreign investment or make investment that involves foreign exchange."	According to regulations.	Coping with this amendment and amending the Bank's "Regulations Governing the Scope of Business, Restrictions on Transfer of Beneficiary Rights, Risk Disclosure, Marketing, and Conclusion of Contract by Trust Enterprises."
Competent authority sent a letter that decreed "Regulations Governing International financial Business Branches of A Bank Conducting Trust Business."	Providing customers with contracts and clauses that comply with regulations of competent authority in order to establish customer trust relation.	Coping with this letter and amending the operating guidelines governing international financial business branches conducting trust business.
Competent authority sent a letter that decreed Article 3 of "Directions Governing Limitations on Types and Amounts of the Securities in which a Commercial Bank May Invest." Allowing Oversea branches of a commercial bank to invest in securities issued by governments and companies in Mainland China.	According to regulations.	Coping with this letter and amending the guidelines for investment policy.
Presidential Order deleted and amended Articles of the Banking Act. Starting from September 1 2015, the interest rate charged by Banks on cash card or the interest rate charged by institutions engaging in credit card business on revolving credit shall not exceed fifteen percent (15%) per annum. Deleting the provision that the lowest principle repayable period shall not exceed 2 years for commercial banks issuing bank debentures.	According to regulations.	Coping with this Order and amending the interest rate on credit cards, regulations governing issuance of bank debentures, guidelines for derivatives operation, and guidelines for investment policy of the Bank.

Changes	Impact	Responsive Measures
Competent Authority amended Articles of "Financial Consumer Protection Act" and required that all financial enterprises shall establish consumption dispute settlement system, including SOP.	Enhancing the importance of consumption dispute settlement, increasing the efficiency and quality of consumption dispute settlement, protecting the interests of financial consumers, and increasing competitiveness.	In credit card business, regulations governing financial consumer protection management is enacted, and the Bank's Guidelines for derivatives operation is also amended. The Bank also confirms that consumption dispute settlement system is established and reported to board of directors.
Presidential Order revised, deleted, and amended partial Articles of "Consumer Protection Act."	Enhancing the consumer interests protection and promoting competitiveness.	All business management units review the current operation regulations.
Presidential Order revised Article 9-1, 10-1, 15-1 and amended Article 44, 46 and 58 of "Labor Standards Act."	Promoting the liquidation order of the obligation of labor salaries, pensions, and severance pay to the same level as first place collateral, and expanding the scope of the Wage Payment in Arrears Fund, which includes the pensions of the old system and the severance pay of the new and old system to effectively improve labor rights and interests.	1. Conducting enterprise credit and coping with the inquiry content of Joint Credit Information Center R08 to add the estimated 6 months salary payment of that enterprise and the amount of estimated severance pay of the new and old system, estimate the difference between the estimated pension of the old system and the actual allocation of the designated labor pension reserve funds account, and evaluate the effect of collateral priority claim amount. 2. Coping with this Order and amending the working rules and group agreement extension.
Competent authority sent a letter that decreed strengthening the control and management and risk taking capacity of risk exposure of domestic banks in Mainland China.	The actual undertaking period of new fund borrowings and deposits that exceed 3 months shall be calculated 100% in the exposure quota to Mainland China.	The allowance for bad debt and guarantee liability provision rate of the 1st category credit extension asset balance (including short-term trade financing) reach 1.5% by the end of December 2015. The Bank also coped with this letter and amended forms and process of major event reporting procedures.
Competent authority amended partial Articles of "Implementation Rules for Internal Audit and Internal Control System of Financial Holdings Companies and Banking Industries."	Stipulating systems to maintain the efficient operation of the internal control system to achieve sound operations.	Coping with the amendment and amending the content of internal control system guidelines, business handbook, and law compliance self-assessment form of the Bank.
Competent authority sent a letter that decreed the amendment of partial Articles of "Regulations Governing Financial Service Industries to Describe Important Content of Contracts and Disclose Risks before providing Financial Instruments or Services."	Providing customers with contracts and clauses that comply with regulations of competent authority in order to establish customer trust relation.	Establishing financial management audio recording system and revising relevant operation procedures and internal norms in order to comply with regulations of Financial Consumers Protection Act.
The Central Bank Order amended, promulgated and implemented "Regulations Governing Foreign Exchange Business of Banking Enterprises."	Simplifying the application procedures and expanding the scope of foreign exchange derivatives, and designating the foreign exchange business that a bank may undertake to enhance operational efficiency and increase service functions	Coping with this Order and amending the guidelines for derivatives operation and guidelines for authorizing designated foreign exchange branches recommending structured products that are related to foreign exchange.

Changes	Impact	Responsive Measures
The Bankers Association sent a letter that discussed the revision of "The Compliance Principles of Banking Personnel Remuneration System."	To effectively motivate employees and strive for achievements.	Coping with the revision and enacting "Guidelines for Compliance by Bank of Kaohsiung when Stipulating Personnel Remuneration Issuance Standards."
Presidential Order revised Article 235-1 and amended Article 235 and 240 of Company Act. The Bank shall specify the amount or ratio, based on the current year profits, to allocate employee remuneration.	Effectively motivate employees, make efforts to reach sales targets, and generate revenue to give back to employees.	Coping with this Order and amending the constitution of the Bank.
Presidential Order amended Article 254, 511, 514, and 521 of Code of Civil Procedure, and revised Article 4-4 and amended Article 12 of Enforcement Act of the Code of Civil Procedure.	Affecting the overdue debt collection operation of the Bank and increasing the collection expenses.	Coping with the Order and amending the collection operation process and operation regulations for the purpose of being considerate.
Competent authority sent a letter that decreed enactment of "Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Derivatives Business," "Regulations Governing International Financial Business Branches of A Bank Conducting Derivatives," and amendment of "Self-Regulatory Norms for Banks Conducting Derivatives Instruments."	The remuneration system and evaluation principle for sales person of derivatives instruments shall avoid the direct connection with the sales performance of certain derivatives and shall include non-financial indicator items. In addition, the procedure of knowing your customer and analysis of product conformity shall be implemented authentically in order to exercise the due care of a good administrator.	Coping with this letter and amending guidelines for derivatives operation, regulations governing risk management for conducting derivatives, regulations governing international financial business branches of a bank conducting derivatives, regulations governing foreign currency structured products business, and guidelines for authorizing designated foreign exchange branches recommending structured products that are related to foreign exchange of the Bank for the purpose of being considered.
Competent authority sent a letter that decreed amendment to Article 2 of Regulations Governing Financial Institutions Selling Nonperforming Loans.	Increasing the scope of sellable nonperforming loans, enhancing operation constitution and increasing competitiveness.	Coping with this letter and amending the guidelines for selling nonperforming loans.

7.6.3 The Impact of Technology Development and Industrial Changes on the Bank Finance & Business and the Responsive Measures.

Changes	Impact	Responsive Measures
The arrival of digital Finance	The Bank also endeavors to offer diversified e-banking services to elevate customer convenience, thereby facilitating the Bank's business development and increasing its competitiveness.	The Bank established the "Mobile Banking" and "Mobile Payment" platforms in 2014, which provides customers multiple services of account transfer, paying fees, financial management, and payment via smart phones; the "New Era Online Banking System" is launched in 2016, creating whole new personal online banking, online counter 3.0 and corporate financial network in order to establish comprehensive Bank 3.0 digital finance environment.

7.6.4 The Impact of Image Change on the Bank and the Responsive Measures.

The Bank shakes off the stiff operation as a state-run bank since the Bank was privatized. The operating policy has been made more flexible and with better assets quality. In response to the severe competition in the economic environment and financial markets, the Bank intend to reinforce operating constitution continuously and to reach another peak in business with a good image and professional operating decision and method.

7.6.5 Expected Benefit, Potential Risk of Future Merger and the Responsive Measures：None.

7.6.6 Expected Benefit and Potential Risk of Expanding Business Locations

We will have business locations set up nationwide to improve our operating effectiveness and generate profits. The risk of damaging the operating constitution due to the setup of new branch offices is also considered.

7.6.7 Risk of Centralized Business Operation

Centralized business faces the challenge of credit risk, market risk, and operational risk. For the sake of reducing the impact of the risks, the risk is to be decentralized through the mechanism of a business station, source of customers, and diversified product lines.

7.6.8 The Impact and Risk of Business Ownership Change on the Bank: None.

7.6.9 The Impact, Risk and countermeasures of whom' equity change on the Bank, Directors, Supervisors, the Shareholder Owns more than 1% of the Bank's Outstanding Shares, there was large transfer or change of equity:

1. The Impact and Risk of large transfer or change of equity: For many years, our directors, the shareholder owns more than 1% of the bank's outstanding Shares, there was no large transfer or change of equity. Thus, there is no impact on operation or risk on the Bank.

2. Countermeasures: If there was a transfer, it shall be processed in the manner according to article 25 of "The Banking Act of the Republic of China".

7.6.10 Litigated or Non-Litigated Events

There were no major litigated or non-litigated events in progress other than business-related litigations.

7.6.11 Other Significant Risks and the Responsive Measures: None.

7.7 Responsive Mechanism for Crisis Management

The Bank has regulations stipulated and executed for business processes in order to minimize daily operational risk. The setup of Credit Screening Committee, Business R&D Workshop, Bad Credit Monitoring Workshop, Assets / Liabilities and Risk Management Committee, Personnel Evaluation Committee, Long-term Stock Investment Panel, Trust Property Evaluation Committee and Emergency Preparedness Operation Team; also, the regulations of "Regulations Governing Trust Risk Management", "Regulations Governing Risk Management", "Regulations Governing Investment Policy", "Regulations Governing Legal Risk Management", "Regulations for Compliance of Regulations & System Execution and Planning", "Regulations for Disaster – Prevention and Rescue," and Manual for emergency coping measures are the responsive mechanisms for risk management.

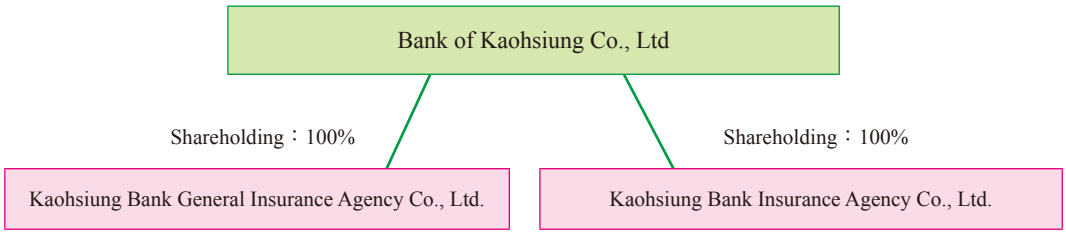
7.8 Other Significant Events: None.

8.1 Summary of Affiliated Companies

8.1.1 Consolidated Statements of Operation of Affiliated Companies

1. Brief Introduction

(1) Affiliated Companies Chart



(2) Basic Information of Affiliated Companies

Unit : NT$ Million at 2016.3.31

Name	Date of Incorporation	Address	Paid-in Capital	Primary Business Activities
Kaohsiung Bank General Insurance Agency Co., Ltd.	2002.03.12	2F, 263 Guanghua 1st Road, Lingya District, Kaohsiung, Taiwan	5.00	Non-Life Insurance Agency
Kaohsiung Bank Insurance Agency Co., Ltd.	2002.10.11	2F, 263 Guanghua 1st Road, Lingya District, Kaohsiung, Taiwan	3.00	Life Insurance Agency

(3) Our Shareholders Representing Both the Holding Company and Subordinates. : None.

(4) Directors and Supervisors of Affiliated Companies

Unit : Share / % at 2016.3.31

Name	Title	Name or Representative	Shareholding	
			Shares	Shareholding (%)
Kaohsiung Bank General Insurance Agency Co. , Ltd	Chairman	Ren-Yih Lin	500,000	100%
	Director	Jin-Ann Wang		
	Director	Johnson Huang		
	Director	Yuan-Chin Shiang		
	Director	Tsui-Mei Hsu		
	Supervisor	Te-Chin Chou		
	Supervisor	Ting-Lien Lin		
Kaohsiung Bank Insurance Agency Co., Ltd	Chairman	Ren-Yih Lin	300,000	100%
	Director	Yuan-Chin Shiang		
	Director	Mei-Ling Chen		
	Supervisor	Ting-Lien Lin		
	Supervisor	Te-Chin Chou		

2. Affiliated Companies Business Review and Achievements

Unit : NT$ Million at 2015.12.31

Name	Paid-in Capital	Total Assets	Total Liabilities	Stockholders' Equity	Operating Revenue	Operating Income	Net Income	Earnings Per Share(NT$)
Kaohsiung Bank General Insurance Agency Co., Ltd.	5.00	9.46	0.54	8.92	4.15	2.66	2.30	4.61
Kaohsiung Bank Insurance Agency Co., Ltd	3.00	120.96	58.85	62.11	270.58	64.23	53.96	179.86

8.1.2 Consolidated Financial Statements of Affiliated Companies

1. Declaration

BANK OF KAOHSIUNG CO., LTD.

Declaration

Mar. 17, 2016

The Bank included in the consolidated financial statements of affiliated enterprises prepared by the Bank for FY 2015 (from Jan. 1, 2015 to Dec. 31, 2015) in accordance with the "Criteria for the Compilation of Consolidated Business Reports of Affiliated Enterprises, Consolidated Financial Statements of Affiliated Enterprises and Affiliated Enterprises Reports" are identical with those to be included in the consolidated financial statements of parent company and subsidiaries in accordance with International Financial Reporting Standards No. 10 approved by the Financial Supervisory Commission, and the relevant information to be disclosed in the consolidated financial statements of affiliated enterprises has already been disclosed in the consolidated financial statements of parent company and subsidiaries. Therefore, the Bank does not prepare the consolidated financial statements of affiliated enterprises separately.

BANK OF KAOHSIUNG CO., LTD.

Chairman : (Ruey-Tsang Lee)

2. The Bank's Audited Consolidated Financial Statements for FY 2015, please refer to page 67~72.

8.1.3 Affiliated Companies Report

1. Relation of the "parent company and wholly-owned subsidiary": Please refer to page 175 for " Special Disclosure － Summary of Affiliated Companies".
2. Transactions, property trade, financing, assets rental, and endorsement between the parent company and wholly-owned subsidiaries: Please refer to page 141 for "Notes to Financial Statements 10. Related Party Transactions ".

8.2 Private Placement Security and Financial Bonds in FY 2015 and Up to Mar. 2016: None.

8.3 The Shares in the BOK Held or Disposed of by Subsidiaries in FY 2015 and Up to Mar. 2016: None.

8.4 Other Supplementary Disclosure: None.

8.5 Pursuant to term 2, Paragraph 2, Article 36 of Security and Exchange Act. the Incidence Exerting Material Influence on Shareholders' Rights or Security Price in FY2015 and Up to Mar. 2016: None.

Corporate Governance evaluation of project implementation case retrieval

No.	Item	Evaluation Indicators	The Bank execution case	
			Yes/No	Reference page or description
1	1.11	Is it true that the company did not issue employee stock options, stock bonuses, restricted shares, and other securities or stock options having the nature of remuneration and bonus to management or directors who can be deemed as employees of the company as compensation, exceeding 5% of the share capital, over the three years preceding the year being evaluated?	Yes	42
2	1.13	Is it true that the company did not have any government agency or a single TWSE/TPEx listed company and its subsidiaries accounting for one-third or more of the board?	No	11
3	1.14	Did the company disclose the implementation status of the AGM resolutions in the annual report?	Yes	32
4	3.2	Is it true that the chairman of the board, general manager (chief executive officer), or management in charge of finance or accounting affairs was not employed within the past 1 year by the current external auditors or an affiliate thereof?	Yes	33
5	3.3	Is it true that there were no more than two directors having a relationship of spouse or of kinship within the second degree?	Yes	11
6	3.4	Is it true that the position of the chairman of the board and general manager (chief executive officer) was not held by the same person or his/her spouse?	Yes	11,13
7	3.8	Were the continuous terms of service of at least two independent directors not more than 9 years each?	Yes	11
8	3.9	Is it true that each of the independent directors of the company did not concurrently hold director positions (including independent director positions) or supervisor positions for more than 5 TWSE/TPEx listed companies?	Yes	12
9	3.14	Did the directors and supervisors complete the number of hours of continuing education required by the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies?	Yes	27
10	3.15	Did the company disclose its corporate governance best practice principles?	Yes	27
11	3.16	Did the company adopt and disclose a board diversity policy?	Yes	12
12	3.18	Did the board hold meetings at least six times in the year being evaluated?	Yes	19
13	3.19	In the year being evaluated, did the average rate of actual attendance of all directors at board meetings reach 80% or more?	Yes	19
14	3.30	Did the board review the independence of the external auditors (at least once a year) and fully and accurately disclose the assessment procedures in the annual report?	Yes	20
15	3.33	Did the company take out director and supervisor liability insurance for all directors and supervisors?	Yes	21
16	4.7	Did the external auditor issue an unqualified opinion in the audit report on the annual financial reports?	Yes	66
17	4.10	Did the company disclose the trends and developments of the industry in which the company operates from macroeconomic perspectives in its annual report?	Yes	5~6
18	4.11	Did the company disclose long-term and short-term business development plans in its annual report?	Yes	46~47
19	4.12	Did the company disclose future R&D plans and estimated R&D expenditures in its annual report?	Yes	46
20	4.13	Did the company disclose in its annual report and on its website the list of substantial shareholders, including the names, number of shares held, and shareholding percentages, of the shareholders holding 5% or more of shares, or ranking among the top ten shareholders in terms of shareholding percentage?	Yes	40
21	4.14	Did the company voluntarily disclose the remuneration details of each director and supervisor in its annual report?	No	Not disclose individual remuneration.

No.	Item	Evaluation Indicators	The Bank execution case	
			Yes/No	Reference page or description
22	4.16	Did the company voluntarily disclose in the annual report the amount and nature of any non-audit fees paid to the external auditor and its affiliates in addition to audit fees?	Yes	32
23	4.17	Were the non-audit fees paid to the external auditor and its affiliates, as disclosed in the annual report, no more than the audit fees?	Yes	32
24	4.22	Did the company disclose a specific and clear dividend policy in the annual report?	Yes	41,108
25	5.1	Did the company adopt a corporate social responsibility policy, system, or relevant management approaches, as well as concrete promotion plans and the results of the implementation thereof? In addition, did the company disclose the above in the annual report and on its website?	No	Not yet developed
26	5.3	Did the company have a designated unit or personnel in charge of promoting corporate social responsibility, and disclose the unit's operations and implementation in the annual report and on its website?	Yes	23
27	5.4	Did the company have a designated unit or personnel in charge of promoting ethical corporate management that reported regularly to the board and disclosed its implementation on the company's website?	No	Not yet developed
28	5.7	Did the company set management policies for energy conservation, reduction of carbon/greenhouse gas (GHG) emissions, water use, or other waste/pollutants?	No	Not yet developed
29	5.8	Was the company ISO 14001 certified or accredited with similar environmental management system certification?	No	The Bank has not yet adopted the environmental management system of international consensus.
30	5.9	Did the company disclose its employee welfare measures, retirement plan, and the implementation thereof in the annual report and on its website?	Yes	50
31	5.10	Did the company disclose the measures it takes to provide its employees with a safe working environment and personal security in the annual report and on its website?	Yes	24
32	5.12	Did the company adopt and disclose in detail on its website a whistle blower system for company insiders and outsiders to report illegal behavior (including corruption) and unethical behavior?	No	Not yet developed

Appendix I : The Bank's Key Performance Indicator (KPI).

Unit：%, at 2015.12.31

KPI	The Bank	The Average of Domestic Banks
Capital Adequacy Ratio	10.11	12.89
Ratio of NPL	0.48	0.23

Appendix II : The details about licenses and certificates acquired by the staff related to financial information disclosure from the competent authorities.

2015.12.31

The staff related to financial information disclosure		Qualification	Person
Item	Person		
Internal-Auditing staffs	24	Basic test for banks internal control (Taiwan Academy of Banking and Finance)	24
		Certified Internal Auditor (CIA), the Institute of Internal Auditors (IIA)	3
Financing & accounting staffs	32	Certified Public Accountants, CPA	0

Appendix III : Training record of manager in 2015

Period	Title	Name	Training Record		
			Class Name	Hours	Unit in Charge
Q1	President	Moan-Sheng Huang	The 391st Training Seminar for Trust Supervisory Officers (including OJT)	6	Taiwan Academy of Banking and Finance
	Exec. Vice President	Johnson Huang	Sharing the Experience of Expanding the Operation of the Banking Industry in China – "The Outlook of Retail Banking in China"	3.5	Taiwan Academy of Banking and Finance
	Vice President and General Manager, Business Administration Dept.	Anna Hsu	Continuing Education for Accounting Officers	12	Accounting Research and Development Foundation R.O.C.
			The 600th On-the-Job Training Seminar for Trust Management Personnel	12	Taiwan Academy of Banking and Finance
Q2	Exec. Vice President	Johnson Huang	The 1st "The Business Promotion Methods Commonly Used in China from the State Council Document No. 62"	3	Taiwan Academy of Banking and Finance
			Conference on Mobile Business and Digital Innovation Development in Wealth Management and Trust Businesses in Banking and the Financial Industry – "Case Study on Hong Kong and China"	6	Trust Association of R.O.C.
	Exec. Vice President	Jin-Ann Wang	The 1st Seminar on the Use of Big Data in Anti-Money Laundering	3	Taiwan Academy of Banking and Finance
			2015 Symposium of Senior Officers in Banking and Finance – "Corporate Banking"	7.5	Taiwan Academy of Banking and Finance
	Chief Auditor Board of Directors/ Auditing Dept.	Chung-Chen Lin	The 42nd Chief Auditors Seminar	13.5	Taiwan Academy of Banking and Finance
	Vice President and General Manager, Business Administration Dept.	Anna Hsu	Training Program for Key Banking Personnel (International Program): "The practice of Internet Banking – Case Study on the Success of Overseas Operations".	12	Taiwan Academy of Banking and Finance
			Training Program for Key Personnel in eBanking – "Integrated Mareking for eBanking Products"	6	Taiwan Academy of Banking and Finance
			Conference of Mobile Business and Digital Innovation Development in Wealth Management and Trust Businesses in the Banking and Financial Industry – "Case Study on Hong Kong and China"	6	Trust Association of R.O.C.
			Advanced Training Program for Key Accounting Personnel in Banking – "The Application of Management Accounting in Banking"	12	Taiwan Academy of Banking and Finance
Q3	President	Moan-Sheng Huang	Seminar on the Joint Promotion of eCommerce	5	Financial Information Service Co., Ltd.
	Exec. Vice President	Johnson Huang	Program on "Risk Managment and Practice of the New Capital Accord for Chinese Banks"	3	Taiwan Academy of Banking and Finance
			Seminar on the Application and Innovation of Big Data	3.7	Taiwan Academy of Banking and Finance
			Lecture on "Development Trend of Digital Finance"	3	Taiwan Securities Association
	Exec. Vice President	Jin-Ann Wang	Special Topic on "Critical Codes for Financial Development"	2	Southern Taiwan Joint Service Center, Executive Yuan
	Chief Auditor Board of Directors/ Auditing Dept.	Chung-Chen Lin	Symposium of Internal Auditing Officers of Listed Companies	3.5	Taiwan Stock Exchange Corporation

Period	Title	Name	Training Record		
			Class Name	Hours	Unit in Charge
Q3	Vice President and General Manager, Business Administration Dept.	Anna Hsu	Seminar on the Processing and Application of Big Data	7	Taiwan Academy of Banking and Finance
			Special Topic on "Critical Codes for Financial Development"	2	Southern Taiwan Joint Service Center, Executive Yuan
			Seminar on the Joint Promotion of eCommerce	5	Financial Information Service Co., Ltd.
	Vice President and General Manager, Treasury Dept.	J. C. Shou-Jen Chen	Special Topic on "Critical Codes for Financial Development"	2	Southern Taiwan Joint Service Center, Executive Yuan
			2015 Contiuning Eduction for Senior Officers of Securities Dealers Seminar	7.5	Taiwan Securities Association
Q4	President	Moan-Sheng Huang	Seminar on "Leadership x Digital Power ~ Case Study on Digital Innovtion and Practice"	3	Taiwan Academy of Banking and Finance
			Seminar on the Development Trend of Financial Digitization	6.5	Taiwan Academy of Banking and Finance
	Exec. Vice President	Johnson Huang	Seminar on Opportunity for Corporate Transformation and Financial Service Innovation	3.5	Taiwan Academy of Banking and Finance
			Seminar on Equal Treatment of Customers in the Financial Service Sector	1.5	Financial Supervisory Commission
			Seminar on Internet Banking in China – "Banking Transformation in the Wake of Digital Banking"	3	Taiwan Academy of Banking and Finance
			Seminar on the Development Trend of Financial Digitization	6.5	Taiwan Academy of Banking and Finance
	Exec. Vice President	Jin-Ann Wang	Seminar on the Development Trend of Financial Digitization	6.5	Taiwan Academy of Banking and Finance
	Chief Auditor Board of Directors/ Auditing Dept.	Chung-Chen Lin	Seminar on "The Practice of Trust Planning of Assets for the Elderly and the Handicapped"	6	Trust Association of R.O.C.
			Seminar on the Development Trend of Financial Digitization	6.5	Taiwan Academy of Banking and Finance
	Vice President and General Manager, Business Administration Dept.	Anna Hsu	Continuing Eduction Program for Accounting Officers of Securities Issuers, Securities Dealers and Securities Exchange	12	Accounting Research and Development Foundation R.O.C.
			"Seminar on Cross-Strait Finance – Emergence of the Internet: The Trend and Application of the HP Inclusion Financial Systems"	7.8	Taiwan Academy of Banking and Finance
			Seminar on "Leadership x Digital Power ~ Case Study on Digital Innovtion and Practice"	3	Taiwan Academy of Banking and Finance
			2015 Financial Information System Conference	12	Financial Information Service Co., Ltd.
			Seminar on the Development Trend of Financial Digitization	6.5	Taiwan Academy of Banking and Finance
	Vice President and General Manager, Treasury Dept.	J. C. Shou-Jen Chen	Seminar on the Development Trend of Financial Digitization	6.5	Taiwan Academy of Banking and Finance

Appendix IV：Name and Title of the Top Ten Employees Who Were Distributed Employees' Bonus and the Amounts in 2014.

Unit: NT$ Thousand

Name	Title	Name	Title	Total Bonus
Moan-Sheng Huang	President	Jin-Ann Wang	Exec. Vice President	639
Chung-Chen Lin	Chief Auditor	Johnson Huang	Exec. Vice President	
Yen-Ching Hsien	General Manager	Tsui-Mei Hsu	Counsel	
Jin-Young Xue	Audit team leader	Anna Hsu	Vice President and General Manager	
Yue-yan Fu	Audit team leader	Mei-Ling Chen	General Manager	

Appendix V：Guidelines for the Staffs Services

1. The staff of Bank of Kaohshiung ("the Bank") shall comply with laws and the Bank's rules and shall provide loyal service in accordance with these Rules.
2. The staff shall be on and off duty as scheduled, except holidays and vacations, and shall punch their card or sign in personally, and be prohibited from being late for work or leaving earlier than scheduled.
3. The staff shall not leave the office during the business hours without applying for leave or seeking the supervisor's approval. The rules for application for leave shall be defined separately.
4. The staff shall pay attention to their dress and looks, and shall wear the uniform prepared by the Bank and the identification card.
5. The staff shall take the responsiblity under the job-division system and abide by the supervisor's guidance, and shall state their opinion or suggestions, if any, honestly.
6. The staff shall serve customers in a humble and moderate manner, and shall make every endeavor to meet the customers' needs perfectly and repaidly. If the customers' requests related to business other than that handled by the staff personally, they shall advise the customers or transfer the customers' requests to other staff in charge in a moderate manner, and be prohibited from acting unknowingly with an excuse.
7. The staff shall perform their own duties, and shall help the other colleagues who are busy working with their work pursuant to the supervisor's guidance, and be prohibited from evading helping them with an excuse.
8. The staff shall not go slow at work, and shall respond to the requests to be handled by them at any time. Futhermore, the staff shall not review the statement of account, book and record, documents and files that are not handled by them personally. The staff shall maintain the documents, files and statements of account handled by them with care and be prohibited from damaging or losing such documents, files and statements of account or taking them out without the supervisor's prior consent.
9. The staff shall handle the cash, notes, statements of accounts, files and other important materials from time to time and store them in a safe place pursuant to the requirements. In the case of extraordinary incidents, the staff shall make every endeavor to dispose of them in an appropriate manner.
10. The staff shall be prohibited from smoking in any non-smoking area or carrying contrabands, lethal weapons or flammable and explosive articles to the office of the Bank.
11. The staff shall not abuse all public properties and be prohibited from damaging or wasting them.
12. The staff shall not assume any other part-time jobs impairing their current jobs without the supervisor's approval.
13. The staff shall not request other to concern for personal promotion or transfer.
14. The staff who are ordered to transfer shall report in for the new duty within 7 days upon receipt of the order, and shall fulfill the hand-over procedure as required without excuse, provided that this shall not apply where the staff apply for an extension to meet the business needs and the application for extension is granted.
15. Where the staff resign or are transferred or dismissed, they may not leave their office until they provide a detailed and full explanation about the job responsiblity taken by them and files, accounts and payment handled by them.
16. The staff shall not run their own business, or engage in investment or speculative business, directly or indirectly, by taking advantage of their job responsibility.
17. The staff shall not make any inappropriate guaranatee externally or engage in other illegal activities or conduct impairing the Bank's good will under the name of the Bank or their job titles.
18. The staff shall not ask depositors, borrowers or other customers for any commission, compensation or other illegal profit with any excuse.
19. The staff shall keep confidential all transactions between the Bank and customers and all business secrets and be prohibited from disclosing them.
20. Where the staff cause damage to the Bank intentionally or negligently, they shall be subject to the relevant punishment, and be liable for the relevant damages if the case is determined to be material upon examination.
21. These Rules will be enforced upon the resolution of the Board of Directors; the same process is reguired if revised.

Appendix VI：Guidelines for Ethical Conducts of Bank of Kaohsiung

Article 1

These Guidelines are enacted, for the purpose of compliance, to guide the conducts of directors and managers of the Bank to adhere to ethical standards.

Article 2

The term “managers” in these Guidelines herein refers to the General Manager and the person of the same level, Associate General Manager and the person of the same level, supervisor of the Financial Department, supervisor of the Accounting Department, and other persons with authorities to manage and sign.

Article 3

Directors and managers shall handle business in an objective and efficient manner and shall not obtain unwarranted benefits for themselves, their spouse, parents, children, or relatives within the second degree of kinship due to the position in the Bank.

When the Bank is involved in the situation of fund lending or providing guarantees or major asset transactions with the affiliated companies of aforementioned persons, these persons shall voluntarily explain whether or not there is potential conflict of interests with the Bank.

Article 4

The Bank shall prevent directors or managers from conducting following matters:

1. Having the opportunity to obtain private interests or obtaining private interests through using the Bank’s property or information or their positions;
2. Competing with the Bank.

When the Bank has the opportunity to earn profits, directors or managers are responsible for increasing the legitimate legal benefits that the Bank may obtain.

Article 5

Except for the information that is authorized or stipulated by laws to disclose, directors or managers are under obligation of confidentiality in information of the Bank or the customers of the Bank. The aforementioned information that shall be under confidentiality includes all possible undisclosed information that may cause damages to the Bank or customers after being used by competitors or leaked.

Article 6

Directors or managers shall treat customers of the Bank, competitors and employees equally, and they shall not obtain unwarranted benefits through manipulating, concealing or abusing information obtained from the position, making false representation on critical matters, or conducting unequal transactions.

Article 7

Directors or managers are responsible for protecting the assets of the Bank and ensure they are used efficiently and legally in official business.

Article 8

The Bank shall strengthen the compliance to Securities and Exchange Act and other laws and regulations for directors and managers.

Article 9

The Bank shall strengthen the ethical concepts internally, encourage employees to report to independent directors, managers, supervisor of internal audit or other proper personnel when suspecting or discovering conducts violating laws and regulations or these Guidelines, and protect the safety of reporter.

Article 10

When directors or managers violate these Guidelines, the Bank shall perform disciplinary measures pursuant to the Company Act and regulations of the Bank and shall immediately disclose the date of violation, facts of violation and reasons, violation of these Guidelines and disposition on Market Observation Post System.

When being punished for violating these Guidelines, the violator may appeal pursuant to relevant regulations.

Article 11

When it is necessary to exempt directors or manager from following these Guidelines, the exemption shall be approved by the Board of Directors, and information including the date of exemption, dissenting opinions or reserves by independent directors, exemption period, reasons of exemption, and applicable Guidelines for exemptions shall be disclosed on Market Observation Post System, which allows shareholders to evaluate the adequacy of the resolution by the Board in order to restrain arbitrary or suspicious exemption of following these Guidelines from happening and to ensure there is proper control and manage mechanism for the exemption of following these Guidelines in order to protect the Bank.

Article 12

The Bank shall disclose these Guidelines on the Bank’s website, annual report, prospectus, and Market Observation Post System; the same applies in amending these Guidelines.

Article 13

These Guidelines shall be implemented after approved by the Board and reported to the shareholders’ meeting; the same applies in amending these Guidelines.

Unit	Address	TEL
Head Office	168 Po Ai 2nd Road, Tsoying District, Kaohsiung, Taiwan	(886)7-557-0535
Minicipal Treasury Dept.	1F, 2 Su Wei 3rd Road, Lingya District, Kaohsiung, Taiwan	(886)7-336-0408
International Banking Dept.	2F, 51 Chung Hwa 4th Road, Lingya District, Kaohsiung, Taiwan	(886)7-535-5375
Trust Dept.	3F, 27 Liu Ho 1st Road, Hsinhsing District, Kaohsiung, Taiwan	(886)7-238-5188
Business Dept.	1~3F, 168 Po Ai 2nd Road, Tsoying District, Kaohsiung, Taiwan	(886)7-557-0535
Offshore Banking Unit	5F, 168 Po Ai 2nd Road, Tsoying District, Kaohsiung, Taiwan	(886)7-557-0535
Tso Ying Branch	479 Tsoying Ta Road, Tsoying District, Kaohsiung, Taiwan	(886)7-581-9131
Pei Kaohsiung Branch	1F, 1012 Min Tsu 1st Road, Sanmin District, Kaohsiung, Taiwan	(886)7-359-9291
Nan Tze Branch	141 Chien Nan Road, Nantze District, Kaohsiung, Taiwan	(886)7-352-4391
Yu Chang Branch	780-3 Chun Hsiao Road, Nantze District, Kaohsiung, Taiwan	(886)7-363-7478
Ku Shan Branch	1018 Chiu Ju 4th Road, Kushan District, Kaohsiung, Taiwan	(886)7-532-1001
San Min Branch	287 Po Ai 1st Road, Sanmin District, Kaohsiung, Taiwan	(886)7-321-8813
Wan Nei Branch	470 Ta Shun 2nd Road, Sanmin District, Kaohsiung, Taiwan	(886)7-386-5905
Min Cheng Branch	1F, 168 Ming Cheng 1st Road, Sanmin District, Kaohsiung, Taiwan	(886)7-359-5336
Chiu Ju Branch	459 Yang Min Road, Sanmin District, Kaohsiung, Taiwan	(886)7-381-2499
Liu Ho Branch	1~2F, 27 Liu Ho 1st Road, Hsinhsing District, Kaohsiung, Taiwan	(886)7-238-4888
Chien Chin Branch	145 Liu Ho 2nd Road, Chienchin District, Kaohsiung, Taiwan	(886)7-286-1136
Yen Cheng Mini Branch	1~2F, 6 Ta Reng Road, Yencheng District, Kaohsiung, Taiwan	(886)7-551-1061
Chien Kuo Branch	1F, 199 Chien Kuo 1st Road, Lingya District, Kaohsiung, Taiwan	(886)7-223-0511
Nan Kaohsiung Branch	1F, 51 Chung Hua 4th Road, Lingya District, Kaohsiung, Taiwan	(886)7-330-1060
Shih Fu Branch	1F, 2 Su Wei 3rd Road, Lingya District, Kaohsiung, Taiwan	(886)7-335-0260
San To Branch	171 San To 2nd Road, Lingya District, Kaohsiung, Taiwan	(886)7-751-1168
Chien Chen Branch	180 Min Chuan 2nd Road, Chienchen District, Kaohsiung, Taiwan	(886)7-332-7131
Tsao Ya Branch	52 Yu Kang Road, Chienchen District, Kaohsiung, Taiwan	(886)7-841-3847
Hsiao Kang Branch	2F, 158 Hsiao Kang Road, HsiaoKang District, Kaohsiung, Taiwan	(886)7-812-2268
Kwei Lin Branch	332 Kwei Yang Road, HsiaoKang District, Kaohsiung, Taiwan	(886)7-793-1616
Chi Chin Mini Branch	54 Thung Shian Road, Chichin District, Kaohsiung, Taiwan	(886)7-571-8263
Feng Shan Branch	362-6, Sec. 2, Ching Nien Road, Fengshan Dist., Kaohsiung, Taiwan	(886)7-776-3688
Da Fa Branch	1~2F, 480, Fong Lin 3rd Road, Daliao Dist., Kaohsiung, Taiwan	(886)7-786-1899
Gangshan Benjhou Branch	17 Ben Gong Road, Gangshan District, Kaohsiung, Taiwan	(886)7-622-3566
Pin Tung Branch	1F, 152 Chung Cheng Road, Pingtung City, Taiwan	(886)8-736-8811
Tai Nan Branch	191 Cingping Road, Anping District, Tainan City, Taiwan	(886)6-295-5588
Tai Chung Branch	1~2F, 69 Sec.3, Huei Chung Road, Nanthung District, Taichung City, Taiwan	(886)4-2252-2588
Dali Branch	290、292 Defang S. Road, Dali District, Taichung City, Taiwan	(886)4-2481-6799
Hsin Chu Branch	633, Sec. 2, Jingguo Road, North Dist., Hsinchu City, Taiwan	(886)3-523-0333
Tao Yuan Branch	413、415、417 Min Sheng Road, Tao Yuan City, Taiwan	(886)3-338-1288
Chung Ho Branch	198, Jian 1st Road, Chungho Dist., New Taipei City, Taiwan	(886)2-8227-1399
Banciao Branch	100, Sec. 2, Sihchuan Road, Banqiao Dist., New Taipei City, Taiwan	(886)2-8967-1250
Taipei Branch	1~2F, 168 Sung Chiang Road, Chungsang District, Taipei, Taiwan	(886)2-2563-0101
Ta Chih Branch	1F, 97 Jingye 1st Road, Chungsang District, Taipei, Taiwan	(886)2-8502-1656
Po Ai Branch	B1、1F, 38 Po Ai Road, Chungcheng District, Taipei, Taiwan	(886)2-2375-1188

Bank of Kaohsiung

Chairman

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