

# King's Town Bank

## 2015 Annual Report

**Notice to readers**

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

◆Spokesperson

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Title: Vice President

Tel: 886-6-213-9171

E-mail: [htpan@mail.ktb.com.tw](mailto:htpan@mail.ktb.com.tw)

◆Acting Spokesperson

Name: Shu-Hua Duan

Title: Acting General Manager

Tel: 886-6-213-9171

E-mail: [shduan@mail.ktb.com.tw](mailto:shduan@mail.ktb.com.tw)

◆Head Office and Branches

Please refer to Page 22

◆Stock Registration Agency

Name: Chinatrust Bank Call Center of Corporate Shareholder Trust

Address: 5F, No. 83, Sec. 1, Chongcing S. Rd, Jhongjheng Dist., Taipei City, Taiwan

Tel: 886-2-2181-1911

Website: [www.chinatrust.com.tw](http://www.chinatrust.com.tw)

◆Credit Rating Institution

Name: Fitch Ratings Ltd.,

Address: Suite 1306, 13F, No. 205, Duanhuan Rd, Taipei City, Taiwan

Tel: 886-2-8175-7600

Website: [www.fitchratings.com.tw](http://www.fitchratings.com.tw)

◆Independent Auditors

Name of CPA: Shih-Chieh Huang, Wen-Fun Fuh

Firm: Ernst & Young

Address: 11F., No.189, Sec. 1, Yongfu Rd., West Central Dist., Tainan City, Taiwan

Tel: 886-6-292-5888

Website: <http://www.ey.com/tw>

◆Stock Exchanges where overseas securities are listed:Nil

◆King's Town Bank

Address: No.506, Sec. 1, Ximen Rd., West Central Dist., Tainan City 700, Taiwan

Tel: 886-6-213-9171

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## I. Letter to Shareholders

First of all, I would like to thank you for your continuing support throughout the year. King's Town Bank has responded to the changing business climate by adopting an aggressive stance in strengthening our competitiveness. Total consolidated revenue for 2015 was NT\$6.49 billion, net income after tax was NT\$3.68 billion and earnings per share was NT\$3.09. The results of our operating performance in 2015, business plan for 2016, corporate development strategy, external competitive environment, regulatory environment, and macroeconomic conditions are illustrated as follows:

### 1.1 Operation Performance in 2015

#### 1. Business Review and Accomplishments in 2015

|  | 2015      | 2014      |
|--|-----------|-----------|
| Average deposit balance on NT Dollar Accounts      | 149.76 bn | 142.25 bn |
| Average deposit balance on foreign Dollar Accounts | 13.41 bn  | 9.11 bn   |
| Average loans balance                              | 124.88 bn | 116.20 bn |
| Wealth management fee income                       | 531.64 mn | 469.80 mn |
| NPL ratio  | 0.03%     | 0.03%     |
| Coverage ratio                                     | 5,173.79% | 4,959.99% |
| BIS ratio  | 14.80%    | 13.84%    |
| Tier-1 ratio                                       | 14.30%    | 13.13%    |

#### 2. Budget Implementation

|  | Execution | Target    | Achievement rate |
|--|-----------|-----------|------------------|
| Average deposit balance on NT Dollar Accounts        | 149.76 bn | 151.94 bn | 98.56%           |
| Average deposit balance on foreign currency Accounts | 13.41 bn  | 11.75 bn  | 114.12%          |
| Average loans balance                                | 124.88 bn | 128.27 bn | 97.36%           |
| Wealth management fee income                         | 532 mn    | 432 mn    | 123.15%          |

#### 3. Profitability Analysis

| Revenue | Net Income after Tax | EPS  | Net profit rate (%) | ROA(%) | ROE(%) |
|---------|----------------------|------|---------------------|--------|--------|
| 6.49 bn | 3.68 bn              | 3.09 | 56.73%              | 1.56%  | 13.25% |

#### 4. Research and development status

Our bank has a unit dedicated to gathering and analyzing information daily on changes in macroeconomic condition, movements in the financial markets, and changes in laws and regulations, so that we can understand better how it impacts on our bank's operation and development. Additionally, we also encourage our associates to involve themselves in innovation and research projects and propose all kinds of improvement plans on their own initiative, so that we can adapt to developments in the market and the customers' needs.

## 1.2 Business Plan for 2016

### 1. Business Policies

- (1) Being a high-quality community bank and training local talents.
- (2) Assets quality upgrade and risk control.
- (3) Development of Fintech and creating opportunities.
- (4) Process simplification and efficiency upgrade.
- (5) Structure adjustment and profitability enhancement.

### 2. Business Operation Targets

|  | Target    |
|--|-----------|
| Average deposit balance on NT Dollar Accounts        | 152.65 bn |
| Average deposit balance on foreign currency Accounts | 14.70 bn  |
| Average loans balance                                | 125.31 bn |
| Wealth management fee income                         | 477 mn    |

## 1.3 Development Strategy

1. To keep solid capital and maintain low NPL ratio.
2. Adjusting organization and expanding branches to meet customers' needs and market trend.
3. Encouraging innovation and simplification for higher operating efficiency and clients' satisfaction.
4. To diversify business and show employees' marketing skill for growth of revenues.
5. Fulfill our corporate social responsibilities, implement more favorable employee welfare policy and continue to be empathetic towards local communities.

## 1.4 Latest Credit Rating

| Date       | Rating Agency | Ratings         |                 | Outlook |
|------------|---------------|-----------------|-----------------|---------|
|            |               | National L-Term | National S-Term |         |
| 2015.09.25 | Fitch Ratings | A+ ( twn )      | F1 ( twn )      | Stable  |

## 1.5 Conclusion

In recent years the Bank, faced with changes in domestic and foreign financial environment, has had the honor to enjoy support from our faithful clients and shareholders; and with joint efforts of the all the staff workers, we are gradually seeing the results of our operations. I would like to express my gratitude to all of you. Trust and support from clients is the very driving force for the ongoing pursuit of better performance of the Bank. In the future, clients will continue to be our utmost primary and that we will offer the best products and services in pursuit of the maximum profit for the shareholders.

Chen-Chih Tai  
Chairman

## II. Bank Overview

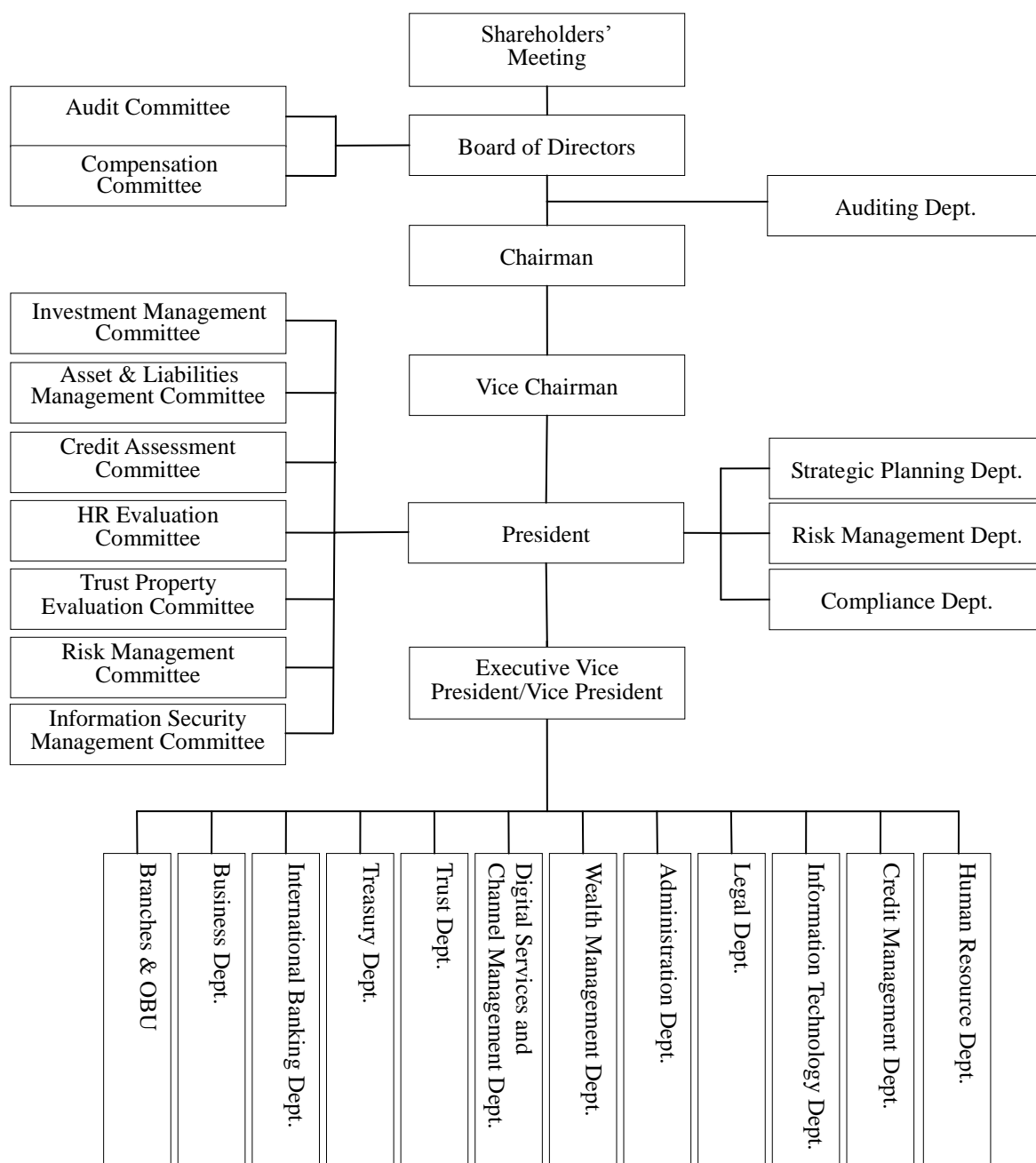
### 2.1 Date of Establishment: November 1, 1948.

### 2.2 Bank History

| Date               | History  |
|--------------------|--|
| November 1, 1948   | “Tainan District Joint Saving Co., Ltd.” with an initial capital of 20 million Old Taiwan Dollars.                           |
| January 1, 1978    | Authorized to rename as “Tainan Business Bank”.  |
| July 20, 1983      | Listed on TWSE with Code 2809.   |
| March 14, 2000     | Established the International Banking Department.  |
| May 17, 2002       | Established the “Tainan Life Insurance Agent Co., Ltd.” and “Fu Chen Property Insurance Agent Co., Ltd.” via joint ventures. |
| July 24, 2002      | Established the Offshore Banking Unit ( OBU ) .  |
| August 15, 2005    | The Bank undertook a cash capital increase of NT\$3.6 billion in order to qualify as a commercial bank.                      |
| May 3, 2006        | Authorized to rename as “King’s Town Commercial Bank” (King’s Town Bank for short).  |
| March 28, 2011     | Established the "Audit Committee" to improve corporate governance.   |
| September 26, 2011 | Established the "Compensation Committee" to improve the remuneration policy of directors and managers.                       |
| January 22, 2015   | Established the “KTB International Leasing Co., Ltd.” via joint ventures.  |

### III. Corporate Governance

#### 3.1 Organizational Chart



## 3.2 Directors and Management Team

### 1. Directors Information

January 31, 2016

| Title                | Name   | Date Effective | Education & Experience  |
|----------------------|--|----------------|---|
| Director             | Tian Gang Investment Co., Ltd.                                     | 06/20/2014     |   |
| Chairman             | Tian Gang Investment Co., Ltd.<br>Representative: Chen-Chih Tai    | 06/20/2014     | Department of Business Administration,<br>National Chung Hsing University<br>Executive Director, Makoto Bank<br>Vice Chairman , King's Town Bank  |
| Vice Chairman        | Tian Gang Investment Co., Ltd.<br>Representative: Chiung-Ting Tsai | 06/20/2014     | M. Economic Engineering, Stanford University, USA<br>Assistant Vice President, Vincera Ventures<br>Executive Board of Director  |
| Director             | Tian Gang Investment Co., Ltd.<br>Representative: Hsien-Tsung Wang | 06/20/2014     | Master of Business Administration,<br>Chaminade University of Honolulu<br>Executive Supervisor, King's Town Bank<br>Deputy Manger, Fidelity Worldwide Investment                            |
| Director             | Tian Gang Investment Co., Ltd.<br>Representative: Shi-Xiong Li     | 07/02/2014     | Department of Architecture,<br>Chinese Culture University<br>Executive Vice President, Chien-Chi Construction Co., Ltd.   |
| Independent Director | Ming-Tai Chen  | 06/20/2014     | Department of Water Resources Engineering,<br>Tamkang University<br>President, King's Town Bank<br>Executive Vice President, Taipei Fubon Bank<br>Executive Vice President, Citibank Taiwan |
| Independent Director | Yi Chiu  | 06/20/2014     | Ph.D. in Economics, National Taiwan University<br>Legislator, Taiwan R.O.C  |
| Independent Director | Cai-Fong Hou   | 06/20/2014     | Master in Dept. of Business Management, NSYSU;<br>Managing Supervisor, TCSC;<br>General Manager, TCSC;<br>Legislator, Taiwan R.O.C  |

### 2. Major Shareholders of Institutional Shareholders

January 31, 2016

| Name of Institutional Shareholder | Major Shareholders of Institutional Shareholder  |
|-----------------------------------|--|
| Tian Gang Investment Co., Ltd.    | Bai Hong Construction Co., Ltd.( 90.91% ) 、Tien-Tsan Tsai( 2.82% ) 、Mei-Yun Tsai- Hsueh( 1.73% ) 、Chang-Tien Tsai ( 0.91% ) 、Mei-Hui Chen ( 0.80% ) 、Po To Mamn Investment Group Ltd. (BVI) ( 2.73% ) 、Chen-Chih Tai (0.11%) |

### 3. Major Shareholders of Major Institutional Shareholders

January 31, 2016

| Name of Institutional Shareholder      | Major Shareholder of the juridical persons                                   |
|--|--|
| Bai Hong Construction Co., Ltd.        | Tien-Tsan Tsai ( 30.00% ) 、Jia-Ling Tsai ( 35.00% ) 、Yi-Ying Chen ( 35.00% ) |
| Po To Mamn Investment Group Ltd. (BVI) | Atherton Investment Group Ltd (100%)   |



### 3.3 Compensations for Board Directors, President, and Vice Presidents

#### 1. Compensations for Board Directors

Dec 31, 2015; Unit: NT\$1,000

Dec 31, 2015, Unit: NT\$,000

| Title                | Name             | Compensations for directors |  |                                       |  |  |  |                                  |  | Share of combination of A,B,C and D in after-tax net profit |  |
|----------------------|------------------|-----------------------------|--|---------------------------------------|--|--|--|----------------------------------|--|---|--|
|                      |                  | compensation(A)             |  | Job-leaving and retirement payment(B) |  | Compensations from distribution of earnings(C) |  | Expende for business excution(D) |  |   |  |
|                      |                  | The bank                    | All companies in the financial statement | The bank                              | All companies in the financial statement | The bank                                       | All companies in the financial statement | The bank                         | All companies in the financial statement | The bank  | All companies in the financial statement |
| Chairman             | Chen-Chih Tai    | 14,435                      | 14,435                                   | 0                                     | 0  | 0  | 0  | 240                              | 240                                      | 0.40%   | 0.40%                                    |
| Vice Chairman        | Chiung-Ting Tsai | 8,785                       | 8,785                                    | 0                                     | 0  | 0  | 0  | 240                              | 240                                      | 0.25%   | 0.25%                                    |
| Director             | Hsien-Tsung Wang | 480                         | 480                                      | 0                                     | 0  | 0  | 0  | 280                              | 280                                      | 0.02%   | 0.02%                                    |
| Director             | Shi-Xiong Li     | 240                         | 240                                      | 0                                     | 0  | 0  | 0  | 288                              | 288                                      | 0.02%   | 0.02%                                    |
| Independent Director | Yi Chiu          | 960                         | 960                                      | 0                                     | 0  | 0  | 0  | 274                              | 274                                      | 0.03%   | 0.03%                                    |
| Independent Director | Ming-Tai Chen    | 960                         | 960                                      | 0                                     | 0  | 0  | 0  | 286                              | 286                                      | 0.03%   | 0.03%                                    |
| Independent Director | Cai-Fong Hou     | 960                         | 960                                      | 0                                     | 0  | 0  | 0  | 286                              | 286                                      | 0.03%   | 0.03%                                    |

Note: After-tax net profit 2015 is NT\$3.68 billion.

#### 2. Compensation for President and Vice Presidents

Dec 31, 2015; Unit: NT\$1,000

Dec 31, 2013, Unit: NT\$1,000

| Title           | Name           | Salary (A) |  | Job-leaving and retirement payment (B) |  | Bonus, and special allowance (C) |  | Employee dividend-sharing (D) |                |  |                | Share of combination of A,B,C and D in after-tax net profit |  | Amount of shares for employee warrants |  | Amount of restricted stock units |  |
|-----------------|----------------|------------|--|--|--|----------------------------------|--|-------------------------------|----------------|--|----------------|---|--|--|--|----------------------------------|--|
|                 |                | The Bank   | All companies in the financial statement | The Bank                               | All companies in the financial statement | The Bank                         | All companies in the financial statement | The bank                      |                | All companies in the financial statement |                |   |  | The Bank                               | All companies in the financial statement | The Bank                         | All companies in the financial statement |
|                 |                |            |  |  |  |                                  |  | Cash dividend                 | Stock dividend | Cash dividend                            | Stock dividend | The Bank  | All Companies in the financial statement |  |  |                                  |  |
| President       | Shih-Chu Chien | 4,872      | 4,872                                    | 0                                      | 0  | 4,800                            | 4,800                                    | 224                           | 0              | 224                                      | 0              | 0.26%   | 0.26%                                    | 0                                      | 0  | 0                                | 0  |
| Chief Auditor   | Yi-Lu Kung     | 2,010      | 2,010                                    | 0                                      | 0  | 1,092                            | 1,092                                    | 224                           | 0              | 224                                      | 0              | 0.08%   | 0.08%                                    | 0                                      | 0  | 0                                | 0  |
| Vice President  | Han-Tsung Pan  | 1,722      | 1,722                                    | 0                                      | 0  | 593                              | 593                                      | 224                           | 0              | 224                                      | 0              | 0.06%   | 0.06%                                    | 0                                      | 0  | 0                                | 0  |
| Chief Secretary | Ri-Zheng Zhang | 433        | 433                                      | 0                                      | 0  | 0                                | 0  | 224                           | 0              | 224                                      | 0              | 0.01%   | 0.01%                                    | 0                                      | 0  | 0                                | 0  |

#### 3. Analytical comparisons of the shares of company's compensations for board directors, supervisors, president, and vice presidents in the after-tax net profits in the recent two years, as listed in the company's financial statement and the consolidated financial statement:

Unit: NT\$1,000

| Title                               | 2015     |  | 2014     |  |
|-------------------------------------|----------|--|----------|--|
|                                     | The Bank | All companies in the financial statement | The Bank | All companies in the financial statement |
| Director                            | 28,954   | 28,954                                   | 28,404   | 28,404                                   |
| Supervisor                          | 0        | 0  | 0        | 0  |
| President and vice presidents       | 15,522   | 15,522                                   | 17,194   | 18,474                                   |
| Total                               | 44,476   | 44,476                                   | 45,598   | 46,878                                   |
| Shares in the after-tax net profits | 1.21%    | 1.21%                                    | 0.88%    | 0.90%                                    |

#### 4. Major Resolutions of the Shareholder's Meeting

| Category              | Date       | Case  | Resolution   |
|-----------------------|------------|---|--|
| Shareholder's Meeting | 2015.05.12 | Adoption of the 2014 Financial Statements.                    | 810,250,019 votes for approval and 9,091 votes for disapproval, the case was approved in accordance with the resolution of the original Board of Directors.  |
|                       |            | Admit the earning distribution of 2014.                       | 813,693,088 votes for approval and 8,022 votes for disapproval, the case was approved in accordance with the resolution of the original Board of Directors.  |
|                       |            | Amend the procedure for the election.                         | 718,959,708 votes for approval and 12,402 votes for disapproval, the case was approved in accordance with the resolution of the original Board of Directors. |
|                       |            | Amend the Bank's rules of procedure for shareholders meetings | 813,661,008 votes for approval and 9,102 votes for disapproval, the case was approved in accordance with the resolution of the original Board of Directors.  |

### 3.4 Omnibus Shareholding Ratio

December 31, 2014; Unit: share / %

| Equity investment                          | Investment by the bank |                | Investment by the company directly or indirectly controlled by the bank and the bank's directors, supervisors, presidents, vice presidents, assistant vice presidents, and branch chiefs |                | General investment |                |
|--|------------------------|----------------|--|----------------|--------------------|----------------|
|  | Amount of shares       | Share of stake | Amount of shares   | Share of stake | Amount of shares   | Share of stake |
| Taiwan Depository & Clearing Corp.         | 1,252,917              | 0.36%          | 0  | 0%             | 1,252,917          | 0.36%          |
| Taipei Forex Inc.                          | 80,000                 | 0.40%          | 0  | 0%             | 80,000             | 0.40%          |
| Taiwan Future Exchange                     | 1,485,435              | 0.50%          | 0  | 0%             | 1,485,435          | 0.50%          |
| Financial Information Service Co.          | 5,937,750              | 1.14%          | 0  | 0%             | 5,937,750          | 1.14%          |
| Tainan Life Insurance Agent Co., Ltd.      | 3,000,000              | 100%           | 0  | 0%             | 3,000,000          | 100%           |
| Fu Chen Property Insurance Agent Co., Ltd. | 300,070                | 100%           | 0  | 0%             | 300,070            | 100%           |
| KTB International Leasing Co., Ltd.        | 50,000,000             | 100%           | 0  | 0%             | 50,000,000         | 100%           |
| Taiwan Stock Exchange Corp.                | 2,882,124              | 0.44%          | 0  | 0%             | 2,882,124          | 0.44%          |
| Sunshine Financial Asset Service Corp.     | 37,211                 | 0.62%          | 0  | 0%             | 37,211             | 0.62%          |
| Taiwan Incubator SME Development Corp.     | 3,417,440              | 4.84%          | 0  | 0%             | 3,417,440          | 4.84%          |

## IV. Fund Raising Activities

### 4.1 Capital and Shares

#### 1. Sources of Capital

March 20, 2016; Unit: share / NT\$

| Month<br>Year | Issuing<br>Price | Registered capital  |                | Paid-in capital     |                | Source of Capital   |
|---------------|------------------|---------------------|----------------|---------------------|----------------|---|
|               |                  | Amount of<br>Shares | Value          | Amount of<br>Shares | Value          |   |
| Jan.1978      |                  | 20,000,000          | 200,000,000    | 20,000,000          | 200,000,000    | Ordered to restructuring  |
| Mar.1980      |                  | 24,000,000          | 240,000,000    | 24,000,000          | 240,000,000    | Shareholder dividend 30.40 million,<br>Special reserve 9.6 million  |
| May 1981      |                  | 30,000,000          | 300,000,000    | 30,000,000          | 300,000,000    | Dividends 14.40 million,<br>Bonus 25.20 million,<br>Special reserve 20.40 million   |
| Mar.1982      |                  | 40,200,000          | 402,000,000    | 40,200,000          | 402,000,000    | Value reserve 45.90 million,<br>Special reserve 56.10 million   |
| Oct.1983      |                  | 42,500,000          | 425,000,000    | 42,500,000          | 425,000,000    | Special reserve 23 million  |
| Sep.1984      |                  | 45,000,000          | 450,000,000    | 45,000,000          | 450,000,000    | Special reserve 25 million  |
| Jul.1985      |                  | 47,500,000          | 475,000,000    | 47,500,000          | 475,000,000    | Special reserve 25 million  |
| Jun.1986      |                  | 50,000,000          | 500,000,000    | 50,000,000          | 500,000,000    | Special reserve 25 million  |
| Jul.1987      |                  | 52,500,000          | 525,000,000    | 52,500,000          | 525,000,000    | Special reserve 25 million  |
| May 1988      |                  | 63,000,000          | 630,000,000    | 63,000,000          | 630,000,000    | Special reserve 105 million   |
| Jun.1989      |                  | 80,000,000          | 800,000,000    | 73,080,000          | 730,800,000    | Special reserve 100.80 million  |
| Nov.1989      | 180              | 80,000,000          | 800,000,000    | 80,000,000          | 800,000,000    | Cash capital increment 69.20 million  |
| Jun.1990      |                  | 200,000,000         | 2,000,000,000  | 120,350,000         | 1,203,500,000  | Capital reserve 240 million, Special<br>reserve 160 million, employee bonus<br>3.5 million  |
| Jun.1991      |                  | 200,000,000         | 2,000,000,000  | 171,500,000         | 1,715,000,000  | Surplus and Special reserve 228.665<br>million, Capital reserve 277.835<br>million, employee bonus 5 million                      |
| Nov.1992      |                  | 227,300,000         | 2,273,000,000  | 227,300,000         | 2,273,000,000  | Surplus and Special reserve 274.40<br>million, Capital reserve 277.83<br>million, employee bonus 5.77 million                     |
| Aug.1993      |                  | 270,000,000         | 2,700,000,000  | 270,000,000         | 2,700,000,000  | Surplus and Special reserve 281.23<br>million, Capital reserve 144.77<br>million, employee bonus 1 million                        |
| Mar.1994      | 53               | 335,000,000         | 3,350,000,000  | 335,000,000         | 3,350,000,000  | Surplus 390.415 million, Capital<br>reserve 9.585 million, Cash capital<br>increment 250 million                                  |
| Mar.1995      | 43               | 440,130,000         | 4,401,300,000  | 440,130,000         | 4,401,300,000  | Cash capital increment 100 million,<br>Surplus 599.204 million, Capital<br>reserve 332.096 million, employee<br>bonus 20. million |
| Oct.1996      |                  | 545,762,200         | 5,457,622,000  | 545,762,200         | 5,457,622,000  | Surplus 624.985 million,<br>Capital reserve 431.327 million   |
| Nov.1997      |                  | 646,727,022         | 6,467,270,220  | 646,727,022         | 6,467,270,220  | Surplus 578.507 million,<br>Capital reserve 431.151 million   |
| Dec.1998      |                  | 724,334,265         | 7,243,342,650  | 724,334,265         | 7,243,342,650  | Surplus 523.849 million,<br>Capital reserve 252.223 million   |
| Oct.2005      | 10.7             | 1,800,000,000       | 18,000,000,000 | 1,084,334,265       | 10,843,342,650 | Cash capital increment 3.6 billion  |
| Nov.2008      |                  | 1,800,000,000       | 18,000,000,000 | 1,069,334,265       | 10,693,342,650 | Cancellation of treasury shares 150<br>million  |
| Dec.2008      |                  | 1,800,000,000       | 18,000,000,000 | 1,051,234,265       | 10,512,342,650 | Cancellation of treasury shares 181<br>million  |
| Mar.2013      | 10               | 1,800,000,000       | 18,000,000,000 | 1,201,234,265       | 12,012,342,650 | Private placement of convertible<br>financial debentures converted into<br>equity 1.5 billion                                     |
| Feb.2016      |                  | 1,800,000,000       | 18,000,000,000 | 1,164,234,265       | 11,642,342,650 | Cancellation of treasury shares 370<br>million  |
| Mar.2016      |                  | 1,800,000,000       | 18,000,000,000 | 1,151,234,265       | 11,512,342,650 | Cancellation of treasury shares 130<br>million  |

March 20, 2016; Unit: share

| Kinds of Shares  | Registered Capital    |                  |               | Note   |
|------------------|-----------------------|------------------|---------------|--------|
|                  | Shares in Circulation | Share not issued | Total         |        |
| Common shares    | 1,151,234,265         | 648,765,735      | 1,800,000,000 | Listed |
| Preferred shares | 0                     | 0                | 0             |        |

## 2. Makeup of Shareholders (Common shares)

March 20, 2016; Unit: share / %

| Makeup of Shareholders<br>Amount | Financial Institutions | Other Institutions | Individuals | Foreign Institutions and Foreigners | Treasury Stock | Total         |
|----------------------------------|------------------------|--------------------|-------------|-------------------------------------|----------------|---------------|
| Number                           | 5                      | 119                | 35,462      | 250                                 | 1              | 35,837        |
| Amount of shares                 | 103,178,708            | 212,812,805        | 575,796,199 | 249,446,556                         | 10,000,000     | 1,151,234,265 |
| Share of stake (%)               | 8.96%                  | 18.49%             | 50.01%      | 21.67%                              | 0.87%          | 100%          |

Note: No government agencies shareholders.

## 3. Diversification of shareholding

Face value per share: NT\$10; March 20, 2016

| Grades of Shareholding | Number of Shareholders | Amount of Shares Owned | Share of Stake (%) |
|------------------------|------------------------|------------------------|--------------------|
| 1 to 999               | 17,779                 | 4,800,398              | 0.42%              |
| 1,000 to 5,000         | 12,333                 | 27,943,290             | 2.43%              |
| 5,001 to 10,000        | 2,686                  | 20,757,290             | 1.80%              |
| 10,001 to 15,000       | 810                    | 10,156,106             | 0.88%              |
| 15,001 to 20,000       | 586                    | 10,737,647             | 0.93%              |
| 20,001 to 30,000       | 480                    | 12,298,521             | 1.07%              |
| 30,001 to 40,000       | 211                    | 7,601,320              | 0.66%              |
| 40,001 to 50,000       | 176                    | 8,168,659              | 0.71%              |
| 50,001 to 100,000      | 288                    | 21,002,081             | 1.82%              |
| 100,001 to 200,000     | 160                    | 22,567,114             | 1.96%              |
| 200,001 to 400,000     | 99                     | 27,929,498             | 2.43%              |
| 400,001 to 600,000     | 47                     | 22,724,484             | 1.97%              |
| 600,001 to 800,000     | 29                     | 20,245,408             | 1.76%              |
| 800,001 to 1,000,000   | 12                     | 11,028,102             | 0.96%              |
| Over 1,000,001         | 141                    | 923,274,347            | 80.20%             |
| Total                  | 35,837                 | 1,151,234,265          | 100%               |

Note: Diversification of shareholding (preferred shares): Nil.

#### 4. List of Major Shareholders

March 20, 2016

| Names of Major Shareholders   | Amount of Shares Owned | Share of Stake (%) |
|---|------------------------|--------------------|
| Mercuries Life Insurance Co.,Ltd  | 94,696,000             | 8.23%              |
| Tien-Tsan Tsai  | 72,752,033             | 6.32%              |
| Chen-Chih Tai   | 66,727,000             | 5.80%              |
| Jin Cheng Construction Co. , Ltd.   | 46,651,000             | 4.05%              |
| Tian Gang Investment Co., Ltd.  | 39,399,025             | 3.42%              |
| Hsien-Tsung Wang  | 29,277,882             | 2.54%              |
| Tian Lai Investment Co., Ltd.   | 25,316,325             | 2.20%              |
| Bank of Taiwan custody Fidelity Investment Trust, Fidelity Emerging Markets Series households | 25,049,000             | 2.18%              |
| Yi Ying Chen  | 23,756,000             | 2.06%              |
| Mei Ling Yu   | 23,195,000             | 1.84%              |

Note: Listed shareholding of the top ten shareholders.

#### 5. Information on Share Prices, Book Value, Earnings, and Dividend in the Recent Two Years

Unit: NT\$

| Item                           |  | Year | 2014      | 2015      | January 31, 2016 |
|--------------------------------|--|------|-----------|-----------|------------------|
| Market price per share         | Highest  |      | 34.6      | 34.5      | 23.4             |
|                                | Lowest   |      | 27.55     | 20.15     | 19.6             |
|                                | Average  |      | 30.5      | 27.57     | 21.05            |
| Book value per share           | Before dividend payout                           |      | 22.6      | 24.52     | 24.58            |
|                                | After dividend payout                            |      | -         | -         | -                |
| Earnings per share             | Weighted average amount of shares (1,000 shares) |      | 1,201,234 | 1,192,010 | 1,156,139        |
|                                | Earning per share                                |      | 4.33      | 3.09      | 0.25             |
| Dividend per share             | Cash dividend                                    |      | 1.5       | -         | -                |
|                                | Stock dividend from retained earnings            |      | -         | -         | -                |
|                                | Stock dividend from legal reserves               |      | -         | -         | -                |
|                                | Accumulated retained dividend                    |      | -         | -         | -                |
| Analysis of investment returns | P/E ratio  |      | 7.04      | 8.92      | 7.02             |
|                                | Price/earnings ratio                             |      | 20.3      | -         | -                |
|                                | Yield rate of cash dividend                      |      | 4.92      | -         | -                |

Note: Shareholder's meeting has yet to approve the proposal for profit sharing for 2015.

## 6. Buyback of Treasury Stock

| Batch Order                                 | 12th Batch                                      | 13th Batch                                      | 14th Batch                                      | 15th Batch                |
|---|---|---|---|---------------------------|
| Purpose of buy-back                         | Transfer to employees                           | Maintain bank's credit and shareholder's equity | Maintain bank's credit and shareholder's equity | Transfer to employees     |
| Timeframe of buy-back                       | 2015/7/7~<br>2015/8/13                          | 2015/8/18~<br>2015/9/11                         | 2015/9/15~<br>2015/11/13                        | 2015/11/18~<br>2015/11/27 |
| Price range                                 | NT\$ 27~ NT\$ 33                                | NT\$ 22~ NT\$ 30                                | NT\$ 22~ NT\$ 30                                | NT\$ 22~ NT\$ 30          |
| Quantity of shares bought-back              | 5,000,000                                       | 10,000,000                                      | 15,000,000                                      | 3,000,000                 |
| Value of shares bought-back                 | NT\$ 129,640,464                                | NT\$ 219,641,921                                | NT\$ 369,933,111                                | NT\$ 70,498,802           |
| Average repurchase price per share          | NT\$ 25.93                                      | NT\$ 21.96                                      | NT\$ 24.66                                      | NT\$ 23.50                |
| Shares cancelled/transferred                | 0   | 10,000,000                                      | 15,000,000                                      | 0                         |
| Accumulated number of company shares held   | 5,000,000                                       | 15,000,000                                      | 30,000,000                                      | 33,000,000                |
| Percentage of total company shares held (%) | 0.42%   | 1.25%   | 2.5%  | 2.75%                     |
| Batch Order                                 | 16th Batch                                      | 17th Batch                                      | 18th Batch                                      |                           |
| Purpose of buy-back                         | Maintain bank's credit and shareholder's equity | Transfer to employees                           | Maintain bank's credit and shareholder's equity |                           |
| Timeframe of buy-back                       | 2015/12/1~<br>2016/1/15                         | 2016/1/19~<br>2016/1/22                         | 2016/1/28~<br>2016/2/26                         |                           |
| Price range                                 | NT\$ 22~ NT\$ 30                                | NT\$ 22~ NT\$ 30                                | NT\$ 22~ NT\$ 30                                |                           |
| Quantity of shares bought back              | 12,000,000                                      | 2,000,000                                       | 13,000,000                                      |                           |
| Value of shares bought-back                 | NT\$ 274,403,637                                | NT\$ 41,386,144                                 | NT\$ 274,559,134                                |                           |
| Average repurchase price per share          | NT\$ 22.87                                      | NT\$ 20.69                                      | NT\$ 21.12                                      |                           |
| Shares cancelled/transferred                | 12,000,000                                      | 0   | 13,000,000                                      |                           |
| Accumulated number of company shares held   | 45,000,000                                      | 47,000,000                                      | 23,000,000                                      |                           |
| Percentage of total company shares held (%) | 3.75%   | 3.91%   | 1.98%   |                           |

### 4.2 Issuance of Bank Debentures: Nil.

### 4.3 Issuance of Preferred Shares, Overseas Depository Certificates, Stock Options and Restricted Right Shares for Employees: Nil.

### 4.4 Acquisition of or Sell to Other Financial Institutions: Nil.

## V. Business Status

### 5.1 Business Contents

#### 1. Business Items

- (1) Deposits
- (2) Loans
- (3) International Banking
- (4) Wealth Management and Trust Services
- (5) Investment Business

#### 2. Growth and Change in Various Business Items

Unit: NT\$ 1,000 / %

| Item   | End of 2015 | End of 2014 | Increase/decrease | Growth rate (%) |
|--|-------------|-------------|-------------------|-----------------|
| Deposit Balance on NT Dollar Accounts        | 153,775,611 | 147,983,060 | 5,792,551         | 3.91            |
| Deposit Balance on Foreign Currency Accounts | 15,764,576  | 11,331,783  | 4,432,793         | 39.12           |
| Loans Balance                                | 125,536,309 | 123,438,473 | 2,097,836         | 1.70            |
| Wealth Management Fee Income                 | 531,637     | 469,805     | 61,832            | 13.16           |
| Trust Balance                                | 18,343,185  | 20,026,359  | (1,683,174)       | (8.40)          |

Unit:NT\$ million / %

| Item                   |                              | 2015   | 2014   | Increase/decrease | Growth rate (%) |
|------------------------|------------------------------|--------|--------|-------------------|-----------------|
| Investment<br>Business | Central bank CD              | 23,225 | 26,225 | (3,000)           | (11.44)         |
|                        | Domestic Government Bonds    | 28,162 | 24,746 | 3,416             | 13.80           |
|                        | Domestic Corporate Bonds     | 1,002  | 1,503  | (501)             | (33.33)         |
|                        | Stocks                       | 3,175  | 3,335  | (160)             | (4.80)          |
|                        | Funds                        | 2,431  | 700    | 1,731             | 247.29          |
|                        | REITS                        | 480    | 791    | (311)             | (39.32)         |
|                        | Domestic Convertible Bonds   | 50     | 50     | 0                 | 0.00            |
|                        | Asset Swaps                  | 0      | 0      | 0                 | 0.00            |
|                        | Structured Product           | 0      | 0      | 0                 | 0.00            |
|                        | Foreign Currency Securities  | 31,187 | 31,583 | (396)             | (1.25)          |
|                        | Long-term Equity Investments | 740    | 508    | 232               | 45.67           |
|                        | Total                        | 90,452 | 89,441 | 1,011             | 1.13            |

### 5.2 Employee

| Year                              |                       | 2014  | 2015  | Current year as of<br>January 31, 2016 |
|-----------------------------------|-----------------------|-------|-------|--|
| Numbers of<br>employee            | Managers              | 252   | 266   | 268                                    |
|                                   | Staffs                | 626   | 628   | 628                                    |
|                                   | Total                 | 878   | 894   | 896                                    |
| Average age                       |                       | 38.9  | 39.8  | 39.9                                   |
| Average service years             |                       | 13.1  | 13.1  | 13.2                                   |
| Shares of<br>education<br>degrees | Master and above      | 7.6%  | 6.1%  | 7.9%                                   |
|                                   | College               | 83.6% | 85.1% | 83.4%                                  |
|                                   | Senior high and Under | 8.8%  | 8.8%  | 8.7%                                   |

## VI. Financial Status

### 6.1 Five Year Condensed Balance Sheet and Income Statement Summary

#### 1. Consolidated Condensed Balance Sheets—IFRSs

Unit: NT\$1,000

| Item   | Year          | Five-Year Financial Data |             |             |             | Current year as of<br>Jan.31, 2016 |
|--|---------------|--------------------------|-------------|-------------|-------------|------------------------------------|
|  |               | 2012                     | 2013        | 2014        | 2015        |                                    |
| Cash and cash equivalents, Due from the Central Bank and call loans to other banks |               | 50,071,541               | 54,041,800  | 44,961,047  | 38,841,253  | 43,212,301                         |
| Financial assets at fair value through profit or loss                              |               | 3,635,308                | 1,544,550   | 3,333,154   | 4,722,217   | 3,452,788                          |
| Available-for-sale financial assets  |               | 11,041,064               | 33,337,378  | 55,660,486  | 58,310,324  | 58,240,397                         |
| Derivative financial assets for hedging  |               | -                        | -           | -           | -           | -                                  |
| Bonds and securities purchased under resell agreements                             |               | 1,523,695                | 248,029     | 772,295     | 3,287,166   | 2,181,994                          |
| Receivables, net   |               | 830,544                  | 1,251,865   | 901,001     | 1,289,518   | 1,150,967                          |
| Current tax assets   |               | -                        | -           | -           | -           | 78,614                             |
| Assets Held for Sale, net  |               | -                        | -           | -           | -           | -                                  |
| Loans, net   |               | 96,547,359               | 107,542,844 | 121,560,045 | 123,642,946 | 122,761,636                        |
| Held-to-maturity financial assets  |               | 6,361,532                | 6,017,544   | -           | -           | -                                  |
| Investments accounted for using equity method, net                                 |               | -                        | -           | -           | -           | -                                  |
| Restricted Assets  |               | -                        | -           | -           | -           | -                                  |
| Other financial assets, net  |               | 20,661,190               | 6,642,016   | 4,524,455   | 4,227,015   | 3,983,477                          |
| Property and Equipment, net  |               | 2,788,079                | 2,682,595   | 2,548,865   | 2,494,436   | 2,556,032                          |
| Investment property, net   |               | -                        | -           | -           | -           | -                                  |
| Intangible assets, net   |               | -                        | -           | -           | -           | -                                  |
| Deferred tax assets, net   |               | 373,212                  | 222,352     | 305,307     | 216,709     | 255,240                            |
| Other assets   |               | 288,654                  | 466,658     | 720,865     | 522,006     | 622,617                            |
| Total assets   |               | 194,122,178              | 213,997,631 | 235,287,520 | 237,553,590 | 238,496,063                        |
| Due to Central Bank and other banks  |               | 8,360,244                | 15,445,318  | 12,863,112  | 17,160,139  | 17,662,885                         |
| Loans from The Central Bank and other banks  |               | 5,051,130                | 3,833,600   | 4,377,084   | 3,835,656   | 2,355,075                          |
| Financial liabilities at fair value through profit or loss                         |               | 8,456                    | 93,311      | 594,167     | 26,986      | 304,403                            |
| Derivative financial liabilities for hedging                                       |               | -                        | -           | -           | -           | -                                  |
| Bonds and securities sold under repurchase agreements                              |               | 16,147,739               | 22,652,181  | 27,902,026  | 16,431,429  | 24,132,968                         |
| Payables   |               | 2,387,959                | 1,079,473   | 1,676,477   | 1,156,928   | 1,548,485                          |
| Current tax liabilities  |               | 375,655                  | 243,698     | 775,253     | 268,041     | 971,598                            |
| Liabilities directly associated with assets held for sale                          |               | -                        | -           | -           | -           | -                                  |
| Deposits   |               | 139,370,025              | 145,581,326 | 159,224,751 | 169,383,517 | 161,886,627                        |
| Bank debentures  |               | 1,486,787                | -           | -           | -           | -                                  |
| Preferred stock liabilities  |               | -                        | -           | -           | -           | -                                  |
| Other financial liabilities  |               | 4,675                    | 1,177       | -           | -           | -                                  |
| Provisions   |               | 532,393                  | 513,153     | 478,222     | 478,222     | 463,179                            |
| Deferred tax liabilities   |               | 89,163                   | 79,436      | 81,387      | 81,387      | 65,821                             |
| Other liabilities  |               | 290,457                  | 166,984     | 168,189     | 168,189     | 170,551                            |
| Total liabilities  | Before payout | 174,104,683              | 189,689,657 | 208,140,668 | 209,098,481 | 209,561,592                        |
|  | After payout  | 175,906,535              | 191,491,509 | 209,942,520 | (Note 2)    | -                                  |
| Equity attributable to shareholders of the parent                                  |               | 20,017,495               | 24,307,974  | 27,146,852  | 28,455,109  | 28,298,553                         |
| Capital stock  | Before payout | 10,512,343               | 12,012,343  | 12,012,343  | 12,012,343  | 11,642,343                         |
|  | After payout  | 10,512,343               | 12,012,343  | 12,012,343  | (Note 2)    | -                                  |
| Capital surplus  |               | 188,201                  | 178,746     | 178,746     | 180,332     | 58,573                             |
| Retained earnings  | Before payout | 8,409,408                | 10,689,749  | 14,065,004  | 15,916,232  | 15,827,923                         |
|  | After payout  | 6,607,556                | 8,887,897   | 12,263,152  | (Note 2)    | -                                  |
| Other equity   |               | 907,543                  | 1,427,136   | 890,759     | 1,319,176   | 1,068,939                          |
| Treasury shares  |               | -                        | -           | -           | (972,974)   | (299,225)                          |
| Noncontrolling interests   |               | -                        | -           | -           | -           | -                                  |
| Total equity   | Before payout | 20,017,495               | 24,307,974  | 27,146,852  | 28,455,109  | 28,298,553                         |
|  | After payout  | 18,215,643               | 22,506,122  | 25,345,000  | (Note 2)    | -                                  |

Note 1: Financial data has been audited by independent accountants unless January 31, 2016.

Note 2: The earning distribution proposal of year 2015 has not been resolved by shareholders.



## 2. Condensed Balance Sheets—IFRSs

Unit: NT\$1,000

| Year   |               | Five-Year Financial Data |             |             |             |
|--|---------------|--------------------------|-------------|-------------|-------------|
|  |               | 2012                     | 2013        | 2014        | 2015        |
| Item   |               |                          |             |             |             |
| Cash and cash equivalents, Due from the Central Bank and call loans to other banks |               | 50,071,541               | 54,041,800  | 44,761,047  | 28,503,721  |
| Financial assets at fair value through profit or loss                              |               | 3,635,308                | 1,544,550   | 3,333,154   | 4,722,217   |
| Available-for-sale financial assets  |               | 11,041,064               | 33,337,378  | 55,660,486  | 58,310,324  |
| Derivative financial assets for hedging  |               | -                        | -           | -           | -           |
| Bonds and securities purchased under resell agreements                             |               | 1,523,695                | 248,029     | 772,295     | 3,172,466   |
| Receivables, net   |               | 809,694                  | 1,219,261   | 882,211     | 995,199     |
| Current tax assets   |               | -                        | -           | -           | -           |
| Assets Held for Sale, net  |               | -                        | -           | -           | -           |
| Loans, net   |               | 96,547,359               | 107,542,844 | 121,560,045 | 123,642,946 |
| Held-to-maturity financial assets  |               | 6,361,532                | 6,017,544   | -           | -           |
| Investments accounted for using equity method, net                                 |               | 183,182                  | 258,381     | 300,723     | 913,341     |
| Restricted Assets  |               | -                        | -           | -           | -           |
| Other financial assets, net  |               | 20,661,190               | 6,642,016   | 4,524,455   | 4,127,015   |
| Property and Equipment, net  |               | 2,787,767                | 2,682,470   | 2,548,865   | 2,494,270   |
| Investment property, net   |               | -                        | -           | -           | -           |
| Intangible assets, net   |               | -                        | -           | -           | -           |
| Deferred tax assets, net   |               | 373,212                  | 222,352     | 305,307     | 216,709     |
| Other assets   |               | 286,454                  | 464,458     | 718,165     | 519,304     |
| Total assets   |               | 194,281,998              | 214,221,083 | 235,366,753 | 237,617,512 |
| Due to Central Bank and other banks  |               | 8,360,244                | 15,445,318  | 12,863,112  | 17,160,139  |
| Loans from The Central Bank and other banks  |               | 5,051,130                | 3,833,600   | 4,377,084   | 3,835,656   |
| Financial liabilities at fair value through profit or loss                         |               | 8,456                    | 93,311      | 594,167     | 26,986      |
| Derivative financial liabilities for hedging                                       |               | -                        | -           | -           | -           |
| Bonds and securities sold under repurchase agreements                              |               | 16,147,739               | 22,652,181  | 27,902,026  | 16,431,429  |
| Payables   |               | 2,384,935                | 1,075,032   | 1,670,618   | 1,148,858   |
| Current tax liabilities  |               | 355,667                  | 215,816     | 749,214     | 230,666     |
| Liabilities directly associated with assets held for sale                          |               | -                        | -           | -           | -           |
| Deposits   |               | 139,552,731              | 145,836,978 | 159,335,733 | 169,542,182 |
| Bank debentures  |               | 1,486,787                | -           | -           | -           |
| Preferred stock liabilities  |               | -                        | -           | -           | -           |
| Other financial liabilities  |               | 4,675                    | 1,177       | -           | -           |
| Provisions   |               | 532,393                  | 513,153     | 478,222     | 471,814     |
| Deferred tax liabilities   |               | 89,163                   | 79,436      | 81,387      | 73,721      |
| Other liabilities  |               | 290,583                  | 167,107     | 168,338     | 240,952     |
| Total liabilities  | Before payout | 174,264,503              | 189,913,109 | 208,219,901 | 209,162,403 |
|  | After payout  | 176,066,355              | 191,714,961 | 210,021,753 | Note 2      |
| Equity attributable to shareholders of the parent                                  |               | 20,017,495               | 24,307,974  | 27,146,852  | 28,455,109  |
| Capital stock  | Before payout | 10,512,343               | 12,012,343  | 12,012,343  | 12,012,343  |
|  | After payout  | 10,512,343               | 12,012,343  | 12,012,343  | (Note 2)    |
| Capital surplus  |               | 188,201                  | 178,746     | 178,746     | 180,332     |
| Retained earnings  | Before payout | 8,409,408                | 10,689,749  | 14,065,004  | 15,916,232  |
|  | After payout  | 6,607,556                | 8,887,897   | 12,263,152  | (Note 2)    |
| Other equity   |               | 907,543                  | 1,427,136   | 890,759     | 1,319,176   |
| Treasury shares  |               | -                        | -           | -           | (972,974)   |
| Noncontrolling interests   |               | -                        | -           | -           | -           |
| Total equity   | Before payout | 20,017,495               | 24,307,974  | 27,146,852  | 28,455,109  |
|  | After payout  | 18,215,643               | 22,506,122  | 25,345,000  | (Note 2)    |

Note 1: Financial data has been audited by independent accountants.

Note 2: The earning distribution proposal of year 2015 has not been resolved by shareholders.

### 3. Consolidated Condensed Income Statement—IFRSs

Unit: NT\$1,000

| Item \ Year  | Five-Year Financial Data |             |             |             | Current year as of Jan.31, 2016 |
|--|--------------------------|-------------|-------------|-------------|---------------------------------|
|  | 2012                     | 2013        | 2014        | 2015        |                                 |
| Interest income  | 4,867,323                | 5,563,599   | 6,331,857   | 6,508,388   | 527,724                         |
| Less: Interest expense   | (1,198,590)              | (1,222,437) | (1,378,258) | (1,428,961) | (119,018)                       |
| Net interest income  | 3,668,733                | 4,341,162   | 4,953,599   | 5,079,427   | 408,706                         |
| Net income and gains other than interest income                        | 1,859,598                | 2,592,343   | 2,808,786   | 1,412,214   | 161,726                         |
| Gross income   | 5,528,331                | 6,933,505   | 7,762,385   | 6,491,641   | 570,432                         |
| Available-for-sale financial assets impairment                         | -                        | (161,453)   | 2,422       | (368,937)   | 5,721                           |
| Allowances lodged for bad debt expenses and guarantee responsibilities | (2,316)                  | (567,374)   | (114,470)   | (52,633)    | 13,037                          |
| Operating expenses   | (1,490,416)              | (1,442,137) | (1,616,949) | (1,609,509) | (250,620)                       |
| Net income from continuing operations before income tax                | 4,035,599                | 4,762,541   | 6,033,388   | 4,460,562   | 338,570                         |
| Income tax (expense) benefit   | (591,150)                | (620,528)   | (837,034)   | (777,808)   | (54,660)                        |
| Net income from continuing operations                                  | 3,444,449                | 4,142,013   | 5,196,354   | 3,682,754   | 283,910                         |
| Profit or loss of discontinued operations                              | -                        | -           | -           | -           | -                               |
| Consolidated net income(loss) for the period                           | 3,444,449                | 4,142,013   | 5,196,354   | 3,682,754   | 283,910                         |
| Other comprehensive income for the period, net of income tax           | 867,392                  | 459,773     | (555,624)   | 398,743     | (250,237)                       |
| Total comprehensive income for the period                              | 4,311,841                | 4,601,786   | 4,640,730   | 4,081,497   | 33,673                          |
| Net income attributable to shareholders of the parent                  | 3,444,449                | 4,142,013   | 5,196,354   | 3,682,754   | 283,910                         |
| Net income attributable to noncontrolling interests                    | -                        | -           | -           | -           | -                               |
| Total comprehensive income attributable to shareholders of the parent  | 4,311,841                | 4,601,786   | 4,640,730   | 4,081,497   | 33,673                          |
| Total comprehensive income attributable to noncontrolling interests    | -                        | -           | -           | -           | -                               |
| Earnings per share (EPS)   | 3.28                     | 3.53        | 4.33        | 3.09        | 0.25                            |

Note : Financial data has been audited by independent accountants unless January 31, 2016.

### 4. Condensed Income Statement—IFRSs

Unit: NT\$1,000

| Item \ Year  | Five-Year Financial Data |             |             |             |
|--|--------------------------|-------------|-------------|-------------|
|  | 2012                     | 2013        | 2014        | 2015        |
| Interest income  | 4,867,323                | 5,563,599   | 6,331,857   | 6,502,846   |
| Less: Interest expense   | (1,199,161)              | (1,223,033) | (1,379,061) | (1,429,607) |
| Net interest income  | 3,668,162                | 4,340,566   | 4,952,796   | 5,073,239   |
| Net income and gains other than interest income                        | 1,814,168                | 2,534,763   | 2,738,389   | 1,322,830   |
| Gross income   | 5,482,330                | 6,875,329   | 7,691,185   | 6,396,069   |
| Available-for-sale financial assets impairment                         | -                        | (161,453)   | 2,422       | (368,937)   |
| Allowances lodged for bad debt expenses and guarantee responsibilities | (2,316)                  | (567,374)   | (114,470)   | (46,933)    |
| Operating expenses   | (1,475,765)              | (1,427,578) | (1,593,677) | (1,581,235) |
| Net income from continuing operations before income tax                | 4,004,249                | 4,718,924   | 5,985,460   | 4,398,964   |
| Income tax (expense) benefit   | (559,800)                | (576,911)   | (789,106)   | (716,210)   |
| Net income from continuing operations                                  | 3,444,449                | 4,142,013   | 5,196,354   | 3,682,754   |
| Profit or loss of discontinued operations                              | -                        | -           | -           | -           |
| Consolidated net income(loss) for the period                           | 3,444,449                | 4,142,013   | 5,196,354   | 3,682,754   |
| Other comprehensive income for the period, net of income tax           | 867,392                  | 459,773     | (555,624)   | 398,743     |
| Total comprehensive income for the period                              | 4,311,841                | 4,601,786   | 4,640,730   | 4,081,497   |
| Net income attributable to shareholders of the parent                  | 3,444,449                | 4,142,013   | 5,196,354   | 3,682,754   |
| Net income attributable to noncontrolling interests                    | -                        | -           | -           | -           |
| Total comprehensive income attributable to shareholders of the parent  | 4,311,841                | 4,601,786   | 4,640,730   | 4,081,497   |
| Total comprehensive income attributable to noncontrolling interests    | -                        | -           | -           | -           |
| Earnings per share (EPS)   | 3.28                     | 3.53        | 4.33        | 3.09        |

Note: All financial data have been audited by independent accountant.

## 6.2 Financial Analysis for Recent Five Years

### 1. Consolidated Financial Analysis –IFRSs

Unit: NT\$1,000

| Item   |  | Year | Five-Year Financial Data |         |          |         | Current year<br>as of<br>Jan.31, 2016 |
|--|--|------|--------------------------|---------|----------|---------|---------------------------------------|
|  |  |      | 2012                     | 2013    | 2014     | 2015    |                                       |
| Management<br>ability  | Deposit/loan ratio (%)                                       |      | 70.37                    | 75.05   | 77.55    | 74.13   | 73.58                                 |
|  | NPL ratio (%)  |      | 0.12                     | 0.05    | 0.03     | 0.03    | 0.03                                  |
|  | Interest income/average outstanding deposit ratio (%)        |      | 0.83                     | 0.78    | 0.83     | 0.87    | 0.84                                  |
|  | Interest income/average outstanding loans ratio (%)          |      | 5.05                     | 5.39    | 5.45     | 5.22    | 5.09                                  |
|  | Turnover rate of total assets ( times )                      |      | 0.030                    | 0.034   | 0.033    | 0.027   | 0.028                                 |
|  | Revenue per employee   |      | 5,925                    | 7,933   | 8,761    | 7,149   | 7,547                                 |
|  | Profit per employee  |      | 3,692                    | 4,739   | 5,865    | 4,056   | 3,756                                 |
| Profit-making<br>capability  | Returns on tier 1 capital (%)                                |      | 23.65                    | 22.98   | 25.32    | 17.20   | 15.66                                 |
|  | Returns on assets (%)  |      | 1.86                     | 2.03    | 2.31     | 1.56    | 1.42                                  |
|  | Returns on shareholder's equity (%)                          |      | 19.40                    | 18.69   | 20.20    | 13.25   | 12.01                                 |
|  | Net Profit rate (%)  |      | 62.31                    | 59.74   | 66.94    | 56.73   | 49.77                                 |
|  | Earnings per share(NT\$1)                                    |      | 3.28                     | 3.53    | 4.33     | 3.09    | 0.25                                  |
| Financial<br>structure   | Liabilities/assets ratio (%)                                 |      | 89.66                    | 88.62   | 88.44    | 87.99   | 88.23                                 |
|  | Property, plant, and equipment as a percentage of equity (%) |      | 13.93                    | 11.04   | 9.39     | 8.77    | 8.90                                  |
| Growth rate  | Asset growth (%)   |      | 10.15                    | 10.24   | 9.95     | 0.96    | 1.50                                  |
|  | Profit growth (%)  |      | 33.02                    | 18.01   | 26.68    | (26.07) | (8.92)                                |
| Cash flow  | Cash flow rate (%)   |      | 40.05                    | 0.37    | (37.32)  | 31.91   | NA                                    |
|  | Propriety of cash flow ratio (%) (Note 2)                    |      | 15,033.33                | 827     | 401.47   | 415.73  | NA                                    |
|  | Cash-flow satisfaction ratio (%)                             |      | (182.08)                 | (12.26) | (710.84) | 2370.30 | NA                                    |
| Liquid reserve ratio (%)   |  |      | 32.45                    | 27.51   | 27.61    | 29.19   | 28.72                                 |
| Secured loans for related parties  |  |      | 293,770                  | 295,247 | 304,131  | 215,205 | 194,693                               |
| Share of outstanding secured loans for related parties in total outstanding loans(%) |  |      | 0.30                     | 0.27    | 0.25     | 0.17    | 0.16                                  |
| Business<br>Scale  | Market share of asset (%)                                    |      | 0.47                     | 0.47    | 0.48     | 0.47    | NA                                    |
|  | Market share of book value (%)                               |      | 0.76                     | 0.86    | 0.86     | 0.83    | NA                                    |
|  | Market share of deposit (%)                                  |      | 0.50                     | 0.50    | 0.51     | 0.51    | NA                                    |
|  | Market share of loans (%)                                    |      | 0.45                     | 0.49    | 0.53     | 0.52    | NA                                    |

Note 1: Financial data has been audited by independent accountants unless January 31, 2016.

Note 2: The financial ratios at January 31, 2016 expressed in annualized rate.

## 2. Financial Analysis –IFRSs

Unit: NT\$1,000

| Item  |  | Year | 2012      | 2013    | 2014     | 2015        |
|---|--|------|-----------|---------|----------|-------------|
| Management ability  | Deposit/loan ratio (%)                                       |      | 70.27     | 74.92   | 77.50    | 74.06       |
|   | NPL ratio (%)  |      | 0.12      | 0.05    | 0.03     | 0.03        |
|   | Interest income/average outstanding deposit ratio (%)        |      | 0.83      | 0.78    | 0.83     | 0.87        |
|   | Interest income/average outstanding loans ratio (%)          |      | 5.05      | 5.39    | 5.45     | 5.22        |
|   | Turnover rate of total assets ( times )                      |      | 0.030     | 0.034   | 0.033    | 0.027       |
|   | Revenue per employee   |      | 5,920     | 7,948   | 8,760    | 7,154       |
|   | Profit per employee  |      | 3,720     | 4,788   | 5,918    | 4,119       |
| Profit-making capability  | Returns on tier 1 capital (%)                                |      | 23.47     | 21.03   | 25.27    | 17.14       |
|   | Returns on assets (%)  |      | 1.86      | 2.03    | 2.31     | 1.56        |
|   | Returns on shareholder's equity (%)                          |      | 19.40     | 18.69   | 20.20    | 13.25       |
|   | Net Profit rate (%)  |      | 62.83     | 60.24   | 67.56    | 57.58       |
|   | Earnings per share(NT\$1)                                    |      | 3.28      | 3.53    | 4.33     | 3.09        |
| Financial structure   | Liabilities/assets ratio (%)                                 |      | 89.67     | 88.63   | 88.45    | 87.99       |
|   | Property, plant, and equipment as a percentage of equity (%) |      | 13.93     | 11.04   | 9.39     | 8.77        |
| Growth rate   | Asset growth (%)   |      | 10.17     | 10.26   | 9.87     | 0.96        |
|   | Profit growth (%)  |      | 32.98     | 17.85   | 26.84    | (26.51)     |
| Cash flow   | Cash flow rate (%)   |      | 40.06     | 0.37    | (37.79)  | 32.71       |
|   | Propriety of cash flow ratio (%) (Note 2)                    |      | 15,006.41 | 820.88  | 398.43   | 420.24      |
|   | Cash-flow satisfaction ratio (%)                             |      | (182.08)  | (12.26) | (719.70) | (19,742.00) |
| Liquid reserve ratio (%)  |  |      | 32.45     | 27.51   | 27.61    | 29.19       |
| Secured loans for related parties   |  |      | 293,770   | 295,247 | 304,131  | 215205      |
| Share of outstanding secured loans for related parties in total outstanding loans (%) |  |      | 0.30      | 0.27    | 0.25     | 0.17        |
| Business Scale  | Market share of asset (%)                                    |      | 0.47      | 0.47    | 0.48     | 0.47        |
|   | Market share of book value (%)                               |      | 0.76      | 0.86    | 0.86     | 0.83        |
|   | Market share of deposit (%)                                  |      | 0.50      | 0.50    | 0.51     | 0.51        |
|   | Market share of loans (%)                                    |      | 0.45      | 0.49    | 0.53     | 0.52        |

Note: All financial data have been audited by independent accountant.

Calculation formula:

1. Management capability

(1) Deposit/loan ratio=total deposits/total loans

(2) NPL ratio=Total NPL/total loans

(3) Ratio of interest outlay in annual average of outstanding deposits=total interest outlay/annual average of outstanding deposits

(4) Ratio of interest income in annual average of outstanding loans/Total interest income/annual average of outstanding loans

(5) Turnover rate of assets=Net revenue/total assets value.

(6) Revenue per employee =net revenue/total number of employees

(7) Profit per employee=After-tax net profit/total number of employees

2. Profit-making capability

(1) Returns on Tier I capital=pre-tax income/average Tier I capital.

(2) Returns on assets=after-tax income/average value of assets

(3) Returns on shareholders' equity=after-tax income/average value of net shareholders' equity

(4) Net profit rate=after-tax income/net revenue

(5) Earnings per share= (after-tax net profit-dividend for preferred shares/weighted average of issued shares

3. Financial structure

(1) Ratio of liabilities in assets=total liabilities/total assets

(2) Property, plant, and equipment as a percentage of equity = net value of real estate and equipment /net shareholders' equity

4. Growth rate

(1) Assets growth rate= (total assets in current year-total assets in previous year)/total assets in previous year

(2) Profit growth= (Pre-tax income in current year-pre-tax income in previous year)/pre-tax income in previous year

5. Cash flow

(1) Cash flow ratio=net cash flow for business activities/(call loans and overdraft of bank and peers + promissory notes payable +financial liabilities from change in fair value + liabilities of repot bills and bonds + accounts payable due in one year)

(2) Propriety ratio of net cash flow=net cash flow for business activities in recent five years/ (capital outlay + cash dividend) in recent five years

(3) Satisfactory rate for cash flow=net cash flow for business activities/net cash flow for investments

6. Liquid reserves ratio=liquid assets required by the Central Bank of China/required liquid reserves for various liabilities

7. Analysis of business scale

(1) Market share of assets=total assets/total assets of financial institutions capable of undertaking deposit/loan business

(2) Market share of book value=book value/total book value of financial institutions capable of undertaking deposit/loan business

(3) Market share of deposits=total deposits/total deposits of financial institutions capable of undertaking deposit/loan business

(4) Market share of loans=total loans/total loans of financial institutions capable of undertaking deposit/loan business

### 3. Consolidated Capital Adequacy Ratio

Unit: NT\$1,000 / %

| Year<br>Item                                 |                            |  | Financial information in recent five years |             |             |             |             | Current year as of |
|--|----------------------------|--|--|-------------|-------------|-------------|-------------|--------------------|
|  |                            |  | 2011                                       | 2012        | 2013        | 2014        | 2015        | Jan.31, 2016       |
| Capital                                      | Common equity              |  | 15,244,340                                 | 18,877,548  | 22,567,572  | 25,081,589  | 26,791,644  | 26,239,789         |
|  | Additional tier 1 capital  |  | 0  | 0           | 0           | 0           | 0           | 0                  |
|  | Tier 2 capital             |  | 883,066                                    | 1,184,989   | 1,684,225   | 1,352,353   | 941,833     | 531,873            |
|  | Capital                    |  | 16,127,406                                 | 20,062,537  | 24,251,797  | 26,433,942  | 27,733,477  | 26,771,662         |
| Risk weighted assets                         | Credit risk                | Standardized approach                                  | 100,059,589                                | 116,921,381 | 138,249,237 | 156,483,411 | 159,808,610 | 160,176,745        |
|  |                            | Internal rating based approach(IRB)                    | 0  | 0           | 0           | 0           | 0           | 0                  |
|  |                            | Asset securitization                                   | 0  | 0           | 0           | 0           | 0           | 0                  |
|  | Operating risk             | Basic indicator approach (BIA)                         | 6,603,080                                  | 7,814,939   | 9,528,323   | 10,662,451  | 11,660,108  | 11,552,161         |
|  |                            | Standardized approach / Optional Standardized approach | 0  | 0           | 0           | 0           | 0           | 0                  |
|  |                            | Advanced approach                                      | 0  | 0           | 0           | 0           | 0           | 0                  |
|  | Market risk                | Standardized approach                                  | 7,582,083                                  | 7,825,504   | 17,319,906  | 23,878,835  | 15,931,443  | 16,145,541         |
|  |                            | Internal model approach                                | 0  | 0           | 0           | 0           | 0           | 0                  |
|  | Total risk weighted assets |  | 114,244,751                                | 132,561,824 | 165,097,466 | 191,024,697 | 187,400,161 | 187,874,447        |
|  | Capital adequacy ratio     |  |  | 14.12%      | 15.13%      | 14.69%      | 13.84%      | 14.80%             |
| Tier 1 capital to risk weighted assets ratio |                            |  | 13.34%                                     | 14.24%      | 13.67%      | 13.13%      | 14.30%      | 13.97%             |
| Common equity to risk weighted assets ratio  |                            |  | 13.34%                                     | 14.24%      | 13.67%      | 13.13%      | 14.30%      | 13.97%             |
| Leverage ratio                               |                            |  | -  | -           | -           | -           | 10.28%      | 9.92%              |

Note 1: Financial data of current year as of January 31, 2016 established by the number reviewed by independent accountants.

Note 2: The aforementioned ratios are calculated as follows:

- (1) Capital base = Common equity + Additional tier 1 capital + Tier 2 capital.
- (2) Risk weighted assets = Credit risk weighted assets + (Operation risk Capital + Market risk Capital) × 12.5.
- (3) Capital adequacy ratio = Capital / Risk weighted assets
- (4) Tier 1 capital to risk weighted assets = (Common equity + Additional tier 1 capital) / Risk weighted assets
- (5) Common equity to risk weighted assets ratio = Common equity / Risk weighted assets
- (6) Leverage ratio = Tier 1 Capital / Total risk exposure

Note 3: Include data up to the quarter preceding the date on which the annual reports were published for listed stocks or companies with shares traded at securities dealers' place of business. Make a note to indicate whether the financial information has been certified, reviewed or neither certified nor reviewed by a CPA.

Note 4: The Leverage Ratio is a required disclosure from financial year 2015.

#### 4. Capital Adequacy Ratio

Unit: NT\$1,000 / %

| Year<br>Item                                |  |  | Financial information in recent five years |             |             |             |             | Current year as of |
|---|--|--|--|-------------|-------------|-------------|-------------|--------------------|
|   |  |  | 2011                                       | 2012        | 2013        | 2014        | 2014        | Jan.31, 2016       |
| Capital                                     | Common equity                                |  | 15,244,340                                 | 18,877,548  | 22,438,382  | 24,931,227  | 26,384,973  | 26,239,789         |
|   | Additional tier 1 capital                    |  | 0  | 0           | 0           | 0           | 0           | 0                  |
|   | Tier 2 capital                               |  | 883,066                                    | 1,184,989   | 1,555,034   | 1,201,992   | 535,163     | 531,873            |
|   | Capital                                      |  | 16,127,406                                 | 20,062,537  | 23,993,416  | 26,133,219  | 26,920,136  | 26,771,662         |
| Risk weighted assets                        | Credit risks                                 | Standardized approach                                  | 100,059,589                                | 116,921,381 | 138,225,680 | 156,365,748 | 159,432,129 | 160,176,745        |
|   |  | Internal rating based approach (IRB)                   | 0  | 0           | 0           | 0           | 0           | 0                  |
|   |  | Asset securitization                                   | 0  | 0           | 0           | 0           | 0           | 0                  |
|   | Operational risks                            | Basic indicator approach (BIA)                         | 6,603,080                                  | 7,814,939   | 9,436,518   | 10,616,264  | 11,552,161  | 11,552,161         |
|   |  | Standardized approach / Optional Standardized approach | 0  | 0           | 0           | 0           | 0           | 0                  |
|   |  | Advanced approach                                      | 0  | 0           | 0           | 0           | 0           | 0                  |
|   | Market risks                                 | Standardized approach                                  | 7,582,083                                  | 7,825,504   | 17,319,906  | 23,878,835  | 15,931,443  | 16,145,541         |
|   |  | Internal model approach                                | 0  | 0           | 0           | 0           | 0           | 0                  |
|   | Total risk weighted assets                   |  | 114,244,751                                | 132,561,824 | 164,982,104 | 190,860,847 | 186,915,733 | 187,874,447        |
|   | Capital adequacy ratio                       |  | 14.12%                                     | 15.13%      | 14.54%      | 13.69%      | 14.40%      | 14.25%             |
|   | Tier 1 capital to risk weighted assets ratio |  | 13.34%                                     | 14.24%      | 13.60%      | 13.06%      | 14.12%      | 13.97%             |
| Common equity to risk weighted assets ratio |  | 13.34%   | 14.24%                                     | 13.60%      | 13.06%      | 14.12%      | 13.97%      |                    |
| Leverage ratio                              |  | -  | -  | -           | -           | 10.13%      | 9.92%       |                    |

Note 1: Financial data of current year as of January 31, 2016 established by the number reviewed by independent accountants.

Note 2: The aforementioned ratios are calculated as follows:

- (1) Capital base = Common equity + Additional tier 1 capital + Tier 2 capital.
- (2) Risk weighted assets = Credit risk weighted assets + (Operation risk Capital + Market risk Capital) × 12.5.
- (3) Capital adequacy ratio = Capital / Risk weighted assets
- (4) Tier 1 capital to risk weighted assets = (Common equity + Additional tier 1 capital) / Risk weighted assets
- (5) Common equity to risk weighted assets ratio = Common equity / Risk weighted assets
- (6) Leverage ratio= Tier 1 Capital / Total risk exposure

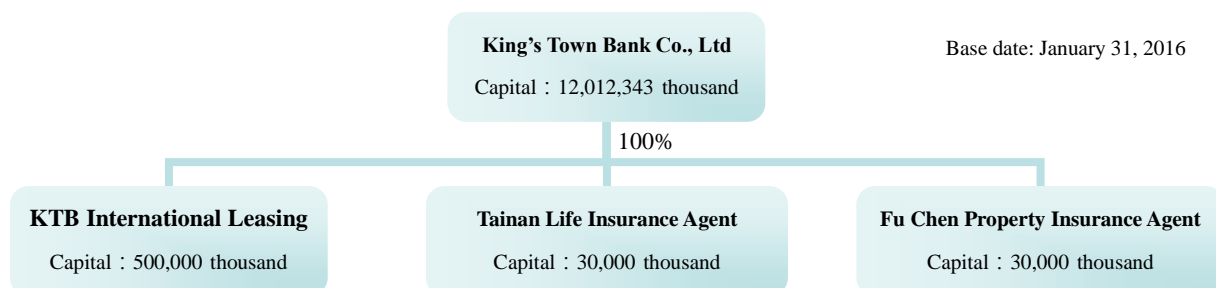
Note 3: Include data up to the quarter preceding the date on which the annual reports were published for listed stocks or companies with shares traded at securities dealers' place of business. Make a note to indicate whether the financial information has been certified, reviewed or neither certified nor reviewed by a CPA.

Note 4: The Leverage Ratio is a required disclosure from financial year 2015.

## VII. Special Notes

### 7.1 Information of Affiliates

#### 1. Organizational Chart of Affiliates



#### 2. Information on Affiliates

Unit: NT\$ / %

| Name of Enterprise                         | Date of Establishment | Address   | Paid-in Capital | Major Business Activities |
|--|-----------------------|---|-----------------|---------------------------|
| KTB International Leasing Co., Ltd.        | 104.01.22             | 8F., No.167, Dunhua N. Rd., Songshan Dist., Taipei City | 500,000,000     | Leasing                   |
| Tainan Life Insurance Agent Co., Ltd.      | 91.05.17              | 8F, 506, Sec. 1, Simen Road, Tainan                     | 30,000,000      | Life Insurance Agent      |
| Fu Chen Property Insurance Agent Co., Ltd. | 91.05.17              | 8F, 506, Sec. 1, Simen Road, Tainan                     | 3,000,700       | Property Insurance Agent  |

#### 3. Information on Directors, Supervisors, and Presidents of Affiliates

Base date: Dec 31, 2015

| Name of Enterprise                         | Title  | Name or Representative   | Shareholding |         |
|--|--|--|--------------|---------|
|  |  |  | Shareholding | Stake   |
| KTB International Leasing Co., Ltd.        | Chairman<br>Director<br>Director<br>Supervisor               | King's Town Bank Co., Ltd Representative: Chiung-Ting Tsai<br>King's Town Bank Co., Ltd Representative: Chen-Chih Tai<br>King's Town Bank Co., Ltd Representative: Shih-Chu Chien<br>King's Town Bank Co., Ltd Representative: Shu-Hua Duan  | 50,000,000   | 100.00% |
| Tainan Life Insurance Agent Co., Ltd.      | Chairman<br>Director<br>Director<br>Supervisor<br>Supervisor | King's Town Bank Co., Ltd Representative: Chiung-Ting Tsai<br>King's Town Bank Co., Ltd Representative: Chen-Chih Tai<br>King's Town Bank Co., Ltd Representative: Xue-Ling Chen<br>King's Town Bank Co., Ltd Representative: Zhi-Cheng You<br>King's Town Bank Co., Ltd Representative: Chien-Ko Yang | 3,000,000    | 100.00% |
| Fu Chen Property Insurance Agent Co., Ltd. | Chairman<br>Director<br>Director<br>Supervisor<br>Supervisor | King's Town Bank Co., Ltd Representative: Chiung-Ting Tsai<br>King's Town Bank Co., Ltd Representative: Chen-Chih Tai<br>King's Town Bank Co., Ltd Representative: Xue-Ling Chen<br>King's Town Bank Co., Ltd Representative: Zhi-Cheng You<br>King's Town Bank Co., Ltd Representative: Chien-Ko Yang | 300,070      | 100.00% |

#### 4. Affiliates Business Review

Dec 31, 2015; Unit: NT\$ 1,000

| Name of Enterprise                         | Capital | Total Assets | Total Liabilities | Net Worth | Operating Revenue | Operating Income | Net Income (After Tax) | EPS   |
|--|---------|--------------|-------------------|-----------|-------------------|------------------|------------------------|-------|
| KTB International Leasing Co., Ltd.        | 500,000 | 525,062      | 20,179            | 504,883   | 18,498            | 5,356            | 4,883                  | 0.19  |
| Tainan Life Insurance Agent Co., Ltd.      | 30,000  | 447,378      | 41,382            | 405,996   | 435,337           | 352,623          | 294,140                | 98.05 |
| Fu Chen Property Insurance Agent Co., Ltd. | 3,001   | 6,347        | 716               | 5,631     | 7,278             | 1,819            | 1,516                  | 5.05  |



## VIII. Head Office & Branches

| Branch                      | Address  | Telephone       |
|-----------------------------|--|-----------------|
| Headquarter                 | No.506, Sec. 1, Ximen Road, West Central Dist., Tainan             | 886-6-213-9171  |
| Trust Dept.                 | 8F, No.506, Sec. 1, Ximen Road, West Central Dist., Tainan         | 886-6-213-9922  |
| International Banking Dept. | 5F, No.506, Sec. 1, Ximen Road, West Central Dist., Tainan         | 886-6-215-5238  |
| Offshore Banking Unit       | 5F, No.506, Sec. 1, Ximen Road, West Central Dist., Tainan         | 886-6-215-5238  |
| Business Dept.              | 1F, No.506, Sec. 1, Ximen Rd., West Central Dist., Tainan City     | 886-6-214-1271  |
| Songshan Branch             | 8F, No.167, Dunhua North Rd., Songshan Dist., Taipei City          | 886-2-8712-6369 |
| Taipei Branch               | 2F, No.75, Sec. 4, Ren ai Rd, Da an Dist., Taipei City             | 886-2-2771-0922 |
| Neihu Branch                | No.181, Zhouzi St., Neihu Dist., Taipei City                       | 886-2-2799-4599 |
| Zhong-Xiao Branch           | No.29, Ln. 743, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City | 886-2-8785-2525 |
| Banciao Branch              | No.3, Sec. 1, Zhongshan Rd., North Dist., New Taipei City          | 886-2-8951-5758 |
| Shuang-He Branch            | No.878, Zhongzheng Rd., Zhonghe Dist., New Taipei City             | 886-2-8221-7871 |
| Xinzhuang Branch            | 10F, No.7, Sec. 2, Zhonghua Rd., Xinzhuang Dist., New Taipei City  | 886-2-2994-1213 |
| Luzhou Branch               | No.232, Jixian Rd., Luzhou Dist., New Taipei City                  | 886-2-2288-4988 |
| Xindian Branch              | 9F, No.190, Zhongzheng Rd., Xindian Dist., New Taipei City         | 886-2-8911-9298 |
| Taoyuan Branch              | No.106, Zhonghua Rd., Taoyuan Dist., Taoyuan City                  | 886-3-347-2469  |
| ZhongLi Branch              | 11F., No.138, Zhongshan Rd., Zhongli Dist., Taoyuan City           | 886-3-425-6188  |
| Nankan Branch               | No.117, Sec. 1, Xinnan Rd., Luzhu Dist., Taoyuan City              | 886-3-352-1616  |
| Hsinchu Branch              | No.180, Zhongzheng Rd., North Dist., Hsinchu City                  | 886-3-528-0526  |
| Taichung Branch             | No.200, Chungming Rd., Nort Dist., Taichung City                   | 886-4-2329-3511 |
| Wenxin Branch               | No.320, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City            | 886-4-2328-8007 |
| Dali Branch                 | No.408, Daming Rd., Dali Dist., Taichung City                      | 886-4-2406-8829 |
| Changhua Branch             | No.136, Huashan Rd., Changhua City, Changhua County                | 886-4-7288-998  |
| Dounan Branch               | No.131, Zhongzheng Rd., Dounan Township, Yunlin County             | 886-5-597-3181  |
| Huwei Branch                | No.133, Gong an Rd., Huwei Township, Yunlin County                 | 886-5-632-3301  |
| Lunbei Branch               | No.375, Zhonshan Rd., Lunbei Township., Yinlin County              | 886-5-696-6821  |
| Douliu Branch               | No.128, Minsheng Rd., Douliu City., Yunlin County                  | 886-5-532-1561  |
| Xiluo Branch                | No.166, Fuxing Rd., Xiluo Township., Yunlin County                 | 886-5-586-9541  |
| Beigang Branch              | No.61, Minzhu Rd., Beigang Township, Yunlin County                 | 886-5-783-6181  |
| Chiayi Branch               | No.175, Linsen W. Rd., West Dist., Chiayi City                     | 886-5-224-2135  |
| Hsin-Yeh Branch             | No.784., Xinmin Rd., West Dist., Chiayi City                       | 886-5-285-2171  |
| Meishan Branch              | No.126, Zhongshan Rd., Meishan Township, Chiayi County             | 886-5-262-2131  |
| Zhuqi Branch                | No.221-1, Zhongshan Rd., Zhuqi Township, Chiayi County             | 886-5-261-1941  |
| Zhongpu Branch              | No.867, Sec. 5, Zhongshan Rd., Zhongpu Township, Chiayi County     | 886-5-239-0011  |
| Shuishang Branch            | No.317, Zhongxing Rd., Shuishang Township, Chiayi County           | 886-5-268-9681  |
| Taibao Branch               | No.166-17, Sec. 2, Beigang Rd., Taibao City, Chiayi County         | 886-5-238-1518  |
| Puzi Branch                 | No.43, Shantong Rd., Puzi City, Chiayi County                      | 886-5-379-5181  |
| Minxiong Branch             | No.6, Minsheng Rd., Minxiong Township, Chiayi County               | 886-5-226-2372  |
| Dalin Branch                | No.291, Xianghe Rd., Dalin Township, Chiayi County                 | 886-5-265-1541  |

| Branch                 | Address   | Telephone      |
|------------------------|---|----------------|
| Tainan Branch          | No.69, Sec. 2, Zhongyi Rd., West Central Dist., Tainan City | 886-6-228-3155 |
| East Tainan Branch     | No.98, Sec. 2, Linsen Rd., East Dist., Tainan City          | 886-6-238-5506 |
| Zhong-Hua Branch       | No.106, Renhe Rd., East Dist., Tainan City                  | 886-6-260-3171 |
| Hsin-Hsing Branch      | No.357, Xinxing Rd., South Dist., Tainan City               | 886-6-265-8511 |
| Fu-Cheng Branch        | No.15, Sec. 4, Ximen Rd., North Dist., Tainan City          | 886-6-283-3046 |
| North Tainan Branch    | No.776, Gongyuan Rd., North Dist., Tainan City              | 886-6-251-8623 |
| Kai-Yuan Branch        | No.280, Kaiyuan Rd., North Dist., Tainan City               | 886-6-234-7302 |
| An-He Branch           | No.241, Sec. 2, Anhe Rd., Annan Dist., Tainan City          | 886-6-355-9311 |
| An-Nan Branch          | No.366, Sec. 1, Haidian Rd., Annan Dist., Tainan City       | 886-6-259-8153 |
| Yen-Hang Branch        | No.54, Zhongzheng N. Rd., Yongkang Dist., Tainan City       | 886-6-254-1839 |
| Yongkang Branch        | No.27, Sec. 2, Yongda Rd., Yongkang Dist., Tainan City      | 886-6-272-9621 |
| Guiren Branch          | No.29, Sec. 2, Zhongshan Rd., Guiren Dist., Tainan City     | 886-6-239-6185 |
| Xinhua Branch          | No.586, Zhongshan Rd., Xinhua Dist., Tainan City            | 886-6-598-7103 |
| Yujing Branch          | No.130, Zhongshan Rd., Yujing Dist., Tainan City            | 886-6-574-7673 |
| Rende Branch           | No.365, Zhongshan Rd., Rende Dist., Tainan City             | 886-6-270-8056 |
| Guanmiao Branch        | No.17, Wenheng Rd., Guanmiao Dist., Tainan City             | 886-6-596-1550 |
| Madou Branch           | No.83, Zhongshan Rd., Madou Dist., Tainan City              | 886-6-572-1117 |
| Jiali Branch           | No.203, Wenhua Rd., Jiali Dist., Tainan City                | 886-6-722-3152 |
| Xigang Branch          | No.344, Zhongshan Rd., Xigang Dist., Tainan City            | 886-6-795-1949 |
| Xuejia Branch          | No.111, Jisheng Rd., Xuejia Dist., Tainan City              | 886-6-783-1417 |
| Xinying Branch         | No.148, Zhongshan Rd., Xinying Dist., Tainan City           | 886-6-632-4161 |
| Baihe Branch           | No.7, Guoguang Rd., Baihe Dist., Tainan City                | 886-6-685-2085 |
| Liuja Branch           | No.491, Zhongzheng Rd., Liuja Dist., Tainan City            | 886-6-698-7813 |
| Yanshui Branch         | No.15, Zhongzheng Rd., Yanshui Dist., Tainan City           | 886-6-652-1677 |
| Shanhua Branch         | No.452, Zhongshan Rd., Shanhua Dist., Tainan City           | 886-6-581-5658 |
| Xinshi Branch          | No.240, Zhongzheng Rd., Xinshi Dist., Tainan City           | 886-6-599-5631 |
| Zhong-zheng Branch     | No.176, Qixian 1st Rd., Xinxing Dist., Kaohsiung City       | 886-7-235-2929 |
| Kaohsiung Branch       | No.110, Yucheng Rd., Sanmin Dist., Kaohsiung City           | 886-7-345-7171 |
| North Kaohsiung Branch | No.250, Bo ai 2nd Rd., Zuoying Dist., Kaohsiung City        | 886-7-550-7708 |
| Gangshan Branch        | No.176, Zhongshan N. Rd., Gangshan Dist., Kaohsiung City    | 886-7-624-1766 |
| Nanzi Branch           | No.67, Yiqun Rd., Nanzi Dist., Kaohsiung City               | 886-7-362-6969 |

**King's Town Bank Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements**

**For the Years Ended**

**December 31, 2015 and 2014**

**With Independent Auditor's Report**

Address: No.506, Sec. 1, Ximen Rd., West Central Dist., Tainan City, Taiwan  
Tel: 886-6-213-9171

**King's Town Bank Co., Ltd. and Subsidiaries**  
**Consolidated Balance Sheets**  
(Expressed in thousands of dollars)

| Assets       |  | December 31, 2015    |            | December 31, 2014    |            |
|--------------|--|----------------------|------------|----------------------|------------|
| Code         |  | Amount               | %          | Amount               | %          |
| <b>10000</b> | <b>Assets</b>  |                      |            |                      |            |
| <b>11000</b> | Cash and cash equivalents                                      | \$8,885,252          | 4          | \$11,865,111         | 5          |
| <b>11500</b> | Due from the Central Bank and interbank borrowing              | 29,956,001           | 13         | 33,095,936           | 14         |
| <b>12000</b> | Financial assets measured at fair value through profit or loss | 4,722,217            | 2          | 3,333,154            | 2          |
| <b>12500</b> | Securities purchased under resell agreements                   | 3,287,166            | 1          | 772,295              | -          |
| <b>13000</b> | Receivables – net  | 1,289,518            | -          | 901,001              | -          |
| <b>13500</b> | Bills discounted and loans – net                               | 123,642,946          | 52         | 121,560,045          | 52         |
| <b>14000</b> | Available-for-sale financial assets                            | 58,310,324           | 25         | 55,660,486           | 24         |
| <b>15500</b> | Other financial assets – net                                   | 307,524              | -          | 207,675              | -          |
| <b>15513</b> | Debt investments without active market                         | 3,919,491            | 2          | 4,316,780            | 2          |
| <b>18500</b> | Property and equipment – net                                   | 2,494,436            | 1          | 2,548,865            | 1          |
| <b>19300</b> | Deferred tax assets  | 216,709              | -          | 305,307              | -          |
| <b>19500</b> | Other assets – net   | 522,006              | -          | 720,865              | -          |
|              | <b>Total assets</b>  | <b>\$237,553,590</b> | <b>100</b> | <b>\$235,287,520</b> | <b>100</b> |

**King's Town Bank Co., Ltd. and Subsidiaries**

**Consolidated Balance Sheet**

(Expressed in thousands of dollars)

| Liabilities & Shareholders' Equity |   | December 31, 2015    |            | December 31, 2014    |            |
|------------------------------------|---|----------------------|------------|----------------------|------------|
| Code                               |   | Amount               | %          | Amount               | %          |
| 20000                              | <b>Liabilities</b>  |                      |            |                      |            |
| 21000                              | Deposits from the Central Bank and banks                            | \$17,160,139         | 7          | \$12,863,112         | 6          |
| 21500                              | Due to the Central Bank and other banks                             | 3,835,656            | 2          | 4,377,084            | 2          |
| 22000                              | Financial liabilities measured at fair value through profit or loss | 26,986               | -          | 594,167              | -          |
| 22500                              | Securities sold under repurchase agreements                         | 16,431,429           | 7          | 27,902,026           | 12         |
| 23000                              | Payables  | 1,156,928            | 1          | 1,676,477            | 1          |
| 23200                              | Current income tax liabilities                                      | 268,041              | -          | 775,253              | -          |
| 23500                              | Deposits and remittances  | 169,383,517          | 71         | 159,224,751          | 68         |
| 25600                              | Provisions  | 471,814              | -          | 478,222              | -          |
| 29300                              | Deferred income tax liabilities                                     | 73,721               | -          | 81,387               | -          |
| 29500                              | Other liabilities   | 290,250              | -          | 168,189              | -          |
|                                    | <b>Total liabilities</b>  | <b>209,098,481</b>   | <b>88</b>  | <b>208,140,668</b>   | <b>89</b>  |
| 31000                              | <b>Stockholders' equity</b>   |                      |            |                      |            |
| 31100                              | Capital   | 12,012,343           | 5          | 12,012,343           | 5          |
| 31500                              | Additional Paid-In Capital  | 180,332              | -          | 178,746              | -          |
| 32000                              | Retained Earnings   |                      |            |                      |            |
| 32001                              | Legal Reserve   | 5,332,873            | 2          | 3,773,967            | 2          |
| 32003                              | Special Reserve   | 48,970               | -          | 48,970               | -          |
| 32011                              | Unappropriated earnings   | 10,534,389           | 4          | 10,242,067           | 4          |
| 32500                              | Other equity  | 1,319,176            | 1          | 890,759              | -          |
| 32600                              | Treasury Stock  | (972,974)            | -          | -                    | -          |
| 38000                              | Non-Controlling Interest  | -                    | -          | -                    | -          |
|                                    | <b>Total Equity</b>   | <b>28,455,109</b>    | <b>12</b>  | <b>27,146,852</b>    | <b>11</b>  |
|                                    | <b>Total liabilities and equity</b>                                 | <b>\$237,553,590</b> | <b>100</b> | <b>\$235,287,520</b> | <b>100</b> |

**King's Town Bank Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
(Expressed in thousands of dollars)

|              |   | 2015               |            | 2014               |            |
|--------------|---|--------------------|------------|--------------------|------------|
|              |   | Amount             | %          | Amount             | %          |
| <b>41000</b> | Interest income   | \$6,508,388        | 100        | \$6,331,857        | 82         |
| <b>51000</b> | Less: Interest expense  | (1,428,961)        | (22)       | (1,378,258)        | (18)       |
|              | Net interest income   | 5,079,427          | 78         | 4,953,599          | 64         |
|              | Net income other than interest  |                    |            |                    |            |
| <b>49100</b> | Net service fee and commission income   | 1,586,839          | 24         | 1,514,275          | 19         |
| <b>49200</b> | Gain (loss) on financial assets or liabilities measured at fair value through profit and loss | (108,584)          | (2)        | (470,482)          | (6)        |
| <b>49300</b> | Realized gain (loss) on available-for-sale financial assets                                   | (60,224)           | (1)        | 913,578            | 12         |
| <b>49600</b> | Foreign exchange gain (loss), net   | (145,988)          | (2)        | 84,562             | 1          |
| <b>49800</b> | Other non-interest incomes  |                    |            |                    |            |
| <b>49813</b> | Net investment gain (loss) on debts investment without active market                          | 3,202              | -          | 68,692             | 1          |
| <b>49821</b> | Gain on sale of Non-performing loan   | -                  | -          | 554,318            | 7          |
| <b>49863</b> | Net gain (loss) on disposal of property, plant and equipment                                  | 78,037             | 1          | 61,263             | 1          |
| <b>49899</b> | Other miscellaneous net income  | 58,932             | 1          | 82,580             | 1          |
|              | <b>Revenue</b>  | <b>6,491,641</b>   | <b>100</b> | <b>7,762,385</b>   | <b>100</b> |
| <b>55000</b> | Impairment Loss on Assets   | (368,937)          | (6)        | 2,422              | -          |
| <b>58200</b> | Provision losses for bad debt expenses and guarantee reserve                                  | (52,633)           | (1)        | (114,470)          | (1)        |
| <b>58400</b> | Operating expenses  |                    |            |                    |            |
| <b>58500</b> | Employee benefit expense  | (814,613)          | (12)       | (914,879)          | (12)       |
| <b>59000</b> | Depreciation and amortization   | (46,676)           | (1)        | (37,069)           | -          |
| <b>59500</b> | Other general and administrative expenses   | (748,220)          | (11)       | (665,001)          | (9)        |
| <b>61000</b> | Consolidated income (loss) from continuing operations before income tax                       | 4,460,562          | 69         | 6,033,388          | 78         |
| <b>61003</b> | Income tax expense  | (777,808)          | (12)       | (837,034)          | (11)       |
| <b>64000</b> | <b>Net income</b>   | <b>\$3,682,754</b> | <b>57</b>  | <b>\$5,196,354</b> | <b>67</b>  |
| <b>65000</b> | <b>Other comprehensive income</b>   |                    |            |                    |            |
| <b>65200</b> | Items that will not be reclassified to profit or loss   |                    |            |                    |            |
| <b>65201</b> | Remeasurements of defined benefit plans   | (35,752)           | (1)        | (23,190)           | -          |
| <b>65220</b> | Related tax effects   | 6,078              | -          | 3,943              | -          |
| <b>65300</b> | Items that may be subsequently reclassified to profit or loss                                 |                    |            |                    |            |
| <b>65301</b> | Exchange differences on translation of foreign operations                                     | (31,871)           | -          | 82,291             | 1          |
| <b>65302</b> | Unrealized gain (loss) on available-for-sale financial assets                                 | 454,871            | 7          | (604,680)          | (8)        |
| <b>65320</b> | Related tax effects   | 5,417              | -          | (13,988)           | -          |
|              | Other Comprehensive Income after Tax for current period                                       | 398,743            | 6          | (555,624)          | (7)        |
| <b>66000</b> | <b>Total Comprehensive Income after Tax</b>   | <b>\$4,081,497</b> | <b>63</b>  | <b>\$4,640,730</b> | <b>60</b>  |
| <b>67100</b> | <b>Consolidated net income attributable to:</b>   |                    |            |                    |            |
| <b>67101</b> | Parent company  | \$3,682,754        |            | \$5,196,354        |            |
| <b>67111</b> | Non-controlling interests   | \$ -               |            | \$ -               |            |
| <b>67300</b> | <b>Consolidated comprehensive income attributable to:</b>                                     |                    |            |                    |            |
| <b>67301</b> | Parent company  | \$4,081,478        |            | \$4,640,730        |            |
| <b>67311</b> | Non-controlling interests   | \$ -               |            | \$ -               |            |
|              | <b>Earnings per share (Dollar)</b>  |                    |            |                    |            |
| <b>67500</b> | Basic earnings per share  | \$3.09             |            | \$4.33             |            |
| <b>67700</b> | Diluted earnings per share  | \$3.09             |            | \$4.33             |            |

**King's Town Bank Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Changes in Equity**

(Expressed in thousands of dollars)

|   | Common stock        | Capital surplus  | Retained Earnings  |                 |                        | Other equity interest   |  | Treasury Stock     | Total               | Total equity        |
|---|---------------------|------------------|--------------------|-----------------|------------------------|---|--|--------------------|---------------------|---------------------|
|   |                     |                  | Legal reserve      | Special reserve | Undistributed earnings | Exchange differences on translation of financial statements of foreign operations | Unrealized gain on available-for-sale financial assets |                    |                     |                     |
| <b>Balance, January 1, 2014</b>                 | <b>\$12,012,343</b> | <b>\$178,746</b> | <b>\$2,531,363</b> | <b>\$48,970</b> | <b>\$8,109,416</b>     | <b>\$7,696</b>  | <b>\$1,419,440</b>                                     | <b>\$-</b>         | <b>\$24,307,974</b> | <b>\$24,307,974</b> |
| Appropriation and distribution of 2013 earnings |                     |                  |                    |                 |                        |   |  |                    |                     |                     |
| Legal reserve                                   |                     |                  | 1,242,604          |                 | (1,242,604)            |   |  |                    | -                   | -                   |
| Cash dividends                                  |                     |                  |                    |                 | (1,801,852)            |   |  |                    | (1,801,852)         | (1,801,852)         |
| Consolidated net income for 2014                |                     |                  |                    |                 | 5,196,354              |   |  |                    | 5,196,354           | 5,196,354           |
| Other comprehensive income for 2014             |                     |                  |                    |                 | (19,247)               | 68,303  | (604,680)  |                    | (555,624)           | (555,624)           |
| Total comprehensive income for 2014             | -                   | -                | -                  | -               | 5,177,107              | 68,303  | (604,680)  | -                  | 4,640,730           | 4,640,730           |
| <b>Balance, December 31, 2014</b>               | <b>\$12,012,343</b> | <b>\$178,746</b> | <b>\$3,773,967</b> | <b>\$48,970</b> | <b>\$10,242,067</b>    | <b>\$75,999</b>   | <b>\$814,760</b>                                       | <b>\$-</b>         | <b>\$27,146,852</b> | <b>\$27,146,852</b> |
| <b>Balance, January 1, 2015</b>                 | <b>\$12,012,343</b> | <b>\$178,746</b> | <b>\$3,773,967</b> | <b>\$48,970</b> | <b>\$10,242,067</b>    | <b>\$75,999</b>   | <b>\$814,760</b>                                       | <b>\$-</b>         | <b>\$27,146,852</b> | <b>\$27,146,852</b> |
| Appropriation and distribution of 2014 earnings |                     |                  |                    |                 |                        |   |  |                    |                     |                     |
| Legal reserve                                   |                     |                  | 1,558,906          |                 | (1,558,906)            |   |  |                    | -                   | -                   |
| Cash dividends                                  |                     |                  |                    |                 | (1,801,852)            |   |  |                    | (1,801,852)         | (1,801,852)         |
| Other   |                     | \$1,586          |                    |                 |                        |   |  |                    | 1,586               | 1,586               |
| Consolidated net income for 2015                |                     |                  |                    |                 | 3,682,754              |   |  |                    | 3,682,754           | 3,682,754           |
| Other comprehensive income for 2015             |                     |                  |                    |                 | (29,674)               | (26,454)  | 454,871  |                    | 398,743             | 398,743             |
| Total comprehensive income for 2015             | -                   | -                | -                  | -               | 3,653,080              | (26,454)  | 454,871  | -                  | 4,081,497           | 4,081,497           |
| Treasury Stock Acquired                         |                     |                  |                    |                 |                        |   |  | (972,974)          | (972,974)           | (972,974)           |
| <b>Balance, December 31, 2015</b>               | <b>\$12,012,343</b> | <b>\$180,332</b> | <b>\$5,332,873</b> | <b>\$48,970</b> | <b>\$10,534,389</b>    | <b>\$49,545</b>   | <b>\$1,269,631</b>                                     | <b>\$(972,974)</b> | <b>\$28,455,109</b> | <b>\$28,455,109</b> |

**King's Town Bank Co., Ltd. and Subsidiaries**

**Consolidated Statement of Cash Flows**

(Expressed in thousands of dollars)

| Item   | 2015        | 2014         | Item   | 2015         | 2014         |
|--|-------------|--------------|--|--------------|--------------|
|  | Amount      | Amount       |  | Amount       | Amount       |
| <b>Cash flows from operating activities</b>                            |             |              | <b>Cash flows from investing activities</b>                                |              |              |
| Profit before income tax from continuing operations                    | \$4,460,562 | \$6,033,388  | Decrease (Increase) in debt investments without active market              | 397,289      | 2,114,969    |
| Adjustments :  |             |              | Acquisition of property and equipment                                      | (39,594)     | (26,597)     |
| <b>Income and other adjustments with no cash flow effects</b>          |             |              | Proceeds from disposal of property and equipment                           | 110,517      | 170,782      |
| Reversal of provision for bad debts                                    | 52,633      | 114,470      | Net cash (used in) provided by investing activities                        | 468,212      | 2,259,154    |
| Impairment Loss on Assets  | 368,937     | (2,422)      |  |              |              |
| Depreciation and amortization  | 46,676      | 37,069       |  |              |              |
| Net interest income  | (5,079,427) | (4,953,599)  | <b>Cash flows from financing activities</b>                                |              |              |
| Share-based payment compensation cost                                  | 1,586       | -            | Increase (decrease) in funds borrowed from Central Bank and banks          | (541,428)    | 543,484      |
| Gain from sale or retirement of property and equipment                 | (78,037)    | (61,263)     | Increase (decrease) in bills and bonds sold under agreements to repurchase | (11,470,597) | 5,249,845    |
| <b>Changes in assets/liabilities relating to operating activities</b>  |             |              | Payment of cash dividends  | (1,801,852)  | (1,801,852)  |
| Increase in due from Central Bank and call loans to other banks        | 352,420     | (1,169,661)  | Buyback of treasury stock  | (972,974)    | -            |
| Decrease in financial assets at fair value through profit or loss      | (1,389,063) | (1,788,604)  | Net cash flows from financing activities                                   | (14,786,851) | 3,991,477    |
| (Increase) decrease in receivables                                     | (276,281)   | 194,781      |  |              |              |
| (Increase) decrease in bills discounted and loans                      | (2,114,196) | (14,102,596) | <b>Effects of exchange rate changes on cash and cash equivalents</b>       | (31,871)     | 82,291       |
| (Increase) decrease in available-for-sale financial assets             | (2,563,904) | (16,983,303) | <b>Increase (decrease) in cash and cash equivalents</b>                    | (3,252,503)  | (9,726,148)  |
| Decrease in held-to-maturity financial assets                          | -           | 83,843       | <b>Cash and cash equivalents at the beginning of periods</b>               | 40,387,931   | 50,114,079   |
| (Increase) decrease in other financial assets                          | (96,799)    | 2,592        | <b>Cash and cash equivalents at the end of periods</b>                     | \$37,135,428 | \$40,387,931 |
| (Increase) decrease in other assets                                    | 198,859     | (262,569)    |  |              |              |
| Increase in due to Central Bank and other banks                        | 4,297,027   | (2,582,206)  | <b>The components of cash and cash equivalents</b>                         |              |              |
| Increase in financial liabilities at fair value through profit or loss | (567,181)   | 500,856      | Cash and cash equivalents presented in balance sheet                       | \$8,885,252  | \$11,865,111 |
| Increase (decrease) in payables  | (502,181)   | 597,559      | Due from the Central Bank and call loans to banks satisfied the            | 24,963,010   | 27,750,525   |
| Increase in deposits and remittances                                   | 10,158,766  | 13,643,425   | definition of cash and cash equivalents under IAS No.7                     |              |              |
| (Decrease) increase in other financial liabilities                     | -           | (1,177)      | Bills sold under agreements to resell satisfied the definition of cash     | 3,287,166    | 772,295      |
| (Decrease) increase in liabilities reserve                             | (64,317)    | (57,872)     | and cash equivalents under IAS No.7  |              |              |
| (Decrease) increase in other liabilities                               | 122,061     | 2,908        | <b>Cash and cash equivalents at the end of periods</b>                     | \$37,135,428 | \$40,387,931 |
| <b>Interest received</b>   | 6,393,921   | 6,458,617    |  |              |              |
| <b>Cash paid for interest</b>  | (1,446,329) | (1,378,813)  |  |              |              |
| <b>Income tax paid</b>   | (1,177,726) | (384,493)    |  |              |              |
| Net cash provided by (used in) operating activities                    | 11,098,007  | (16,059,070) |  |              |              |



**King's Town Bank Co., Ltd. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2015 AND 2014**  
**(Expressed in thousands of dollars, unless otherwise indicated)**

**A. History and organization**

1. King's Town Bank Co., Ltd. was formerly known as the Tainan Business Bank (henceforth the "Bank"), which was reorganized from the Tainan District Joint Saving Co., Ltd. on January 1, 1978. Subsequently on November 29, 2005, stockholders of the Bank approved the proposal to apply for reorganization of the Bank into a commercial bank and the Bank was renamed "King's Town Commercial Bank Co., Ltd."
2. Major business activities include: (a) Accepting checking deposit (b) Accepting other types of deposit (c) Issue bank debentures (d) Loans (e) Notes/Bills discounting (f) Investments (g) Domestic and foreign exchange & remittance (h) Bills acceptance (i) Issue domestic/overseas letter of credit (j) domestic and overseas guarantee business (k) Agent for bills payment & collection (l) Warehousing and agency services for the above items (m) All other activities approved by the government.
3. The Bank is also the Group's ultimate controlling person.
4. The number of employees for Group's is 908 and 886 for 2015 and 2014.

**B. The date of authorization for issuance of the consolidated financial statements and procedures for authorization**

The consolidated financial statements were approved and announced by the board of directors on March 1, 2016.

**C. Summary of significant accounting policies**

(1) Compliance statement

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

(2) Basis of preparation

The consolidated financial statements measured financial instrument at fair value, otherwise are expressed in thousands of new Taiwan dollar.

(3) Basis of consolidation

Subsidiaries included in the consolidated financial statements:

| Name of Investor | Name of Subsidiary                         | Main Business Activities | Ownership (%) |            |
|------------------|--|--------------------------|---------------|------------|
|                  |  |                          | 2015.12.31    | 2014.12.31 |
| The Company      | Tainan Life Insurance Agent Co., Ltd.      | Insurance Agent          | 100.00%       | 100.00%    |
|                  | Fu Chen Property Insurance Agent Co., Ltd. | Insurance Agent          | 100.00%       | 100.00%    |
|                  | KTB International Leasing Co., Ltd.        | Leasing                  | 100.00%       | 100.00%    |

Subsidiaries profits are NT\$ 297,218 and 233,999 for 2015 and 2014, respectively.

#### **D. Details of significant accounts**

##### **1. Cash and cash equivalents**

|                     | Dec. 31, 2015      | Dec. 31, 2014       |
|---------------------|--------------------|---------------------|
| Cash                | \$1,579,803        | \$1,685,126         |
| Checks for clearing | 454,564            | 874,387             |
| Deposits in banks   | 6,850,885          | 9,305,598           |
| Total               | <u>\$8,885,252</u> | <u>\$11,865,111</u> |

##### **2. Due from Central Bank and call loans to other banks**

|  | Dec. 31, 2015      | Dec. 31, 2014       |
|--|--------------------|---------------------|
| Reserve for deposits - account A                   | \$2,145,485        | \$2,438,472         |
| Reserve for deposits - account B                   | 4,567,991          | 4,420,411           |
| Reserve for deposits - foreign<br>currency account | 17,525             | 12,053              |
| Deposits transferred to Central<br>Bank            | 23,225,000         | 26,225,000          |
| Call loans to banks                                | \$29,956,001       | -                   |
| Total  | <u>\$2,145,485</u> | <u>\$33,095,936</u> |

##### **3. Financial instrument at fair value through profit or loss**

|   | Dec. 31, 2015      | Dec. 31, 2014      |
|---|--------------------|--------------------|
| <u>Financial assets held for trading</u>            |                    |                    |
| Stocks  | \$2,113,610        | \$2,440,199        |
| Beneficiary Securities                              | 2,434,953          | 700,246            |
| Overseas Bonds                                      | 32,931             | -                  |
| Derivatives   | 101,730            | 121,453            |
| Subtotal  | <u>4,683,224</u>   | <u>3,261,898</u>   |
| <u>Financial assets designated as at<br/>FVTPL:</u> |                    |                    |
| Convertible corporate bonds                         | 38,993             | 71,256             |
| Total   | <u>\$4,722,217</u> | <u>\$3,333,154</u> |

##### **4. Securities purchased under resell agreements**

|                  | Dec. 31, 2015      | Dec. 31, 2014    |
|------------------|--------------------|------------------|
| Government bonds | <u>\$3,287,166</u> | <u>\$772,295</u> |

##### **5. Receivables - net**

|                                 | Dec. 31, 2015      | Dec. 31, 2014    |
|---------------------------------|--------------------|------------------|
| Accounts receivable             | \$306,411          | \$63,384         |
| Interest receivable             | 975,977            | 865,010          |
| Delivery Models Fees Receivable | -                  | 2,765            |
| Other receivables               | 30,391             | 26,812           |
| Total                           | <u>1,312,779</u>   | <u>957,971</u>   |
| Less: Allowance for bad debts   | <u>(23,261)</u>    | <u>(56,970)</u>  |
| Net total                       | <u>\$1,289,518</u> | <u>\$901,001</u> |

The changes in receivable doubtful accounts were as follows:

|                              | 2015            | 2014            |
|------------------------------|-----------------|-----------------|
| Beginning balance            | \$56,970        | \$20,453        |
| Current (reversal) provision | 2,231           | 29,322          |
| Written off                  | (39,650)        | (483)           |
| Recovery of written off      | (2,759)         | 7,678           |
| Other changes                | 6,469           | -               |
| Ending balance               | <u>\$23,261</u> | <u>\$56,970</u> |

6. Discounts and loans - net

|                               | Dec. 31, 2015 | Dec. 31, 2014 |
|-------------------------------|---------------|---------------|
| Overdraft                     | \$56,226      | \$93,724      |
| Loans                         | 125,480,082   | 123,344,749   |
| Overdue Loans                 | 23,311        | 23,643        |
| Total                         | 125,559,619   | 123,462,116   |
| Less: Allowance for bad debts | (1,916,673)   | (1,902,071)   |
| Net total                     | \$123,642,946 | \$121,560,045 |

The changes in allowance for doubtful accounts were as follows:

|                              | 2015        | 2014        |
|------------------------------|-------------|-------------|
| Beginning balance            | \$1,902,071 | \$1,716,336 |
| Current (reversal) provision | 31,295      | 85,396      |
| Written off                  | (255,583)   | (175,903)   |
| Recovery of written off      | 235,197     | 271,440     |
| Exchange rate effects        | 3,693       | 4,802       |
| Ending balance               | \$1,916,673 | \$1,902,071 |

7. Available-for-sale financial assets

|                              | Dec. 31, 2015 | Dec. 31, 2014 |
|------------------------------|---------------|---------------|
| Stocks                       | \$599,681     | \$779,138     |
| Government Bonds             | 28,577,466    | 24,894,388    |
| Corporate Bonds              | 20,606,546    | 25,378,428    |
| Beneficiary certificates     | 559,061       | 866,194       |
| Financial debentures         | 8,506,127     | 3,904,100     |
| Total                        | 58,848,881    | 55,822,248    |
| Less: Accumulated impairment | (538,557)     | (161,762)     |
| Net total                    | \$58,310,324  | \$55,660,486  |

8. Other financial assets- net

|                                  | Dec. 31, 2015 | Dec. 31, 2014 |
|----------------------------------|---------------|---------------|
| Financial assets carried at cost | \$307,313     | \$207,313     |
| Non-loan Collectibles            | 21,600        | -             |
| Other                            | 211           | 362           |
| Total                            | 329,124       | 207,675       |
| Less: Allowance for bad debts    | (21,600)      | -             |
| Net total                        | \$307,524     | \$207,675     |

The changes in non-loan noncollectibles doubtful accounts were as follows:

|                              | 2015     | 2014 |
|------------------------------|----------|------|
| Beginning balance            | \$ -     | \$ - |
| Current (reversal) provision | (3,050)  | -    |
| Written off                  | 39,650   | -    |
| Other changes                | (15,000) | -    |
| Ending balance               | \$21,600 | \$ - |

9. Debts investment without active market - net

|                      | Dec. 31, 2015 | Dec. 31, 2014 |
|----------------------|---------------|---------------|
| Corporate Bonds      | \$3,589,346   | \$4,000,492   |
| Financial debentures | 330,145       | 316,288       |
| Total                | \$ 3,919,491  | \$4,316,780   |

#### 10. Property, plant, and equipment - net

|                           | Land               | Buildings          | Transportation<br>equipment | Miscellaneous<br>equipment | Total              |
|---------------------------|--------------------|--------------------|-----------------------------|----------------------------|--------------------|
| Cost:                     |                    |                    |                             |                            |                    |
| Jan. 1, 2015              | \$2,060,062        | \$1,340,557        | \$15,366                    | \$74,607                   | \$3,490,592        |
| Additions                 | 37                 | 1                  | 5,740                       | 33,816                     | 39,594             |
| Disposals                 | (42,959)           | (12,430)           | (724)                       | (4,032)                    | (60,145)           |
| Dec. 31, 2015             | <u>\$2,017,140</u> | <u>\$1,328,128</u> | <u>\$20,382</u>             | <u>\$104,391</u>           | <u>\$3,470,041</u> |
| Jan. 1, 2014              | \$2,155,126        | \$1,407,699        | \$16,687                    | \$75,545                   | \$3,727,618        |
| Additions                 | -                  | 800                | 915                         | 5,277                      | 7,942              |
| Disposals                 | (95,064)           | (67,142)           | (50)                        | (788)                      | (75,149)           |
| Reclassification          | -                  | (800)              | (4,245)                     | 5,045                      | -                  |
| Dec. 31, 2014             | <u>\$2,060,062</u> | <u>\$1,340,557</u> | <u>\$15,366</u>             | <u>\$74,607</u>            | <u>\$3,490,592</u> |
| Depreciation and<br>loss: |                    |                    |                             |                            |                    |
| Jan. 1, 2015              | \$ -               | \$880,535          | \$12,103                    | \$49,089                   | \$941,727          |
| Depreciation              | -                  | 25,139             | 2,772                       | 18,765                     | 46,676             |
| Disposals                 | -                  | (8,130)            | (650)                       | (4,018)                    | (12,798)           |
| Dec. 31, 2015             | <u>\$ -</u>        | <u>\$897,544</u>   | <u>\$14,225</u>             | <u>\$63,836</u>            | <u>\$975,605</u>   |
| Jan. 1, 2014              | \$ -               | \$893,763          | \$14,830                    | \$69,223                   | \$977,816          |
| Depreciation              | -                  | 27,503             | 1,604                       | 7,962                      | 37,069             |
| Disposals                 | -                  | (40,633)           | (796)                       | (31,729)                   | (73,158)           |
| Reclassification          | -                  | (98)               | (3,535)                     | 3,633                      | -                  |
| Dec. 31, 2014             | <u>\$ -</u>        | <u>\$880,535</u>   | <u>\$12,103</u>             | <u>\$49,089</u>            | <u>\$941,727</u>   |
| Net:                      |                    |                    |                             |                            |                    |
| Dec. 31, 2015             | <u>\$2,017,140</u> | <u>\$430,584</u>   | <u>\$6,157</u>              | <u>\$40,555</u>            | <u>\$2,494,436</u> |
| Dec. 31, 2014             | <u>\$2,060,062</u> | <u>\$460,022</u>   | <u>\$3,263</u>              | <u>\$25,518</u>            | <u>\$2,548,865</u> |

#### 11. Other assets - net

|                              | Dec. 31, 2015    | Dec. 31, 2014    |
|------------------------------|------------------|------------------|
| Foreclosure                  |                  |                  |
| Cost                         | \$13,092         | \$13,092         |
| Less: Accumulated impairment | (13,092)         | (13,092)         |
| Total                        | <u>-</u>         | <u>-</u>         |
| Prepayments                  | 440,046          | 226,818          |
| Refundable deposits          | 55,140           | 467,188          |
| Others                       | 26,820           | 26,859           |
| Net total                    | <u>\$522,006</u> | <u>\$720,865</u> |

The accumulated impair amount of other assets by the end of December 31 of 2015 and 2014 are both as NT\$33,372 thousand.

#### 12. Deposits from Central Bank and other banks

|                     | Dec. 31, 2015       | Dec. 31, 2014       |
|---------------------|---------------------|---------------------|
| Deposits from banks | \$437               | \$2,339             |
| Due to other banks  | 17,159,702          | 12,860,773          |
| Total               | <u>\$17,160,139</u> | <u>\$12,863,112</u> |

#### 13. Loans from Central Bank and other banks

|   | Dec. 31, 2015      | Dec. 31, 2014      |
|---|--------------------|--------------------|
| Bankers acceptances and funds<br>borrowed | <u>\$3,835,656</u> | <u>\$4,377,084</u> |

14. Financial liabilities at fair value through profit or loss

|                                     | Dec. 31, 2015 | Dec. 31, 2014 |
|-------------------------------------|---------------|---------------|
| Financial liabilities at fair value |               |               |
| Derivatives                         | \$26,986      | \$594,167     |

15. Securities sold under repurchase agreements

|                  | Dec. 31, 2015 | Dec. 31, 2014 |
|------------------|---------------|---------------|
| Government Bonds | \$5,795,700   | \$9,614,730   |
| Corporate Bonds  | 8,470,677     | 16,097,532    |
| Financial Bonds  | 2,165,052     | 2,189,764     |
| Total            | \$16,431,429  | \$27,902,026  |

16. Payables

|                             | Dec. 31, 2015 | Dec. 31, 2014 |
|-----------------------------|---------------|---------------|
| Accrued expenses            | \$216,621     | \$329,951     |
| Interest payable            | 105,932       | 123,300       |
| Check for clearance payable | 454,564       | 874,387       |
| Compensation payable        | 35,905        | 33,555        |
| Delivery payables           | 53,811        | 49,624        |
| Other payables              | 290,095       | 265,660       |
| Total                       | \$1,156,928   | \$1,676,477   |

17. Deposits and remittances

|                   | Dec. 31, 2015 | Dec. 31, 2014 |
|-------------------|---------------|---------------|
| Checking accounts | \$1,754,390   | \$1,669,048   |
| Demand deposits   | 25,359,142    | 24,898,192    |
| Time deposits     | 22,799,191    | 20,534,044    |
| Savings deposits  | 119,468,799   | 112,102,577   |
| Remittances       | 1,995         | 20,890        |
| Total             | \$169,383,517 | \$159,224,751 |

18. Reserve for liabilities

|                                      | Dec. 31, 2015 | Dec. 31, 2014 |
|--------------------------------------|---------------|---------------|
| Employee benefit liabilities reserve | \$399,882     | \$428,503     |
| Guarantee reserve                    | 71,932        | 49,719        |
| Total                                | \$471,814     | \$478,222     |

The changes in guarantee reserve were as follows:

|                              | 2015     | 2014     |
|------------------------------|----------|----------|
| Beginning balance            | \$49,719 | \$49,891 |
| Current (reversal) provision | 22,157   | (248)    |
| Exchange rate effects        | 56       | 76       |
| Ending balance               | \$71,932 | \$49,719 |

19. Employee benefit liabilities reserve

Defined contribution plans:

The plan under the Labor Pension Act (the “Act”) is deemed a defined contribution plan. Under the Act, the Bank and domestic subsidiaries are required make monthly contributions no less than 6% of each employee’s monthly salary to employees’ pension accounts. The Bank and domestic subsidiaries have put in place an employee retirement plan in accordance with the Act and have made monthly contributions equal to 6% of each employee’s monthly salary to employees’ pension accounts.

For the years ended 2015 and 2014, expense recognized in contribution and loss amounted to \$29,135 and \$28,305 thousand, respectively.

Amounts of defined benefit plans cost recognised in comprehensive income statements are as follows:

|                                | 2015     | 2014     |
|--------------------------------|----------|----------|
| Current service costs          | \$3,859  | \$4,758  |
| Interest cost                  | 9,959    | 9,912    |
| Expected return on plan assets | (2,755)  | (2,068)  |
| Total                          | \$11,063 | \$12,602 |

Present value of the defined benefit obligations and fair value of plan assets adjust as follows:

|  | Dec. 31, 2015 | Dec. 31, 2014 |
|--|---------------|---------------|
| Present value of the defined benefit obligations | \$580,621     | \$570,820     |
| Fair value of plan assets                        | (180,739)     | (142,317)     |
| Accrued pension liability                        | \$399,882     | \$428,503     |

## 20. Other liabilities

|  | Dec. 31, 2015 | Dec. 31, 2014 |
|--|---------------|---------------|
| Guarantee deposits received              | \$20,422      | \$10,785      |
| Temporary receipts and suspense accounts | 33,648        | 8,271         |
| Others                                   | 236,180       | 149,133       |
| Total                                    | \$290,250     | \$168,189     |

## 21. Equity

### (1) Common stock

As of December 31, 2015, authorized capital and paid-in capital were \$30,000,000 and \$12,012,343, respectively, equivalent to 30,000,000 thousand and 1,201,234 thousand shares, respectively, with a par value of \$10 per share.

### (2) Capital surplus

|                             | Dec. 31, 2015 | Dec. 31, 2014 |
|-----------------------------|---------------|---------------|
| Treasury share transactions | \$121,760     | \$121,760     |
| Stock Options               | 1,752         | 166           |
| Others                      | 56,820        | 56,820        |
| Total                       | \$180,332     | \$178,746     |

### (3) Earnings distribution

The stockholders' meeting approved earnings distribution on May 12, 2015 and the board of directors on March 1, 2016 decided appropriation of Earnings as follow:

| Appropriation of Earnings   | 2015        |       | 2014        |       |
|-----------------------------|-------------|-------|-------------|-------|
|                             | Amount      | EPS   | Amount      | EPS   |
| Legal reserve               | \$1,104,826 |       | \$1,558,906 |       |
| Common stock cash dividends | 570,617     | \$0.5 | 1,801,852   | \$1.5 |
| Total                       | \$1,675,443 |       | \$3,360,758 |       |

## 22. Net interest income

|   | 2015        | 2014        |
|---|-------------|-------------|
| <u>Interest income</u>                            |             |             |
| Loans   | \$3,782,609 | \$3,470,696 |
| Due from and call loans to banks                  | 518,195     | 741,258     |
| Investment in marketable securities               | 2,180,083   | 2,083,055   |
| Others  | 27,501      | 36,848      |
| Subtotal  | 6,508,388   | 6,331,857   |
| <u>Interest expense</u>                           |             |             |
| Deposits  | (1,196,878) | (1,109,490) |
| Due to the Central Bank and call loans from banks | (107,850)   | (118,285)   |
| Bills and bonds sold under repurchase agreements  | (124,208)   | (150,483)   |
| Others  | (25)        | -           |
| Subtotal  | (1,428,961) | (1,378,258) |
| Total   | \$5,079,427 | \$4,953,599 |

23. Net service income

|                 | 2015               | 2014               |
|-----------------|--------------------|--------------------|
| Service income  | \$1,622,341        | \$1,553,469        |
| Service expense | (35,502)           | (39,194)           |
| Total           | <u>\$1,586,839</u> | <u>\$1,514,275</u> |

24. Gains and losses on financial assets or liabilities at fair value through profit or loss

|                        | 2015               | 2014               |
|------------------------|--------------------|--------------------|
| Stock investment       | \$(82,114)         | \$97,522           |
| Debt investment        | (32,253)           | 10,206             |
| Derivative instruments | (1,529)            | (579,979)          |
| Others                 | 7,312              | 1,769              |
| Total                  | <u>\$(108,584)</u> | <u>\$(470,482)</u> |

25. Operation expense

Employee benefit, depreciation and amortization expenses as follow:

|                                 | 2015             | 2014             |
|---------------------------------|------------------|------------------|
| Employee benefit expense        |                  |                  |
| Wages and salaries              | \$681,206        | \$787,217        |
| Labor and health insurance fees | 60,876           | 58,612           |
| Pension costs                   | 40,198           | 40,907           |
| Other personnel expenses        | 32,333           | 28,143           |
| Depreciation                    | 46,676           | 37,069           |
| Total                           | <u>\$861,289</u> | <u>\$951,948</u> |

26. Components of other comprehensive income

| 2015  | Current period   | Income tax expense | After tax        |
|---|------------------|--------------------|------------------|
| Items that will not be reclassified to profit or loss         |                  |                    |                  |
| Remeasurements of defined benefit plans                       | \$(35,752)       | \$6,078            | \$(29,674)       |
| Items that may be subsequently reclassified to profit or loss |                  |                    |                  |
| Exchange differences on translation of foreign operations     | (31,871)         | 5,417              | (26,454)         |
| Unrealized gain (loss) on available-for-sale financial assets | 454,871          | -                  | 454,871          |
| Total   | <u>\$387,248</u> | <u>\$11,495</u>    | <u>\$398,743</u> |

| 2014  | Current period     | Income tax expense | After tax          |
|---|--------------------|--------------------|--------------------|
| Items that will not be reclassified to profit or loss         |                    |                    |                    |
| Remeasurements of defined benefit plans                       | \$(23,190)         | \$3,943            | \$(19,247)         |
| Items that may be subsequently reclassified to profit or loss |                    |                    |                    |
| Exchange differences on translation of foreign operations     | 82,291             | (13,988)           | 68,303             |
| Unrealized gain (loss) on available-for-sale financial assets | (604,680)          | -                  | (604,680)          |
| Total   | <u>\$(545,579)</u> | <u>\$(10,045)</u>  | <u>\$(555,624)</u> |

27. Income tax

The details of income tax expense are as follows:

(1) Income tax recognized in profit or loss

|   | 2015             | 2014             |
|---|------------------|------------------|
| Current tax                                       |                  |                  |
| Current income tax                                | \$687,282        | \$923,424        |
| Adjustments for previous years                    | (16,768)         | (7,377)          |
| Deferred tax                                      |                  |                  |
| Origination and reversal of temporary differences | 107,294          | (79,013)         |
| Tax loss arising related to deferred income tax   | \$777,808        | -                |
| Income tax expense                                | <u>\$687,282</u> | <u>\$837,034</u> |

(2) Income tax recognized in other comprehensive income

|   | 2015       | 2014     |
|---|------------|----------|
| Deferred tax  |            |          |
| Exchange differences on translation of foreign financial statements | \$(5,417)  | \$13,988 |
| Actuarial gains and losses on defined benefit plan                  | (6,078)    | (3,943)  |
| Recognized in other comprehensive income                            | \$(11,495) | \$10,045 |

(3) Reconciliation between income tax expense and accounting profit

|   | 2015        | 2014        |
|---|-------------|-------------|
| Income from continuing operation before income tax              | \$4,460,562 | \$6,033,388 |
| Income tax expense calculated at the statutory rate             | \$758,295   | \$1,025,676 |
| Tax-exempt income   | (241,517)   | (506,805)   |
| Effects of items not recognized under relevant regulations      | 264         | (1)         |
| Adjusted deferred tax assets and liabilities for previous years | 63,713      | 83,249      |
| Income basic tax amount adjustment                              | 32,186      | 132,536     |
| Additional 10% tax payment levied on undistributed earnings     | 181,635     | 109,756     |
| Adjustments in respect of previous years                        | (16,768)    | (7,377)     |
| Income tax expense recognized in profit or loss                 | \$777,808   | \$837,034   |

(4) Information about Integrated Income Tax

|                | Dec. 31, 2015 | Dec. 31, 2014 |
|----------------|---------------|---------------|
| Balance of ICA | \$1,264,270   | \$744,155     |

The company's creditable ratio for distribution of earnings of 2015 and 2014 was 10.49% and 15.81%, respectively.

28. Earnings per share

|  | 2015        | 2014        |
|--|-------------|-------------|
| (1) Basic earnings per share   |             |             |
| Net income for the periods attributable to owner of the parent (NT\$1,000)                       | \$3,682,754 | \$5,196,354 |
| Weighted-average shares of common stock outstanding (in thousands)                               | 1,192,010   | 1,201,234   |
| Basic earnings per share (NT\$1)   | \$3.09      | \$4.33      |
| (2) Diluted earnings per share   |             |             |
| Net income for the periods attributable to owner of the parent (NT\$1,000)                       | \$3,682,754 | \$5,196,354 |
| Weighted-average shares of common stock outstanding (in thousands)                               | 1,192,010   | 1,201,234   |
| Effect of dilutive:  |             | -           |
| Weighted-average shares of common stock outstanding used to calculate diluted EPS (in thousands) | 1,192,010   | 1,201,234   |
| Diluted earnings per share (NT\$1)   | \$3.09      | \$4.33      |

**E. Related party transactions**

1. Names and relationship of related parties

| Names of related parties      | Relationship with the Company  |
|-------------------------------|--|
| Chen-Chih Tai                 | Chairman of the Bank   |
| Chiung-Ting Tsai              | Vice Chairman of the Bank  |
| Chiuan-Fu Hou                 | President of the Group (discharged on April 14, 2014)  |
| Shih-Chu Chien                | President of the Group (appointed on April 14, 2014)   |
| Tian Gang Investment Co., Ltd | Director of the Bank   |
| Ming-Tai Chen                 | Independent Director of the Bank   |
| Yi Chiu                       | Independent Director of the Bank   |
| Tsai- Feng Hou                | Independent Director of the Bank   |
| Others                        | Representative, second-degree relatives and related parties in substance of the bank's institutional stockholders and executive officers |



## 2. Significant transactions between related parties and the Bank

### (1) Deposits and loans

| Accounts             | Amount    | Percentage of the account balance |
|----------------------|-----------|-----------------------------------|
| <u>Dec. 31, 2015</u> |           |                                   |
| Deposit              | \$309,439 | 0.18%                             |
| Loan                 | 46,552    | 0.04%                             |
| <u>Dec. 31, 2014</u> |           |                                   |
| Deposit              | \$342,050 | 0.21%                             |
| Loan                 | 56,322    | 0.05%                             |

Deposits and loans transactions between the bank and its related parties, with the exception of employees of the bank who are charged interest at a discounted rate in accordance with statutory requirements, are as the same as general customers.

### (2) Lease

For the year ended 2015 and 2014, lease expense from leasing office from related parties were NT\$ 6,648 thousand and NT\$ 6,600 thousand, respectively.

### (3) Loans

Dec. 31, 2015

| Categories         | No./name of related parties | Maximum balance | Ending balance | Settleman status |               | Collateral  | Loan conditions |
|--------------------|-----------------------------|-----------------|----------------|------------------|---------------|-------------|-----------------|
|                    |                             |                 |                | Normal loans     | Overdue loans |             |                 |
| Consumer loan      | 9                           | \$3,796         | \$3,595        | \$3,595          | -             | None        | No difference   |
| Home loan mortgage | 10                          | 39,724          | 39,357         | 39,357           | -             | Real estate | No difference   |
| Others             | ○○, Huang                   | 2,600           | 2,600          | 2,600            | -             | Real estate | No difference   |
|                    | ○○, Chou                    | 500             | 500            | 500              | -             | Real estate | No difference   |
|                    | ○○, Huang                   | 500             | 500            | 500              | -             | Real estate | No difference   |

Dec. 31, 2014

| Categories         | No./name of related parties | Maximum balance | Ending balance | Settleman status |               | Collateral  | Loan conditions |
|--------------------|-----------------------------|-----------------|----------------|------------------|---------------|-------------|-----------------|
|                    |                             |                 |                | Normal loans     | Overdue loans |             |                 |
| Consumer loan      | 9                           | \$4,306         | \$4,090        | \$4,090          | -             | None        | No difference   |
| Home loan mortgage | 9                           | 45,626          | 45,432         | 45,432           | -             | Real estate | No difference   |
| Others             | ○○, Huang                   | 2,300           | 2,300          | 2,300            | -             | Real estate | No difference   |
|                    | ○○, Chou                    | 4,500           | 4,500          | 4,500            | -             | Real estate | No difference   |

### (4) Key management personnel compensation in total

|                              | 2015     | 2014     |
|------------------------------|----------|----------|
| Short-term employee benefits | \$44,476 | \$45,774 |

## F. Pledged assets

The Bank has provided the following assets to serve as the operations reserve and collateral in accordance with the relevant regulations:

|  | Dec. 31, 2015 | Dec. 31, 2014 | Purpose of collateral |
|--|---------------|---------------|-----------------------|
| Due from the Central Bank              | \$300,000     | \$ 700,000    | Call Loans From Banks |
| Available-for-sale financial assets    | 12,446,454    | 7,250,128     | Due to other banks    |
| Bond Investments with no active market | 1,384,229     | 1,163,252     | Due to other banks    |
| Total                                  | \$14,130,683  | \$9,113,380   |                       |

## G. Significant contingent liabilities and unrecognised contract commitments

|                               | Dec. 31, 2015 | Dec. 31, 2014 |
|-------------------------------|---------------|---------------|
| Agency collection receivables | \$8,033,485   | \$7,217,731   |
| Guarantee receive             | 3,607,094     | 2,976,034     |
| L/C receivable                | 136,912       | 113,120       |
| Trust and items under custody | 18,405,185    | 20,028,359    |
| Agreed financing credit limit | 18,287,886    | 17,548,110    |

**H. In accordance with Article 17 of the Trust Enterprise Act, the Bank discloses its trust balance sheet, trust income statement and schedule of trust property as follows:**

| Trust Balance Sheet |                     |                     |                         |                     |                     |
|---------------------|---------------------|---------------------|-------------------------|---------------------|---------------------|
| Trust assets        | Dec. 31, 2015       | Dec. 31, 2014       | Trust liabilities       | Dec. 31, 2015       | Dec. 31, 2014       |
| Bank deposits       | \$694,046           | \$880,567           | Trust capital           | \$18,338,853        | \$20,011,826        |
| Stocks              | 492,000             | 492,000             | Reserves and            |                     |                     |
| Funds               | 12,783,727          | 13,194,211          | accumulated surplus     | 4,331               | 14,533              |
| Bonds               | 20,000              | 20,000              |                         |                     |                     |
| Real estate         | 4,160,012           | 5,423,454           |                         |                     |                     |
| Others              | 193,399             | 16,127              |                         |                     |                     |
| Total trust assets  | <u>\$18,343,184</u> | <u>\$20,026,359</u> | Total trust liabilities | <u>\$18,343,184</u> | <u>\$20,026,359</u> |

| Trust Income Statement |                |                 |
|------------------------|----------------|-----------------|
| Item                   | 2015           | 2014            |
| Trust income           |                |                 |
| Interest income        | \$813          | \$13,186        |
| Rental income          | 3,639          | 1,586           |
| Subtotal               | <u>4,452</u>   | <u>14,772</u>   |
| Trust expenses         |                |                 |
| Tax expenses           | (14)           | (23)            |
| Service fee expense    | (107)          | (216)           |
| Subtotal               | <u>(121)</u>   | <u>(239)</u>    |
| Net income before tax  | 4,331          | 14,533          |
| Income tax expense     | -              | -               |
| Net income             | <u>\$4,331</u> | <u>\$14,533</u> |

| Trust Property List      |                     |                     |
|--------------------------|---------------------|---------------------|
| Investment Item          | Dec. 31, 2015       | Dec. 31, 2014       |
| Bank deposits            | \$694,046           | \$880,567           |
| Bonds                    | 20,000              | 20,000              |
| Stocks                   | 492,000             | 492,000             |
| Funds                    | 12,783,727          | 13,194,211          |
| Real estate              |                     |                     |
| Land                     | 3,165,617           | 4,252,234           |
| Buildings and structures | 364,797             | 243,284             |
| Land improvements        | 629,598             | 927,936             |
| Others                   | 193,399             | 16,127              |
| Total                    | <u>\$18,343,184</u> | <u>\$20,026,359</u> |

**I. Significant catastrophic losses:** Nil.

## **J. Fair value information of financial instruments**

### **(1) Fair value information of financial instruments**

#### Financial assets:

|  | Dec. 31, 2015 |             | Dec. 31, 2014 |             |
|--|---------------|-------------|---------------|-------------|
|  | Book value    | Fair value  | Book value    | Fair value  |
| Financial assets at fair value through profit or loss: |               |             |               |             |
| Held for trading                                       | \$4,683,224   | \$4,683,224 | \$3,261,898   | \$3,261,898 |
| Financial assets at fair value through profit or loss  | 38,993        | 38,993      | 71,256        | 71,256      |
| Available-for-sale financial assets                    | 58,617,637    | 58,617,637  | 55,867,799    | 55,867,799  |
| Loans and receivables:                                 |               |             |               |             |
| Cash and cash equivalents                              | 7,305,449     | 7,305,449   | 10,179,985    | 10,179,985  |
| Due from Central Bank and call loans to other banks    | 29,956,001    | 29,956,001  | 33,095,936    | 33,095,936  |
| Investments in bills and bonds under resale agreements | 3,287,166     | 3,287,166   | 772,295       | 772,295     |
| Receivables  | 1,289,518     | 1,289,518   | 901,001       | 901,001     |
| Bills discounted and loans                             | 123,642,946   | 123,642,946 | 121,560,045   | 121,560,045 |
| Other financial assets                                 | 211           | 211         | 362           | 362         |
| Bond Investments with no active market                 | 3,919,491     | 4,164,017   | 4,316,780     | 4,656,202   |

#### Financial liabilities:

|   | Dec. 31, 2015 |              | Dec. 31, 2014 |              |
|---|---------------|--------------|---------------|--------------|
|   | Book value    | Fair value   | Book value    | Fair value   |
| Financial liabilities at cost:                              |               |              |               |              |
| Due to Central Bank and other banks                         | \$17,160,139  | \$17,160,139 | \$12,863,112  | \$12,863,112 |
| Bankers acceptances and funds borrowed                      | 3,835,656     | 3,835,656    | 4,377,084     | 4,377,084    |
| Bills and bonds sold under repurchase agreements            | 16,431,429    | 16,431,429   | 27,902,026    | 27,902,026   |
| Payables  | 1,156,928     | 1,156,928    | 1,676,477     | 1,676,477    |
| Deposits and remittances                                    | 169,383,517   | 169,383,517  | 159,224,751   | 159,224,751  |
| Financial liabilities at fair value through profit or loss: |               |              |               |              |
| Held for trading  | 26,986        | 26,986       | 594,167       | 594,167      |

#### Derivative financial instruments:

| Item                   | Contracted Amount | Fair Value   |
|------------------------|-------------------|--------------|
| Dec. 31, 2015          |                   |              |
| Foreign Currency Swaps | \$5,978,510       | \$74,744     |
| Dec. 31, 2014          |                   |              |
| Forward Swaps          | \$1,427,310       | \$ (473,916) |
| Foreign Currency Swaps | 11,175,072        | 1,202        |

## **K. Management objective and policy for financial risk**

### **(1) Credit risk concentration**

The credit risks are deemed significantly concentrated when the financial instrument transactions significantly concentrate on a single person, or when there are multiple trading counterparties engaging in similar business activities with similar economic characteristics making the effects on their abilities of fulfilling the contractual obligation due to economy or other forces similar.

The credit risks of the Group concentrate on accounts and off balance sheet that occurs through obligation fulfilling or implementation of transactions (either product or service), or through trans-type exposure portfolio, including loans, placements and call loan from the banks, securities investment, receivables and derivatives. The Group does not significantly carry out transactions with single client or single counterparty, and the credit risk concentration by industry, location and collateral are shown as follows:

① Industry

| Industry                   | Dec. 31, 2015 |     | Dec. 31, 2014 |     |
|----------------------------|---------------|-----|---------------|-----|
|                            | Amount        | %   | Amount        | %   |
| Privately owned businesses | \$89,349,812  | 71  | \$80,055,145  | 64  |
| Governmental institutions  | -             | -   | -             | -   |
| Non-profit organizations   | 198,582       | -   | 236,897       | 1   |
| Individuals                | 36,011,225    | 29  | 43,170,074    | 35  |
| Financial institutions     | -             | -   | -             | -   |
| Total                      | \$125,559,619 | 100 | \$123,462,116 | 100 |

② Geography location

The Group's principal business is in Taiwan, there is no significant concentration of credit risk on geography location.

③ Collateral

| Collateral            | Dec. 31, 2015 |     | Dec. 31, 2014 |     |
|-----------------------|---------------|-----|---------------|-----|
|                       | Amount        | %   | Amount        | %   |
| Unsecured             | \$24,030,983  | 19  | \$24,766,037  | 20  |
| Secured               |               |     |               |     |
| -Financial collateral | 19,430,828    | 16  | 12,441,573    | 10  |
| -Receivables          | 5,520         | -   | 1,810         | -   |
| -Real estate          | 62,115,359    | 50  | 69,215,325    | 56  |
| -Guaranteed           | 1,888,011     | 1   | 2,321,805     | 2   |
| -Other collateral     | 18,088,918    | 14  | 14,715,566    | 12  |
| Total                 | \$125,559,619 | 100 | \$123,462,116 | 100 |

(2) Exchange rate risk concentration

Foreign-currency assets and liabilities:

|                              | Dec. 31, 2015    |               |              | Dec. 31, 2014    |               |            |
|------------------------------|------------------|---------------|--------------|------------------|---------------|------------|
|                              | Foreign Currency | Exchange Rate | NTD          | Foreign Currency | Exchange Rate | NTD        |
| <u>Financial assets</u>      |                  |               |              |                  |               |            |
| <u>Monetary items</u>        |                  |               |              |                  |               |            |
| USD                          | \$1,032,889      | 33.07         | \$34,153,520 | \$1,205,777      | 31.72         | 38,244,825 |
| HKD                          | 12,621           | 4.27          | 53,845       | 6,650            | 4.09          | 27,198     |
| AUD                          | 873              | 24.16         | 21,096       | 573              | 25.95         | 14,875     |
| JPY                          | 3,078,271        | 0.27          | 845,601      | 2,294,404        | 0.27          | 608,017    |
| EUR                          | 1,606            | 36.14         | 58,036       | 6,671            | 38.55         | 257,140    |
| CNY                          | 1,865,135        | 5.03          | 9,386,849    | 1,792,758        | 5.11          | 9,155,795  |
| <u>Non-monetary items</u>    | -                | -             | -            | -                | -             | -          |
| <u>Financial liabilities</u> |                  |               |              |                  |               |            |
| <u>Monetary items</u>        |                  |               |              |                  |               |            |
| USD                          | 1,161,695        | 33.07         | \$34,153,520 | 1,304,990        | 31.72         | 41,391,674 |
| HKD                          | 12,416           | 4.27          | 53,845       | 5,372            | 4.09          | 21,970     |
| AUD                          | 21,872           | 24.16         | 21,096       | 13,964           | 25.95         | 362,424    |
| JPY                          | 415,416          | 0.27          | 845,601      | 308,007          | 0.27          | 81,622     |
| EUR                          | 6,561            | 36.14         | 58,036       | 3,403            | 38.55         | 131,178    |
| CNY                          | 454,234          | 5.03          | 9,386,849    | 477,878          | 5.11          | 2,440,571  |
| <u>Non-monetary items</u>    | -                | -             | -            | -                | -             | -          |

## **L. Business segment financial information**

| <b><u>2015</u></b>               | Branch business | Financial market | Adjustment | Total       |
|----------------------------------|-----------------|------------------|------------|-------------|
| Interest income                  | \$2,844,697     | \$2,234,730      | \$ -       | \$5,079,427 |
| Service fees                     | 1,586,839       | -                | -          | 1,586,839   |
| Investments revenues             | -               | (749,296)        | -          | (749,296)   |
| Others                           | 205,734         | -                | -          | 205,734     |
| Total revenues                   | 4,637,270       | 1,485,434        | -          | 6,122,704   |
| Depreciation and amortization    | 26,871          | 19,805           | -          | 46,676      |
| Operating expenses               | 1,457,785       | 105,048          | -          | 1,562,833   |
| Other significant non-cash items |                 |                  |            |             |
| Provision for doubtful accounts  | 52,633          | -                | -          | 52,633      |
| Segment income                   | \$3,099,981     | \$1,360,581      | \$ -       | \$4,460,562 |

| <b><u>2014</u></b>               | Branch business | Financial market | Adjustment | Total       |
|----------------------------------|-----------------|------------------|------------|-------------|
| Interest income                  | \$2,682,207     | \$2,271,392      | \$ -       | \$4,953,599 |
| Service fees                     | 1,514,275       | -                | -          | 1,514,275   |
| Investments revenues             | -               | 596,350          | -          | 596,350     |
| Others                           | 700,583         | -                | -          | 700,583     |
| Total revenues                   | 4,897,065       | 2,867,742        | -          | 7,764,807   |
| Depreciation and amortization    | 36,858          | 211              | -          | 37,069      |
| Operating expenses               | 1,276,565       | 303,315          | -          | 1,579,880   |
| Other significant non-cash items |                 |                  |            |             |
| Provision for doubtful accounts  | 114,470         | -                | -          | 114,470     |
| Segment income                   | \$3,469,172     | \$2,564,216      | \$ -       | \$6,033,388 |

|                | Branch business | Financial market | Adjustment | Total         |
|----------------|-----------------|------------------|------------|---------------|
| Dec. 31, 2015  |                 |                  |            |               |
| Segment assets | \$166,336,935   | \$70,999,946     | \$216,709  | \$237,553,590 |
| Dec. 31, 2014  |                 |                  |            |               |
| Segment assets | \$170,226,832   | \$64,755,381     | \$305,307  | \$235,287,520 |

Table 1

## Business relationships and material transactions:

| Number<br>(Note1) | Main Party | Counterparty                               | Relationship<br>(Note2) | Jan.1, 2015 ~ Dec. 31, 2015 |           |         |  |
|-------------------|------------|--|-------------------------|-----------------------------|-----------|---------|--|
|                   |            |  |                         | Transactions                |           |         |  |
|                   |            |  |                         | Account                     | Amount    | Terms   | % of consolidated operating revenues or consolidated total assets (Note 3) |
| 0                 | The Bank   | Tainan Life Insurance Agent Co., Ltd.      | 1                       | Deposits and remittances    | \$104,640 | General | 0.04%  |
| 0                 | The Bank   | Tainan Life Insurance Agent Co., Ltd.      | 1                       | Fee income                  | 62,717    | General | 0.97%  |
| 0                 | The Bank   | Tainan Life Insurance Agent Co., Ltd.      | 1                       | Other non-interest income   | 2,600     | General | 0.04%  |
| 0                 | The Bank   | Fu Chen Property Insurance Agent Co., Ltd. | 1                       | Deposits and remittances    | 6,414     | General | -  |
| 0                 | The Bank   | Fu Chen Property Insurance Agent Co., Ltd. | 1                       | Fee income                  | 1,452     | General | 0.02%  |
| 0                 | The Bank   | Fu Chen Property Insurance Agent Co., Ltd. | 1                       | Other non-interest income   | 371       | General | 0.01%  |
| 0                 | The Bank   | KTB International Leasing Co., Ltd.        | 1                       | Deposits and remittances    | 47,611    | General | 0.02%  |
| 0                 | The Bank   | KTB International Leasing Co., Ltd.        | 1                       | Other non-interest income   | 400       | General | 0.01%  |

Note 1: Business between the parent and subsidiaries is numbered as follows:

- (1) Parent: 0.
- (2) Subsidiaries are numbered from 1 in order.

Note 2: Relationship between the main party and the counterparty is numbered as follows:

- (1) Parent to subsidiary.
- (2) Subsidiary to parent.
- (3) One subsidiary to another subsidiary.

Note 3: Percentage of consolidated operating revenues or consolidated total assets: If the account is a balance sheet account, it was calculated by dividing the ending balance into consolidated total assets; if the account is an income statement account, it was calculated by dividing the interim cumulative balance into consolidated operating revenues.

Table 2

## Details of Assessed Impairment of Loans and Receivable

Loans

| Item                                |                                     | Dec. 31, 2015 |           | Dec. 31, 2014 |           |
|-------------------------------------|-------------------------------------|---------------|-----------|---------------|-----------|
|                                     |                                     | Loans         | Allowance | Loans         | Allowance |
| Objective evidence of impairment    | Individual assessment of impairment | \$379,024     | \$163,342 | \$583,975     | \$302,576 |
|                                     | Combined assessment of impairment   | 396,235       | 124,648   | 489,351       | 174,803   |
| Nonobjective evidence of impairment | Combined assessment of impairment   | 124,784,360   | 1,628,683 | 122,388,790   | 1,424,692 |

Note: The amount of loans did not include the amount of allowance for loan losses and adjustment for discount (premium).

Receivables

| Item                                |                                     | Dec. 31, 2015 |           | Dec. 31, 2014 |           |
|-------------------------------------|-------------------------------------|---------------|-----------|---------------|-----------|
|                                     |                                     | Receivable    | Allowance | Receivable    | Allowance |
| Objective evidence of impairment    | Individual assessment of impairment | \$29,546      | \$29,414  | \$45,046      | \$33,708  |
|                                     | Combined assessment of impairment   | 8,962         | 5,289     | 11,157        | 4,478     |
| Nonobjective evidence of impairment | Combined assessment of impairment   | 1,295,871     | 10,158    | 901,768       | 18,784    |

Note: The amount of receivable did not include the amount of allowance for receivables and adjustment for discount (premium).

Table 3

## Asset Quality

## Nonperforming loans and receivables

Units: NT\$1,000 / %

|  |                        |           | Dec. 31, 2015                        |               |  |                              | Dec. 31, 2014                |                                      |               |  |                              |                              |
|--|------------------------|-----------|--------------------------------------|---------------|--|------------------------------|------------------------------|--------------------------------------|---------------|--|------------------------------|------------------------------|
| Business Type \ Item                                       |                        |           | Nonperforming<br>loans<br>( Note 1 ) | Loans         | Nonperforming<br>loans ratio<br>( Note 2 ) | Allowance for<br>loan losses | Coverage ratio<br>( Note 3 ) | Nonperforming<br>loans<br>( Note 1 ) | Loans         | Nonperforming<br>loans ratio<br>( Note 2 ) | Allowance for<br>loan losses | Coverage ratio<br>( Note 3 ) |
| Corporate<br>finance                                       | Secured                |           | \$8,807                              | \$78,872,903  | 0.01%                                      | \$1,114,068                  | 12,649.80%                   | \$14,477                             | \$72,189,499  | 0.02%                                      | \$1,093,269                  | 7,551.76%                    |
|  | Unsecured              |           | -                                    | 24,471,517    | -  | 510,690                      | -                            | -                                    | 25,495,955    | -  | 406,978                      | -                            |
| Consumer<br>finance  | Mortgage loans(Note 4) |           | 20,311                               | 14,070,683    | 0.14%                                      | 121,065                      | 596.06%                      | 18,378                               | 16,813,062    | 0.11%                                      | 161,221                      | 877.25%                      |
|  | Cash cards             |           | -                                    | -             | -  | -                            | -                            | -                                    | -             | -  | -                            | -                            |
|  | Credit loans(Note 5)   |           | 5,110                                | 171,502       | 2.98%                                      | 94,121                       | 1,841.90%                    | 3,152                                | 255,817       | 1.23%                                      | 172,896                      | 5,485.28%                    |
|  | Others(Note6)          | Secured   | 2,818                                | 7,973,014     | 0.04%                                      | 76,729                       | 2,722.82%                    | 2,341                                | 8,707,739     | 0.03%                                      | 67,694                       | 28.92%                       |
|  |                        | Unsecured | -                                    | -             | -  | -                            | -                            | -                                    | 44            | -  | -                            | 13                           |
| Subtotal   |                        |           | \$37,046                             | \$125,559,619 | 0.03%                                      | \$1,916,673                  | 5,173.77%                    | \$38,348                             | \$123,462,116 | 0.03%                                      | \$1,902,071                  | 4,959.99%                    |
|  |                        |           | Delinquency                          | Receivables   | Deliquence<br>Ratio                        | Allowance                    | Coverage ratio               | Delinquency                          | Receivables   | Deliquence<br>Ratio                        | Allowance                    | Coverage ratio               |
| Credit card  |                        |           | \$3,286                              | \$3,286       | 100%                                       | \$8,132                      | 247.47%                      | \$257                                | \$4,694       | 5.48%                                      | \$8,430                      | 3,280.16%                    |
| Accounts receivable factoring with no<br>recourse (Note 7) |                        |           | -                                    | -             | -  | -                            | -                            | -                                    | -             | -  | -                            | -                            |

Note 1: Nonperforming loans are in accordance with the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans and Bad Debts issued by MOF.

Non-performing loans of credit cards are defined in the Letter issued by the Banking Bureau on July 6, 2005 (Ref. No. Jin-Guan-Yin (4) 0944000378).

Note 2: Nonperforming loans ratio = Nonperforming loans ÷ Loans

Nonperforming loans of credit card ratio = Nonperforming loans of credit cards ÷ Accounts receivable

Note 3: Coverage ratio of allowance for loan losses = Allowance for loan losses ÷ Nonperforming loans

Note 4: Mortgage loans are for applicants to build or repair the buildings owned by the applicants, their spouses or their minor children. These applicants provide their buildings as collaterals and assign the right on mortgage to financial institutions.

Note 5: Credit loans are defined in the Letter issued by the Banking Bureau on December 19, 2005 (Ref. No. Jin-Guan-Yin (4) 09440010950), excluding credit loans of credit cards and cash cards.

Note 6: The others of consumer financial business are defined as secured or unsecured consumer financial business excluding mortgage loans, cash cards, credit loans and credit cards.

Note 7: In accordance with the Letter issued by the Banking Bureau on July 19, 2005 (Ref. No. Jin-Guan-Yin (5) 094000494), accounts receivable without recourse are classified as non-performing loans if not compensated by the factor or insurance company within year.

Table 4

## Exempted from report as nonperforming loans and receivables

|  | Dec. 31, 2015                               |   | Dec. 31, 2014                               |   |
|--|---|---|---|---|
|  | Exempted from report as nonperforming loans | Exempted from report as nonperforming receivables | Exempted from report as nonperforming loans | Exempted from report as nonperforming receivables |
| Amounts negotiated in accordance with the agreement (Note 1)                     | \$21,652                                    | \$209   | \$38,760                                    | \$299   |
| Loans executed in accordance with debt clearing and renewal regulations (Note 2) | 48,407                                      | 244   | 65,938                                      | 310   |
| Total  | \$70,059                                    | \$453   | \$104,698                                   | \$609   |

Note 1: Disclosed in accordance with the Letter issued by the Banking Bureau on April 25, 2006 (Ref. No. Jin-Guan-Yin (1) 09510001270).

Note 2: Disclosed in accordance with the letter issued by the Banking Bureau on September 15, 2008 (Ref. No. Jin-Guan-Yin (1) 09700318940).

Table 5

## Concentration of Credit Risk

Units: NT\$1,000 / %

| Year          | Dec. 31, 2015                                    |                |                                 | Dec. 31, 2014                                    |                |                                 |
|---------------|--|----------------|---------------------------------|--|----------------|---------------------------------|
| Rank (Note 1) | Transaction Party (Note 2)                       | Loans (Note 3) | As proportion of net equity (%) | Transaction Party (Note 2)                       | Loans (Note 3) | As proportion of net equity (%) |
| 1             | Group A—Construction Engineering industry        | 7,230,760      | 25.41%                          | Group A—Electricity supply                       | 4,090,169      | 15.07%                          |
| 2             | Group B—Other appliances manufacturing           | 6,417,768      | 22.55%                          | Group B—Ocean shipping industry                  | 4,030,915      | 14.85%                          |
| 3             | Group C—Cable and Other Subscription programming | 6,174,461      | 21.70%                          | Group C—Cable and Other Subscription programming | 3,449,485      | 12.71%                          |
| 4             | Group D—Ocean shipping industry                  | 4,960,500      | 17.43%                          | Group D—Other appliances manufacturing           | 2,355,000      | 8.67%                           |
| 5             | Group E—Electricity supply                       | 4,186,456      | 14.71%                          | Group E—Construction Engineering industry        | 2,018,450      | 7.44%                           |
| 6             | Group F—Television broadcasting industry         | 2,108,531      | 7.41%                           | Group F—Real estate development                  | 1,907,856      | 7.03%                           |
| 7             | Group G—Glass container manufacturing            | 2,000,985      | 7.03%                           | Group G—Investment consulting                    | 1,866,254      | 6.87%                           |
| 8             | Group H—Investment advisory                      | 1,714,000      | 6.02%                           | Group H—Advertising industry                     | 1,747,878      | 6.44%                           |
| 9             | Group I—Investment advisory                      | 1,513,416      | 5.32%                           | Group I—Real estate rental business              | 1,706,030      | 6.28%                           |
| 10            | Group J—Real estate rental industry              | 1,494,228      | 5.25%                           | Group J—Glass container manufacturing            | 1,497,136      | 5.51%                           |

Note 1: Sorted by the balance of loans on December 31, 2014 and 2013, excluding government or state-owned business. If borrowers belong to the same business group, the aggregated credit amount of the business group is disclosed, and code and industry additionally disclosed. If the borrower is a business group, the industry with the largest risk exposures in the business group is disclosed. The industry disclosure should follow the guidelines of Directorate-General of Budget, Accounting and Statistics.

Note 2: Transaction party is in accordance with Article 6 of the Supplementary Provisions of the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

Note 3: Loans include import and export bill negotiations, bills discounted, overdraft, short-term loan, short-term secured loan, receivable financing, medium-term loan, medium-term secured loan, long-term loan, long-term secured loan, delinquent loans, inward remittances, factoring without recourse, acceptance, and guarantee.



Table 6

## Interest Rate Sensitivity (NTD)

Jan.1, 2015 ~ Dec. 31, 2015

Units: NT\$1,000 / %

| Item  | 1-90 Days     | 91-180 Days | 181 Days-1 Year | More than 1 year | Total         |
|---|---------------|-------------|-----------------|------------------|---------------|
| Interest-sensitive assets                         | \$150,582,496 | \$419,194   | \$3,774,825     | \$25,240,084     | \$180,016,599 |
| Interest-sensitive liabilities                    | 132,299,115   | 8,233,620   | 20,375,902      | 2,802,299        | 163,710,936   |
| Interest sensitivity gap                          | 18,283,381    | (7,814,426) | (16,601,077)    | 22,437,785       | 16,305,663    |
| Net equity  |               |             |                 |                  | 24,204,022    |
| Ratio of interest-sensitive assets to liabilities |               |             |                 |                  | 110.71        |
| Ratio of interest sensitivity gap to net equity   |               |             |                 |                  | 70.14         |

Jan.1, 2014 ~ Dec. 31, 2014

Units: NT\$1,000 / %

| Item  | 1-90 Days     | 91-180 Days | 181 Days-1 Year | More than 1 year | Total         |
|---|---------------|-------------|-----------------|------------------|---------------|
| Interest-sensitive assets                         | \$148,030,461 | \$26,291    | \$1,068,184     | \$26,379,392     | \$175,504,328 |
| Interest-sensitive liabilities                    | 132,273,133   | 7,827,005   | 16,404,349      | 2,024,045        | 158,528,532   |
| Interest sensitivity gap                          | 15,757,328    | (7,800,714) | (15,336,165)    | 24,355,347       | 16,975,796    |
| Net equity  |               |             |                 |                  | 24,204,022    |
| Ratio of interest-sensitive assets to liabilities |               |             |                 |                  | 110.71        |
| Ratio of interest sensitivity gap to net equity   |               |             |                 |                  | 70.14         |

Note 1: The amounts listed above include amounts in N.T. dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

Note 2: Interest-sensitive assets and liabilities are interest-bearing assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

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

Note 4: Ratio of interest-sensitive assets to interest-sensitive liabilities = Interest-sensitive assets / Interest-sensitive liabilities

Table 6-1

## Interest Rate Sensitivity (USD)

Jan.1, 2015 ~ Dec. 31, 2015

Units: US\$1,000 / %

| Item  | 1-90 Days | 91-180 Days | 181 Days-1 Year | More than 1 year | Total       |
|---|-----------|-------------|-----------------|------------------|-------------|
| Interest-sensitive assets                         | \$178,583 | \$10,306    | \$3,700         | \$825,409        | \$1,017,998 |
| Interest-sensitive liabilities                    | 1,022,093 | 82,782      | 52,310          | 8                | 1,157,193   |
| Interest sensitivity gap                          | (843,510) | (72,476)    | (48,610)        | 825,401          | (139,195)   |
| Net equity  |           |             |                 |                  | 66,603      |
| Ratio of interest-sensitive assets to liabilities |           |             |                 |                  | 87.97       |
| Ratio of interest sensitivity gap to net equity   |           |             |                 |                  | (208.99)    |

Jan.1, 2014 ~ Dec. 31, 2014

Units: US\$1,000 / %

| Item  | 1-90 Days   | 91-180 Days | 181 Days-1 Year | More than 1 year | Total       |
|---|-------------|-------------|-----------------|------------------|-------------|
| Interest-sensitive assets                         | \$160,294   | \$2,877     | \$ -            | \$998,525        | \$1,161,696 |
| Interest-sensitive liabilities                    | 1,233,671   | 34,866      | 31,402          | -                | 1,299,939   |
| Interest sensitivity gap                          | (1,073,377) | (31,989)    | (31,402)        | 998,525          | (138,243)   |
| Net equity  |             |             |                 |                  | 92,806      |
| Ratio of interest-sensitive assets to liabilities |             |             |                 |                  | 89.37       |
| Ratio of interest sensitivity gap to net equity   |             |             |                 |                  | (148.96)    |

Note 1: The amounts listed above include amounts in N.T. dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

Note 2: Interest-sensitive assets and liabilities are interest-bearing assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

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

Note 4: Ratio of interest-sensitive assets to interest-sensitive liabilities = Interest-sensitive assets / Interest-sensitive liabilities

Table 7

## Profitability

Unit:%

| Item                 |           | Dec. 31, 2015 | Dec. 31, 2014 |
|----------------------|-----------|---------------|---------------|
| Return on assets     | Pretax    | 1.89          | 2.69          |
|                      | After tax | 1.56          | 2.31          |
| Return on net equity | Pretax    | 16.04         | 23.45         |
|                      | After tax | 13.25         | 20.20         |
| Profit margin        |           | 56.73         | 66.94         |

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

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

Note 3: Profit margin = Income after tax / Net revenue and Gains

Table 8

## Maturity analysis of assets and liabilities (NTD)

Dec. 31, 2015

Units: NT\$1,000

|                            | Total         | Period remaining until due date and amount due |              |              |                 |                  |
|----------------------------|---------------|--|--------------|--------------|-----------------|------------------|
|                            |               | 1-30 Days                                      | 31-90 Days   | 91-180 Days  | 181 Days-1 Year | More than 1 year |
| Major maturity cash inflow | \$194,871,718 | \$43,522,743                                   | \$11,004,184 | \$7,060,184  | \$16,687,632    | \$116,596,975    |
| Major maturity cash inflow | 211,784,001   | 19,883,978                                     | 21,352,132   | 20,420,096   | 42,013,146      | 108,114,649      |
| Gap                        | (16,912,283)  | 23,638,765                                     | (10,347,948) | (13,359,912) | (25,325,514)    | 8,482,326        |

Dec. 31, 2014

Units: NT\$1,000

|                             | Total         | Period remaining until due date and amount due |              |              |                 |                  |
|-----------------------------|---------------|--|--------------|--------------|-----------------|------------------|
|                             |               | 1-30 Days                                      | 31-90 Days   | 91-180 Days  | 181 Days-1 Year | More than 1 year |
| Major maturity cash inflow  | \$193,515,121 | \$45,582,246                                   | \$9,891,893  | \$6,732,427  | \$14,520,802    | \$116,787,753    |
| Major maturity cash outflow | 210,258,851   | 23,259,847                                     | 23,932,087   | 21,232,746   | 41,189,154      | 100,645,017      |
| Gap                         | (16,743,730)  | 22,322,399                                     | (14,040,194) | (14,500,319) | (26,668,352)    | 16,142,736       |

## Maturity analysis of assets and liabilities (USD)

Dec. 31, 2015

Units: US\$1,000

|                            | Total       | Period remaining until due date and amount due |            |             |                 |                  |
|----------------------------|-------------|--|------------|-------------|-----------------|------------------|
|                            |             | 1-30 Days                                      | 31-90 Days | 91-180 Days | 181 Days-1 Year | More than 1 year |
| Major maturity cash inflow | \$1,182,082 | \$56,774                                       | \$7,948    | \$21,204    | \$133,576       | \$962,580        |
| Major maturity cash inflow | 1,263,632   | 773,254  | 207,938    | 109,738     | 100,457         | 72,245           |
| Gap                        | (81,550)    | (716,480)                                      | (199,990)  | (88,534)    | 33,119          | 890,335          |

Dec. 31, 2014

Units: US\$1,000

|                            | Total       | Period remaining until due date and amount due |            |             |                 |                  |
|----------------------------|-------------|--|------------|-------------|-----------------|------------------|
|                            |             | 1-30 Days                                      | 31-90 Days | 91-180 Days | 181 Days-1 Year | More than 1 year |
| Major maturity cash inflow | \$1,224,866 | \$48,152                                       | \$20,695   | \$16,657    | \$1,400         | \$1,137,962      |
| Major maturity cash inflow | 1,594,314   | 1,058,931                                      | 319,281    | 57,227      | 66,069          | 92,806           |
| Gap                        | (369,448)   | (1,010,779)                                    | (298,586)  | (40,570)    | (64,669)        | 1,045,156        |

Table 9

## Capital Adequacy (Note 1)

Units: NT\$1,000

| Item \ Year                                  |                            |  | Dec. 31, 2015 | Dec. 31, 2014 |
|--|----------------------------|--|---------------|---------------|
| Capital                                      | Common equity              |  | \$26,791,644  | \$25,081,589  |
|  | Additional tier 1 capital  |  | -             | -             |
|  | Tier 2 capital             |  | 941,833       | 1,352,353     |
|  | Capital                    |  | 27,733,477    | 26,433,942    |
| Risk weighted assets                         | Credit risk                | Standardized approach                                  | 159,808,610   | 156,483,411   |
|  |                            | Internal rating based approach(IRB)                    | -             | -             |
|  |                            | Asset securitization                                   | -             | -             |
|  | Operating risk             | Basic indicator approach (BIA)                         | 11,660,108    | 10,662,451    |
|  |                            | Standardized approach / Optional Standardized approach | -             | -             |
|  |                            | Advanced approach                                      | -             | -             |
|  | Market risk                | Standardized approach                                  | 15,931,443    | 23,878,835    |
|  |                            | Internal model approach                                | -             | -             |
|  | Total risk weighted assets |  | 187,400,161   | 191,024,697   |
| Capital adequacy ratio                       |                            |  | 14.80%        | 13.84%        |
| Common equity to risk weighted assets ratio  |                            |  | 14.30%        | 13.13%        |
| Tier 1 capital to risk weighted assets ratio |                            |  | 14.30%        | 13.13%        |
| Leverage ratio                               |                            |  | 10.28%        | 9.55%         |

Note 1: Capital adequacy should be disclosed current and same period for the years ended December 31.

Note 2: Formula:

- (1) Capital = Common equity + Additional Tier 1 capital + Tier 2 capital
- (2) Risk-weighted assets = Credit risk-weighted assets + (Operation risk Capital + Market risk Capital) × 12.5
- (3) Capital Adequacy = Capital ÷ Risk-weighted assets
- (4) Common equity to risk weighted assets ratio = Common equity ÷ Risk-weighted assets
- (5) Tier 1 capital to risk weighted assets ratio = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets
- (6) Leverage ratio = Tier 1 capital ÷ Total risk exposure

**King's Town Bank Co., Ltd.**  
**Financial Statements**  
**For the Years Ended**  
**December 31, 2015 and 2014**  
**With Independent Auditor's Report**

**Address: No.506, Sec. 1, Ximen Rd., West Central Dist., Tainan City, Taiwan**  
**Tel: 886-6-213-9171**

**King's Town Bank Co., Ltd.**  
**Balance Sheets**  
(Expressed in thousands of dollars)

| Assets       |  | December 31, 2015    |            | December 31, 2014    |            |
|--------------|--|----------------------|------------|----------------------|------------|
| Code         |  | Amount               | %          | Amount               | %          |
| <b>10000</b> | <b>Assets</b>  |                      |            |                      |            |
| <b>11000</b> | Cash and cash equivalents                                      | \$8,547,720          | 4          | \$11,665,111         | 5          |
| <b>11500</b> | Due from the Central Bank and interbank borrowing              | 29,956,001           | 13         | 33,095,936           | 14         |
| <b>12000</b> | Financial assets measured at fair value through profit or loss | 4,722,217            | 2          | 3,333,154            | 2          |
| <b>12500</b> | Securities purchased under resell agreements                   | 3,172,466            | 1          | 772,295              | -          |
| <b>13000</b> | Receivables – net  | 995,199              | -          | 882,211              | -          |
| <b>13500</b> | Bills discounted and loans – net                               | 123,642,946          | 52         | 121,560,045          | 52         |
| <b>14000</b> | Available-for-sale financial assets                            | 58,310,324           | 25         | 55,660,486           | 24         |
| <b>15000</b> | Investment accounted for using equity method                   | 913,341              | -          | 300,723              | -          |
| <b>15500</b> | Other financial assets – net                                   | 207,524              | -          | 207,675              | -          |
| <b>15513</b> | Debt investments without active market                         | 3,919,491            | 2          | 4,316,780            | 2          |
| <b>18500</b> | Property and equipment – net                                   | 2,494,270            | 1          | 2,548,865            | 1          |
| <b>19300</b> | Deferred tax assets  | 216,709              | -          | 305,307              | -          |
| <b>19500</b> | Other assets – net   | 519,304              | -          | 718,165              | -          |
|              | <b>Total assets</b>  | <b>\$237,617,512</b> | <b>100</b> | <b>\$235,366,753</b> | <b>100</b> |

**King's Town Bank Co., Ltd**  
**Balance Sheet**  
(Expressed in thousands of dollars)

| Liabilities & Shareholders' Equity |   | December 31, 2015 |     | December 31, 2014 |     |
|------------------------------------|---|-------------------|-----|-------------------|-----|
| Code                               |   | Amount            | %   | Amount            | %   |
| 20000                              | Liabilities   |                   |     |                   |     |
| 21000                              | Deposits from the Central Bank and banks                            | \$17,160,139      | 7   | \$12,863,112      | 5   |
| 21500                              | Due to the Central Bank and other banks                             | 3,835,656         | 2   | 4,377,084         | 2   |
| 22000                              | Financial liabilities measured at fair value through profit or loss | 26,986            | -   | 594,167           | -   |
| 22500                              | Securities sold under repurchase agreements                         | 16,431,429        | 7   | 27,902,026        | 12  |
| 23000                              | Payables  | 1,148,858         | 1   | 1,670,618         | 1   |
| 23200                              | Current income tax liabilities                                      | 230,666           | -   | 749,214           | -   |
| 23500                              | Deposits and remittances  | 169,542,182       | 71  | 159,335,733       | 68  |
| 25600                              | Provisions  | 471,814           | -   | 478,222           | -   |
| 29300                              | Deferred income tax liabilities                                     | 73,721            | -   | 81,387            | -   |
| 29500                              | Other liabilities   | 240,952           | -   | 168,338           | -   |
|                                    | Total liabilities   | 209,162,403       | 88  | 208,219,901       | 88  |
| 31000                              | Stockholders' equity  |                   |     |                   |     |
| 31100                              | Capital   | 12,012,343        | 5   | 12,012,343        | 5   |
| 31500                              | Additional Paid-In Capital  | 180,332           | -   | 178,746           | -   |
| 32000                              | Retained Earnings   |                   |     |                   |     |
| 32001                              | Legal Reserve   | 5,332,873         | 2   | 3,773,967         | 2   |
| 32003                              | Special Reserve   | 48,970            | -   | 48,970            | -   |
| 32011                              | Unappropriated earnings   | 10,534,389        | 4   | 10,242,067        | 4   |
| 32500                              | Other equity  | 1,319,176         | 1   | 890,759           | 1   |
| 32600                              | Treasury Stock  | (972,974)         | -   | -                 | -   |
|                                    | Total Equity  | 28,455,109        | 12  | 27,146,852        | 12  |
|                                    | Total liabilities and equity  | \$237,617,512     | 100 | \$235,287,520     | 100 |

**King's Town Bank Co., Ltd**  
**Comprehensive Income Statements**  
(Expressed in thousands of dollars)

|       |   | 2015               |            | 2014               |            |
|-------|---|--------------------|------------|--------------------|------------|
|       |   | Amount             | %          | Amount             | %          |
| 41000 | Interest income   | \$6,502,846        | 101        | \$6,331,857        | 82         |
| 51000 | Less: Interest expense  | (1,429,607)        | (22)       | (1,379,061)        | (18)       |
|       | Net interest income   | 5,073,239          | 79         | 4,952,796          | 64         |
|       | Net income other than interest  |                    |            |                    |            |
| 49100 | Net service fee and commission income   | 1,196,866          | 19         | 1,207,179          | 16         |
| 49200 | Gain (loss) on financial assets or liabilities measured at fair value through profit and loss | (108,584)          | (2)        | (470,482)          | (6)        |
| 49300 | Realized gain (loss) on available-for-sale financial assets                                   | (60,224)           | (1)        | 913,578            | 12         |
| 49600 | Foreign exchange gain (loss), net   | (145,988)          | (2)        | 84,562             | 1          |
| 47003 | The share of subsidiaries, affiliates and joint venture using the equity method               | 297,218            | 5          | 233,999            | 3          |
| 49800 | Other non-interest incomes  |                    |            |                    |            |
| 49813 | Net investment gain (loss) on debts investment without active market                          | 3,202              | -          | 68,692             | 1          |
| 49821 | Gain on sale of Non-performing loan   | -                  | -          | 554,318            | 7          |
| 49863 | Net gain (loss) on disposal of property, plant and equipment                                  | 78,037             | 1          | 61,263             | 1          |
| 49899 | Other miscellaneous net income  | 62,303             | 1          | 82,580             | 1          |
|       | <b>Revenue</b>  | <b>6,396,069</b>   | <b>100</b> | <b>7,691,185</b>   | <b>100</b> |
| 55000 | Impairment Loss on Assets   | (368,937)          | (6)        | 2,422              | -          |
| 58200 | Provision losses for bad debt expenses and guarantee reserve                                  | (46,933)           | (1)        | (114,470)          | (1)        |
| 58400 | Operating expenses  |                    |            |                    |            |
| 58500 | Employee benefit expense  | (799,552)          | (12)       | (907,295)          | (12)       |
| 59000 | Depreciation and amortization   | (46,655)           | (1)        | (36,944)           | -          |
| 59500 | Other general and administrative expenses   | (735,028)          | (11)       | (649,438)          | (9)        |
| 61000 | Consolidated income (loss) from continuing operations before income tax                       | 4,398,964          | 69         | 5,985,460          | 78         |
| 61003 | Income tax expense  | (716,210)          | (11)       | (789,106)          | (10)       |
| 64000 | <b>Net income</b>   | <b>\$3,682,754</b> | <b>58</b>  | <b>\$5,196,354</b> | <b>68</b>  |
| 65000 | <b>Other comprehensive income</b>   |                    |            |                    |            |
| 65200 | Items that will not be reclassified to profit or loss   |                    |            |                    |            |
| 65201 | Remeasurements of defined benefit plans   | (35,752)           | (1)        | (23,190)           | -          |
| 65220 | Related tax effects   | 6,078              | -          | 3,943              | -          |
| 65300 | Items that may be subsequently reclassified to profit or loss                                 |                    |            |                    |            |
| 65301 | Exchange differences on translation of foreign operations                                     | (31,871)           | -          | 82,291             | 1          |
| 65302 | Unrealized gain (loss) on available-for-sale financial assets                                 | 454,871            | 7          | (604,680)          | (8)        |
| 65320 | Related tax effects   | 5,417              | -          | (13,988)           | -          |
|       | Other Comprehensive Income after Tax for current period                                       | 398,743            | 5          | (555,624)          | (7)        |
| 66000 | <b>Total Comprehensive Income after Tax</b>   | <b>\$4,081,497</b> | <b>63</b>  | <b>\$4,640,730</b> | <b>61</b>  |
|       | <b>Earnings per share (Dollar)</b>  |                    |            |                    |            |
| 67500 | Basic earnings per share  | \$3.09             |            | \$4.33             |            |
| 67700 | Diluted earnings per share  | \$3.09             |            | \$4.33             |            |

**King's Town Bank Co., Ltd.**  
**Statements of Stockholders Equity**  
(Expressed in thousands of dollars)

|   | Common stock        | Capital surplus  | Retained Earnings  |                 |                        | Other equity interest   |  | Treasury Stock     | Total               | Total equity        |
|---|---------------------|------------------|--------------------|-----------------|------------------------|---|--|--------------------|---------------------|---------------------|
|   |                     |                  | Legal reserve      | Special reserve | Undistributed earnings | Exchange differences on translation of financial statements of foreign operations | Unrealized gain on available-for-sale financial assets |                    |                     |                     |
| <b>Balance, January 1, 2014</b>                 | <b>\$12,012,343</b> | <b>\$178,746</b> | <b>\$2,531,363</b> | <b>\$48,970</b> | <b>\$8,109,416</b>     | <b>\$7,696</b>  | <b>\$1,419,440</b>                                     | <b>\$-</b>         | <b>\$24,307,974</b> | <b>\$24,307,974</b> |
| Appropriation and distribution of 2013 earnings |                     |                  |                    |                 |                        |   |  |                    |                     |                     |
| Legal reserve                                   |                     |                  | <b>1,242,604</b>   |                 | <b>(1,242,604)</b>     |   |  |                    | -                   | -                   |
| Cash dividends                                  |                     |                  |                    |                 | <b>(1,801,852)</b>     |   |  |                    | <b>(1,801,852)</b>  | <b>(1,801,852)</b>  |
| Consolidated net income for 2014                |                     |                  |                    |                 | <b>5,196,354</b>       |   |  |                    | <b>5,196,354</b>    | <b>5,196,354</b>    |
| Other comprehensive income for 2014             |                     |                  |                    |                 | <b>(19,247)</b>        | <b>68,303</b>   | <b>(604,680)</b>                                       |                    | <b>(555,624)</b>    | <b>(555,624)</b>    |
| Total comprehensive income for 2014             | -                   | -                | -                  | -               | <b>5,177,107</b>       | <b>68,303</b>   | <b>(604,680)</b>                                       | -                  | <b>4,640,730</b>    | <b>4,640,730</b>    |
| <b>Balance, December 31, 2014</b>               | <b>\$12,012,343</b> | <b>\$178,746</b> | <b>\$3,773,967</b> | <b>\$48,970</b> | <b>\$10,242,067</b>    | <b>\$75,999</b>   | <b>\$814,760</b>                                       | <b>\$-</b>         | <b>\$27,146,852</b> | <b>\$27,146,852</b> |
| <b>Balance, January 1, 2015</b>                 | <b>\$12,012,343</b> | <b>\$178,746</b> | <b>\$3,773,967</b> | <b>\$48,970</b> | <b>\$10,242,067</b>    | <b>\$75,999</b>   | <b>\$814,760</b>                                       | <b>\$-</b>         | <b>\$27,146,852</b> | <b>\$27,146,852</b> |
| Appropriation and distribution of 2014 earnings |                     |                  |                    |                 |                        |   |  |                    |                     |                     |
| Legal reserve                                   |                     |                  | <b>1,558,906</b>   |                 | <b>(1,558,906)</b>     |   |  |                    | -                   | -                   |
| Cash dividends                                  |                     |                  |                    |                 | <b>(1,801,852)</b>     |   |  |                    | <b>(1,801,852)</b>  | <b>(1,801,852)</b>  |
| Change in other capital reserves                |                     |                  |                    |                 |                        |   |  |                    |                     |                     |
| Share based payment transactions                |                     | <b>\$1,586</b>   |                    |                 |                        |   |  |                    | <b>1,586</b>        | <b>1,586</b>        |
| Consolidated net income for 2015                |                     |                  |                    |                 | <b>3,682,754</b>       |   |  |                    | <b>3,682,754</b>    | <b>3,682,754</b>    |
| Other comprehensive income for 2015             |                     |                  |                    |                 | <b>(29,674)</b>        | <b>(26,454)</b>   | <b>454,871</b>   |                    | <b>398,743</b>      | <b>398,743</b>      |
| Total comprehensive income for 2015             | -                   | -                | -                  | -               | <b>3,653,080</b>       | <b>(26,454)</b>   | <b>454,871</b>   | -                  | <b>4,081,497</b>    | <b>4,081,497</b>    |
| Treasury Stock Acquired                         |                     |                  |                    |                 |                        |   |  | <b>(972,974)</b>   | <b>(972,974)</b>    | <b>(972,974)</b>    |
| <b>Balance, December 31, 2015</b>               | <b>\$12,012,343</b> | <b>\$180,332</b> | <b>\$5,332,873</b> | <b>\$48,970</b> | <b>\$10,534,389</b>    | <b>\$49,545</b>   | <b>\$1,269,631</b>                                     | <b>\$(972,974)</b> | <b>\$28,455,109</b> | <b>\$28,455,109</b> |



**King's Town Bank Co., Ltd.**

**Cash Flows Statement**

(Expressed in thousands of dollars)

| Item   | 2015        | 2014         | Item   | 2015         | 2014         |
|--|-------------|--------------|--|--------------|--------------|
|  | Amount      | Amount       |  | Amount       | Amount       |
| <b>Cash flows from operating activities</b>                            |             |              | <b>Cash flows from investing activities</b>                                |              |              |
| Profit before income tax from continuing operations                    | \$4,460,562 | \$6,033,388  | Decrease (Increase) in debt investments without active market              | 397,289      | 2,114,969    |
| Adjustments :  |             |              | Acquisition of property and equipment                                      | (39,594)     | (26,597)     |
| <b>Income and other adjustments with no cash flow effects</b>          |             |              | Proceeds from disposal of property and equipment                           | 110,517      | 170,782      |
| Reversal of provision for bad debts                                    | 52,633      | 114,470      | Net cash (used in) provided by investing activities                        | 468,212      | 2,259,154    |
| Impairment Loss on Assets  | 368,937     | (2,422)      |  |              |              |
| Depreciation and amortization  | 46,676      | 37,069       |  |              |              |
| Net interest income  | (5,079,427) | (4,953,599)  | <b>Cash flows from financing activities</b>                                |              |              |
| Share-based payment compensation cost                                  | 1,586       | -            | Increase (decrease) in funds borrowed from Central Bank and banks          | (541,428)    | 543,484      |
| Gain from sale or retirement of property and equipment                 | (78,037)    | (61,263)     | Increase (decrease) in bills and bonds sold under agreements to repurchase | (11,470,597) | 5,249,845    |
| <b>Changes in assets/liabilities relating to operating activities</b>  |             |              | Payment of cash dividends  | (1,801,852)  | (1,801,852)  |
| Increase in due from Central Bank and call loans to other banks        | 352,420     | (1,169,661)  | Buyback of treasury stock  | (972,974)    | -            |
| Decrease in financial assets at fair value through profit or loss      | (1,389,063) | (1,788,604)  | Net cash flows from financing activities                                   | (14,786,851) | 3,991,477    |
| (Increase) decrease in receivables                                     | (276,281)   | 194,781      |  |              |              |
| (Increase) decrease in bills discounted and loans                      | (2,114,196) | (14,102,596) | Effects of exchange rate changes on cash and cash equivalents              | (31,871)     | 82,291       |
| (Increase) decrease in available-for-sale financial assets             | (2,563,904) | (16,983,303) | Increase (decrease) in cash and cash equivalents                           | (3,252,503)  | (9,726,148)  |
| Decrease in held-to-maturity financial assets                          | -           | 83,843       | Cash and cash equivalents at the beginning of periods                      | 40,387,931   | 50,114,079   |
| (Increase) decrease in other financial assets                          | (96,799)    | 2,592        | Cash and cash equivalents at the end of periods                            | \$37,135,428 | \$40,387,931 |
| (Increase) decrease in other assets                                    | 198,859     | (262,569)    |  |              |              |
| Increase in due to Central Bank and other banks                        | 4,297,027   | (2,582,206)  | <b>The components of cash and cash equivalents</b>                         |              |              |
| Increase in financial liabilities at fair value through profit or loss | (567,181)   | 500,856      | Cash and cash equivalents presented in balance sheet                       | \$8,885,252  | \$11,865,111 |
| Increase (decrease) in payables  | (502,181)   | 597,559      | Due from the Central Bank and call loans to banks satisfied the            | 24,963,010   | 27,750,525   |
| Increase in deposits and remittances                                   | 10,158,766  | 13,643,425   | definition of cash and cash equivalents under IAS No.7                     |              |              |
| (Decrease) increase in other financial liabilities                     | -           | (1,177)      | Bills sold under agreements to resell satisfied the definition of cash     | 3,287,166    | 772,295      |
| (Decrease) increase in liabilities reserve                             | (64,317)    | (57,872)     | and cash equivalents under IAS No.7  |              |              |
| (Decrease) increase in other liabilities                               | 122,061     | 2,908        | Cash and cash equivalents at the end of periods                            | \$37,135,428 | \$40,387,931 |
| <b>Interest received</b>   | 6,393,921   | 6,458,617    |  |              |              |
| <b>Cash paid for interest</b>  | (1,446,329) | (1,378,813)  |  |              |              |
| <b>Income tax paid</b>   | (1,177,726) | (384,493)    |  |              |              |
| Net cash provided by (used in) operating activities                    | 11,098,007  | (16,059,070) |  |              |              |



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