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Deeply Cultivating Taiwan Finance Advancing Toward International Market

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- (2) Moody's Investors Service7 World Trade Center, 250 Greenwich Street, New York,N.Y. 10007 U.S.A.Tel: 212-553-0300

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### Notice to Readers

This English version of the 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.





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采釱商

每筆消費按黃金回饋比率計算黃金點數 點數達200點以上,可兌換存入黃金存摺

謹慎理財 信用<del></del>価

廣告

用無價 ●循環利率=本行基準利率+客戶信用等級適用之加碼利率(2.88%~8.88%),年息以民法所定之最高利率為上限。

# BANK OF Integrity

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# Letter to Shareholders



The global economy posted a moderate recovery in 2014, but performance varied among the major economies. There was stable growth in the US, where labor markets and the government's fiscal situation both improved, and in late October the Federal Reserve announced plans to discontinue quantitative easing. The eurozone saw economic recovery, but it was tepid, and the zone faces the threat of deflation. Japan experienced two straight quarters of negative growth as a consumption tax hike impacted consumption growth and partially offset the effect of that nation's easy monetary policy. Mainland China continued forward with economic restructuring, and economic growth slowed as domestic demand slumped in response to controls imposed on production capacity and housing. Overall, the global economy performed better in 2014 than in the year before, but growth was still quite weak.

In Taiwan, economic performance exceeded expectations, driven by improving employment, rebounding equity markets, and continued growth in domestic demand-driven consumption, private investment, and exports. According to statistics released by the Directorate-General of Budget, Accounting and Statistics on May 22, 2015, Taiwan's economy grew by 3.77% in 2014, the highest annual growth rate over the period of 2012 through 2014. Taiwan's domestic financial services providers enjoyed record profitability in 2014 due to continued easing of cross-strait financial policies, financial deregulation, opportunities generated by RMB business, and growth in the business of offshore banking units (OBUs) and overseas branches.

Thanks to the outstanding efforts of its employees, the Bank of Taiwan (BOT) performed brilliantly once again last year in terms of deposits and loans, total assets, and shareholders' equity. In its foreign exchange and trust businesses, BOT also maintained its position among the industry leaders, while before-tax earnings exceeded the annual target.

In addition to this outstanding performance, BOT also earned numerous accolades. The Bank was named a winner in the Reader's Digest Trusted Brands survey in the banking category. Wealth magazine in 2014 handed BOT two separate prizes in its "consumer finance brand" category (Best Domestic Bank; Best Banking Brand Image). BOT also won the Joint Credit Information Center's Golden Quality Award and Golden Security Award, and was selected by Global Views Monthly for its top prize in the category of "Bank with the Most Highly Recommended Wealth Management Services." Business Today honored BOT with a Best Customer Reliability Award on the basis of its Wealth Management Bank Survey, the Financial Information Service Co. presented the Bank with an "Electronic Payment Service Outstanding Contribution Award," and the Ministry of Finance conferred upon BOT an "Award for Superior Government Service Quality." For these honors, I want to express our deepest gratitude to all of you, our friends and customers, who have favored us with your long-term support over the years.

With an eye to improving service quality, BOT has taken steps to better understand the views and needs of customers, and to provide prompt responses and handling when matters come up. With these goals in mind, the Bank has surpassed most other financial services providers by establishing a real-time evaluation system designed to raise customer satisfaction. While seeking to grow operating revenues, BOT is also mindful of the need to fulfill its corporate social responsibilities, and to give it due consideration during the product design phase. For example, the Bank has established charitable trusts and retirement trusts, provides disaster relief loans and student loans, and includes the Equator Principles among the factors considered when evaluating loan interest rates. In addition, BOT is also quite active in community service activities. We support Taiwan's Super Basketball League through our ownership of a professional basketball team, have established the Bank of Taiwan Museum, and the Yilan Museum of Art operates rent-free out of the premises of the former BOT branch in Yilan. In addition, the Bank holds charity fairs and donates to a variety of social service institutions. Also, BOT organized seminars on the integration of Taiwan's international trade zones, and participated in a forum where noted economist Thomas Piketty spoke, the Michael Porter Taipei Forum, and a forum on Taiwan's future as seen from the Japanese perspective.

Our operating results for 2014, business plans for 2015 and strategies for the Bank's future development are briefly described below:

### I. Operating Results for 2014

### 1. Capital and Organizational Change

(1) To strengthen financial structure and improve business management capabilities, BOT increased its capital on October 15, 2014 from NT\$70 billion to NT\$95 billion (with approval from the Financial Supervisory Commission) through capitalization of capital reserves.





- (2) To expand our wealth management service network, the Bank set up five new wealth management branches in 2014—North Hualien Branch, Chungdu Branch, Lu Jou Branch, Taiping Branch and Wufu Branch-bringing the total number of such branches to 134, eight of which are wealth management flagship branches.
- (3) In order to expand operations, BOT took the following actions in 2014 to expand its overseas presence:
  - a. February 18, 2014: Obtained approval from the Financial Supervisory Commission to apply with the mainland authorities for permission to establish a sub-branch in the Shanghai Pilot Free Trade Zone.
  - b. April 22, 2014: Set up a preparatory office for the eventual establishment of a representative office in Yangon, Myanmar.
  - c. June 16, 2014: Established the Mumbai Representative Office in India.

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- d. August 29, 2014: Obtained approval from the Shanghai Branch of the mainland's China Banking Regulatory Commission to establish a sub-branch in Jiading.
- e. October 15, 2014: Formally submitted first batch of documentation to support application with the Australian authorities for approval to establish a branch in Sydney.
- f. December 31, 2014: Obtained approval from the China Banking Regulatory Commission to establish a branch in Guangzhou.

### Unit: NT\$ Billion; US\$ Billion (Foreign Exchange); % Year 2014 2013 2014 Annual Growth Rate Major Operation Category Deposits 3,464.6 3,396.2 2.01 Loans 2,329.6 2,214.7 5.19 Guarantees 837 75.8 10.38 413.3 410.8 0.61 Foreign Exchange Procurement 30.9 43.8 (29.52)Precious Metals 140.5 133.9 4.95 Government Employees Insurance 21.0 20.9 0.43 Agency (Insurance Brokerage) 45.3 37.0 22.62

### 2. Results of Implementation of Business Plan and Operating Strategy

### 3. Budget Implementation

The volume of deposits during the year was NT\$3.4 trillion, giving a target achievement rate of 125.39%. Loans amounted to NT\$2.3 trillion, for a target achievement rate of 113.36%. Foreign exchange operations undertaken in 2014 totaled US\$413.3 billion, amounting to 172.22% of the target figure, and income after tax reached NT\$8.248 billion, achieving 124.10% of the target.

### 4. Revenues, Expenditures and Profits

- (1) Net interest income for 2014 amounted to NT\$28.78 billion; non-interest income (net) totaled NT\$7.27 billion; bad debt expenses and reserve for guarantees amounted to NT\$7.29 billion, and operating expenses totaled NT\$19.34 billion. Income before tax reached NT\$9.433 billion; income tax amounted to NT\$1.185 billion, leaving a net income after tax of NT\$8.248 billion. (Preferential interest deposits for pensions and veteran benefits reduced earnings by NT\$9.036 billion. When the impact of these preferential interest deposits is factored out, income before tax comes to NT\$18.469 billion.)
- (2) The year's NT\$8.248 billion income after tax was NT\$1.602 billion more than the budgeted income of NT\$6.646 billion, an increase of 24.10%.
- (3) Pre-tax Return on Assets (ROA) for 2014: 0.22%
   (When the impact of preferential interest deposits for pensions and veteran benefits is factored out, pre-tax ROA comes to 0.44%.)
- (4) Pre-tax Return on Equity (ROE) for 2014: 3.76%(When the impact of preferential interest deposits for pensions and veteran benefits is factored out, pre-tax ROE comes to 7.01%.)

### 5. Research and Development

In response to changes in the financial environment and the needs of business development, the Bank continued collecting and analyzing information on domestic and overseas economic and financial conditions as well as the status of major domestic industries. In addition to the compilation of regular analytical reports related to economics, financial markets and major industries, special reports on important economic and financial issues related to overall banking operations were compiled on an unscheduled basis for use as reference in expanding the Bank's business.

### II. Business Plans for 2015

### 1. Business Strategy and Major Operating Policies

- (1) The Bank will continue cooperating with government policy by supporting industrial development and expanding the scope of services, and to improve overall business performance.
- (2) In support of the government's "Asia Cup" policy, BOT will strengthen its presence throughout the Asian region, continue setting up business locations in areas where there are clusters of Taiwaninvested enterprises, and accelerate efforts to establish additional branch entities in the mainland. These steps will build up added momentum for BOT business activity.
- (3) To coordinate with the government's financial policies and keep pace with steps to ease restrictions on the activities of offshore banking units, BOT will continue to aggressively promote its RMBdenominated investment funds, insurance products, international bonds, and structured notes. We will also strengthen our ability to provide offshore clients with a diverse range of investment, financial planning, and financial services so as to spur further business growth.
- (4) BOT will build up its mobile payment and third-party payment services, continue expanding our mobile banking services, take timely part in O2O (online to offline) third-party payment platform services, and provide a diverse range of bulk collection and remittance tools, thereby strengthening the Bank's online financial business.
- (5) BOT will continue adjusting its assets and liabilities structure, strengthen control of credit risks, actively expand lending to small and medium enterprises, increase participation in syndicated lending, win business in high-quality customer segments, and exercise prudence in interest rate pricing. These measures can be expected to increase the Bank's profits.
- (6) We will strengthen funds management, achieve better capital efficiency, respond to changing financial industry conditions, take timely action to adjust capital allocations, and seek stable returns using methods that accord appropriate consideration to both returns and risks.

### 2. Business Targets

- (1) Deposits: NT\$3.195 trillion
- (2) Loans: NT\$2.127 trillion
- (3) Foreign Exchange: US\$299.5 billion
- (4) Income Before Tax: NT\$6.753 billion

### III. Development Strategies

- Develop stronger presence in the Asia-Pacific region and seize upon market opportunities: The Bank will move aggressively to complete the establishment of business locations in mainland China (Guangzhou Branch; Jiading Sub-Branch in Shanghai; Free Trade Zone Sub-Branch in Shanghai; China Subsidiary), a Sydney Branch, and a Yangon Representative Office, and will also promote the establishment of a third mainland branch, as well as business locations in the ASEAN region.
- 2. Seize upon opportunities in online payments, and become more competitive: BOT will respond to technological progress and the increasing penetration of smart mobile devices by accelerating steps to develop a diverse range of e-payment services (e.g. payment via mobile phone credit cards, QR codes, and mobile POS devices; and online transaction collection and payment services), thereby meeting customer demand for e-payment options.
- Raise market share in the Bank's highly competitive core competencies: BOT intends to aggressively seek business in areas where it enjoys a strong competitive advantage, including syndicated lending, currency conversion, wealth management, trust services, and online banking.

- 4. Strengthen integrated marketing, tap into synergies: Capitalize on the Bank's large customer base and make use of the financial holdings group's products and channels for integrated marketing to provide customers with diversified financial services and meet their need for one-stop shopping.
- 5. Strengthen risk management and post-loan credit asset management: BOT will comply with the competent authority's legal requirements and the rules of international supervisory bodies, will strengthen its capital adequacy ratios as well as the production and monitoring of related risk information, and will increase the computerization of credit asset management information. These steps should improve business performance.

## **IV.** Credit Ratings

Items	Dating Data	Assigne	Outlook	
Rating Company	Rating Date	Long-term	Short-term	Outiook
Standard & Poor's	Oct. 2014	A+	A-1	Stable
Moody's	Oct. 2014	Aa3	P-1	Stable

The global economy is expected to show moderate growth in 2015, but will be affected by a number of factors, including: the possibility of an interest rate hike by the US Federal Reserve in the wake of its exit from quantitative easing; relatively easy monetary policies in Europe and Japan; a strong US dollar; and an economic slowdown in mainland China. In addition, the impact of global energy price movements and geopolitics will also exert an uncertain effect upon the global economy, so these factors also merit close attention. Taiwan's Directorate-General of Budget, Accounting and Statistics has issued a 2015 economic growth estimate of 3.28%, while statistics put the 2014 growth rate at 3.77%, both of which are above 3.0%, thus indicating a stable growth trend.

With the precondition that risks can be controlled and ethics concerns are taken seriously, the government in 2015 will continue pursuing financial liberalization, digitization, and internationalization in order to build an environment that is supportive of development of the domestic financial industry. At the same time, the government will also take the establishment of a stronger presence in Asia as a key policy objective, and will help bankers to take active steps in this direction. Against the backdrop of a moderate global economic recovery and robust development of Asian markets, BOT will actively develop its overseas businesses and strengthen its presence in mainland China and the greater Asia-Pacific region. But beyond that, the Bank will also take advantage of the business opportunities afforded by ageing demographics, mobile financial services, regional economic integration, and internationalization of the RMB, so as to develop a diversified range of financial products, and to develop new competitive niches that enable the Bank to develop markets. The BOT business philosophy calls for assiduously cultivating Taiwan's domestic market, actively pursing business on both sides of the Taiwan Strait, and embarking upon the global marketplace. Achieving our aims on these key points will, without a doubt, bring outstanding success.

Chairperson Joh-Chu Lee President Chang-Ruey Shian



Front Row (left to right): Hsieh, Chuan-Chuan, Executive Vice President; Tsai, Tzong-Rong, Executive Vice President; Lee, Jih-Chu, Chairperson; Shiau, Chang-Ruey, President; Chiou, Ye-Chin, Executive Vice President

Back Row (left to right): Huang, Jui-Mu, Executive Vice President and General Auditor; Chang, Hong-Chi, Executive Vice President; Wei, Jan-Lin, Executive Vice President; Chiang, Shih-Tien, Executive Vice President

# A Brief Introduction of the Bank

### I. Date of Establishment: May 20, 1946

### **II. Brief History**

The Bank first operated under the administration of the Taiwan Provincial Government. When that government was downsized on Dec. 21, 1998, however, it was taken over by the Central Government of the Republic of China and placed under the administration of the Ministry of Finance to be operated in accordance with the regulations governing government-owned financial institutions. On July 1, 2003 the Bank was registered as a corporation and reorganized into a company limited by shares in accordance with the provisions of the Company Law. On Sept. 16, 2004 the Bank received permission from the Financial Supervisory Commission to become a public company. The Bank completed merger with Central Trust of China on July 1, 2007. The Taiwan Financial Holding Co., Ltd. was established on Jan. 1, 2008. On Jan. 2, 2008 the Bank split its Department of Securities and Department of Life Insurance to organize the other two subsidiaries of Taiwan Financial Holdings, namely, BankTaiwan Securities Co., Ltd. and BankTaiwan Life Insurance Co., Ltd. The Bank further expanded its business scope on Feb. 6, 2013 by reinvesting in the establishment of a subsidiary, the BankTaiwan Insurance Brokers Co., Ltd.

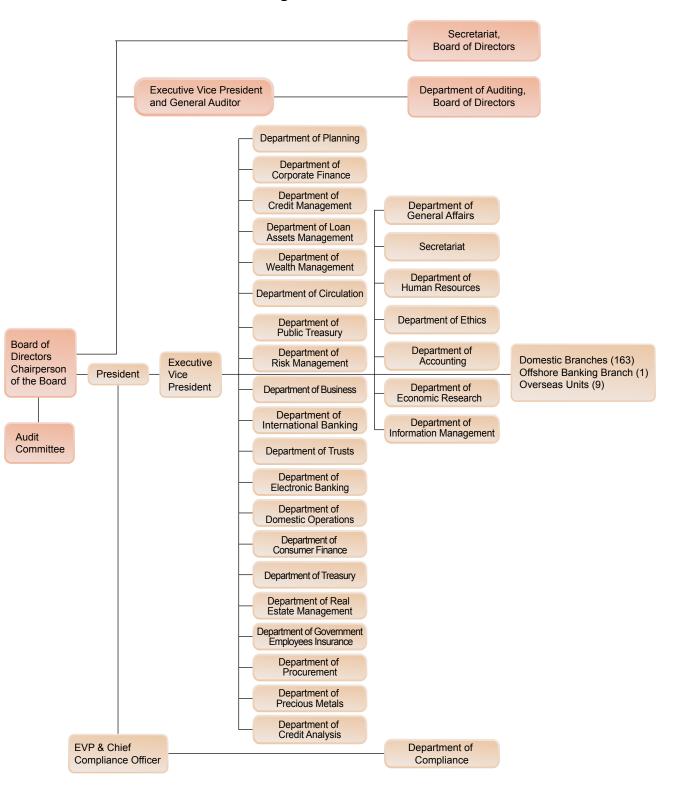
In every stage of Taiwan's economic development the Bank of Taiwan has always firmly pursued the goals of stabilizing Taiwan's finance, assisting with economic construction, and developing industrial and commercial enterprises, devoting its full efforts in coordination with government policies in order to fulfill the mission entrusted to it by the government. In past years, the BOT served as agency for Central Bank of the Republic of China (Taiwan) in carrying out most of the Central Bank's business, including the issuance of the New Taiwan Dollar currency, implementation of monetary reform, and providing financial support for economic construction plans. Today, the BOT keeps handling businesses in line with government policy, including preferential-rate deposits, agency for the public treasury in adjusting fiscal receipts and expenditures, businesses associated with the issuance of New Taiwan Dollar currency, agency for procurement of government institutions, and the insurance for government employees and staffs in schools. The BOT's position throughout the progress of Taiwan's economic and financial development has been of primary importance.

At the end of 2014 the capital of the BOT was NT\$95 billion and its assets amounted to NT\$4.4 trillion. Its deposits and loans accounted for 11.01% and 9.32%, respectively, of the entire Taiwan market. According to The Banker magazine's Top 1000 World Banks 2014, as published in its July 2014 issue, the BOT ranked 184th in terms of Tier 1 capital and ranked 127th in total assets in the global banking industry.

# Corporate Governance Report

### I. Organization

At the end of March 2015 the BOT's management organization consisted of Board of Directors, Audit Committee, Secretariat, Department of Auditing, 28 departments, 164 domestic branches (including Offshore Banking Branch), 9 overseas units (including Los Angeles Branch, Hong Kong Branch, New York Branch, London Branch, Tokyo Branch, Singapore Branch, South Africa Branch, Shanghai Branch and Mumbai Representative Office).



### **Organization Chart**

# Functions of Major Departments

Department	Functions
Secretariat, Board of Directors	Handles important matters and documentary affairs related to the Board of Directors.
Department of Auditing, Board of Directors	Takes care of planning, implementation, and examination of internal auditing matters, and participates in the formulation and revision of operating and management regulations.
Department of Planning	Responsible for systems, management regulations, operating directions, annual operating plans, and public relations.
Department of Corporate Finance	Handles matters of designing new products, planning for and promoting corporate finance business, and the supply of consulting assistance services to operating branches.
Department of Credit Management	Handles planning, supervision, examining, consulting assistance services, and management for loan business.
Department of Loan Assets Management	Takes care of planning, examination, supervision, and management related to non-performing loans, loans for collection, and the clearing up of bad loans.
Department of Wealth Management	Handles planning, marketing, evaluation, administration and training of wealth management.
Department of Circulation	Handles the collection and payment, transport, adjustment of supply and demand, and the recovery of worn bills associated with the issuances of New Taiwan currency.
Department of Public Treasury	Handles agency operations for public treasuries at all levels, custodianship of securities for government agencies, and direction and supervision of the business of branch treasuries.
Department of Risk Management	Responsible for the planning and revision of risk management, handles formulation and integration of risk management regulations.
Department of Business	Takes care of general deposit, loan, remittance, and agency businesses.
Department of International Banking	Takes care of foreign exchange operations, foreign banking and overseas branch businesses, correspondent banking relations, and operational planning and management for the foreign exchange business.
Department of Trusts	Controls trust businesses and auxiliary businesses.
Department of Electronic Banking	Responsible for planning, study, marketing, integration, supervision, management and examination of the electronic banking business and deposit business.
Department of Consumer Finance	Takes care of planning, promotion, management, and consultation assistance services for the general consumer banking business.
Department of Treasury	Handles allocation, planning, and utilization of New Taiwan Dollar and foreign currency, and securities investment.
Department of Real Estate Management	Takes care of maintenance of buildings and general management of real estate.
Department of Procurement	Handles procurement matters under concentrated system for government institutions, public schools and public enterprises.
Department of Domestic Operations	Handles matters of deposit business, installation and evaluation of ATMs and branch units, and administration of consulting system for operation units.
Department of Government Employees Insurance	Handles under the Government's authorization, the general life insurance for civil servants and staffs in public or in private schools.
Department of Precious Metals	Handles the precious metals and customs quotas business.
Department of Credit Analysis	Responsible for the collection, surveying, and editing of data related to the loan business, as well as overseas credit investigation services.
Department of General Affairs	Handles general affairs, cashier affairs, and procurement of articles and appliances in office.
Secretariat	Takes care of important affairs, documentation, chop management, meetings, and editing.
Department of Human Resources	Carries out the planning, study, and implementation of personnel affairs and training.
Department of Ethics	Looks after the propagation of ethics laws and regulations, and the formulation and revision of ethics regulations.
Department of Accounting	Responsible for the planning and formulation of accounting systems, budgets, statistics, internal auditing, and bank-wide accounts and interest.
Department of Economic Research	Carries out the analysis of domestic and overseas economic and financial, banking business research, and the compilation of economic publications.
Department of Information Management	In charge of research, analysis, planning and implementation of information operations.
Department of Compliance	Handles the planning, management, and execution of the regulatory compliance system, legal matters as well as the collection and study of domestic and overseas laws and regulations.

# II. Directors, Supervisors, and Top Management

## 1. Directors and Supervisors

Information on Directors and Supervisors (1)

### Mar. 2, 2015

Title	Name	Date Elected	Date First Elected	Education and Career	Positions Currently Held in the BOT and Other Companies
Chairperson	LEE, JIH-CHU	Aug. 9, 2013	Aug. 9, 2013	<ul> <li>Ph.D. in Economics, National Taiwan University</li> <li>Chairperson, Chunghwa Post Co., Ltd.</li> <li>Vice-Chairperson, Financial Supervisory</li> <li>Commission (Cabinet level), R.O.C.</li> <li>Chairperson, Financial Research and Development</li> <li>Fund, R.O.C.</li> <li>Chairperson, Committee for the Administration of</li> <li>Development of Insurance Business, R.O.C.</li> <li>Member of Board, Mega Financial Holding</li> <li>Company</li> <li>Member of Board, Chunghwa Telecom Co., Ltd.</li> <li>Member of Board, Chunghwa Telecom Co., Ltd.</li> <li>Member of Supervisory Board, Taiwan Cooperative</li> <li>Bank</li> <li>Professor, Department of Economics, National</li> <li>Chairperson, Economic Policy Research Center,</li> <li>National Chengchi University</li> <li>Chairperson, Recutive Yuan, R.O.C.</li> <li>Committee Member, Mainland Affairs Council,</li> <li>Executive Yuan, R.O.C.</li> <li>Visiting Scholar, Department of Economics,</li> <li>Stanford University, U.S.A.</li> <li>Visiting Scholar, Department of Economics,</li> <li>Stanford University, U.S.A.</li> <li>Vise-President, the Harvard University Alumni Club of R.O.C.</li> <li>Member of Board, Straits Exchange Foundation</li> <li>Committee Member, SME Policy Committee,</li> <li>Ministry of Economic Affairs</li> <li>Member of Board, Commerce Development</li> <li>Research Institute</li> <li>Member of Board, Commerce Development</li> <li>Research Institute</li> <li>Member of Board, Eisenhower Fellows Association in the Republic of China</li> <li>Jury Member, Panel of New Chinese Economic</li> <li>Leader, World Economic Forum</li> <li>Advisor, Public Service Pension Fund, Supervisory<td>Chairperson, Taiwan Financial Holding Co., Ltd. Chairperson, The Bankers Association of the Republic of China Vice Chairperson, Taiwan Financial Services Roundtable Co., Ltd. Vice Chairperson, Monte Jade Science &amp; Technology Association of Taiwan Member of Board, Taiwan Stock Exchange Corporation (TWSE) Member of Board, Taiwan External Trade Development Council (TAITRA) Member of Board, Joint Credit Information Center (JCIC) Committee Member, Steering Committee, National Palace Museum Committee Member, Utilization Team of Long-term Funding, National Development Council, Executive Yuan, R.O.C. Committee Member, Industry Consultation Committee, Ministry of Economic Affairs Managing Supervisor, Cross-Strait Entrepreneurs Summit Adjunct Professor, Department of Economics, National Chengchi University Member of Board, The Asian Bankers Association</td></li></ul>	Chairperson, Taiwan Financial Holding Co., Ltd. Chairperson, The Bankers Association of the Republic of China Vice Chairperson, Taiwan Financial Services Roundtable Co., Ltd. Vice Chairperson, Monte Jade Science & Technology Association of Taiwan Member of Board, Taiwan Stock Exchange Corporation (TWSE) Member of Board, Taiwan External Trade Development Council (TAITRA) Member of Board, Joint Credit Information Center (JCIC) Committee Member, Steering Committee, National Palace Museum Committee Member, Utilization Team of Long-term Funding, National Development Council, Executive Yuan, R.O.C. Committee Member, Industry Consultation Committee, Ministry of Economic Affairs Managing Supervisor, Cross-Strait Entrepreneurs Summit Adjunct Professor, Department of Economics, National Chengchi University Member of Board, The Asian Bankers Association

Title	Name	Date Elected	Date First Elected	Education and Career	Positions Currently Held in the BOT and Other Companies
Managing Director	SHIAU, CHANG-RUEY	Mar. 3, 2014	Mar. 3, 2014	LL.B National Chung Hsing University Chief of Staff to the Vice President of the Republic of China (Taiwan) Director-General, Department of Fiscal, Statistical and Financial Affairs, Executive Yuan Counselor and Director, the 4th Department, Executive Yuan Chief Secretary, Financial Supervisory Commission, R.O.C Deputy Director-General, Banking Bureau, Financial Supervisory Commission, R.O.C Commissioner, Legal Affairs Committee, Executive Yuan Director, Taiwan Cooperative Holding Co., Ltd.& Taiwan Cooperative Bank	President, Bank of Taiwan President, Taiwan Financial Holding Co., Ltd. Director, Taiwan Financial Holding Co., Ltd. Director, Taiwan Small Business Integrated Assistance Center Adviser, The Bankers Association of the Republic of China Director, Taipei Interbank Money Center, The Bankers Association of the Republic of China Adviser, The Bankers Association of Taipei
Independent Managing Director	HSU, YI-HSIUNG	July 31, 2012	July 31, 2009	M.A. in Economics, National Taiwan University Deputy Governor, Central Bank of the Republic of China (Taiwan) Director General, Dept. of Financial Inspection, Central Bank of the Republic of China (Taiwan)	Director of Audit Committee, Taiwan Financial Holding Co., Ltd. & Bank of Taiwan Independent Director, Taiwan Financial Holding Co., Ltd.
Managing Director	WU, TANG-CHIEH	Sep. 26, 2013	Sep. 26, 2013	M.A. in Public Finance, National Chengchi University Vice Chairperson, Financial Supervisory Commission (FSC) Director General, Securities and Futures Bureau, FSC Chief Secretary, Ministry of Finance	Political Deputy Minister, Ministry of Finance Managing Director, Accounting Research and Development Foundation of the Republic of China Director, China Aviation Development Foundation
Managing Director	YANG, CHENG-CHEN	July 31, 2012	Aug. 31, 2007	Ph.D. in Economics, Virginia Polytechnic Institute and State University, U.S.A. Research Fellow, Institute of Economics, Academia Sinica Associated Research Fellow, Institute of Economics, Academia Sinica Teaching Assistant, Department of Economics, Virginia Polytechnic Institute and State University, U.S.A. Instructor, Department of Economics, Tunghai University	Distinguished Research Fellow, Institute of Economics, Academia Sinica
Independent Director	CHEN, MING-CHIN	July 31, 2012	July 31, 2012	Ph.D. in Accounting, Arizona State University, U.S.A. Chairperson, Department of Accounting, National Chengchi University International Exchange of Scholar, J. William Fulbright Foreign Scholarship Board, U.S.A. Commissioner, Administrative Appeals Commission, Taipei City Government	Member, Audit Committee, Bank of Taiwan Professor, Department of Accounting, National Chengchi University Independent Director, TaiMed Biologics Inc. Commissioner, Administrative Appeals Commission, Ministry of Finance Independent Director, Ruentex Materials Co., Ltd.

Title	Name	Date Elected	Date First Elected	Education and Career	Positions Currently Held in the BOT and Other Companies
Director	YANG, MING-SHYANG	July 31, 2012	July 31, 2009	B.A. in Accounting, National Chengchi University Resident Supervisor, Bank of Taiwan Comptroller and Chief Executive Officer, Accounting Management Center, Directorate- General of Budget, Accounting and Statistics, Executive Yuan Comptroller, Department of Accounting, Ministry of Economic Affairs	Comptroller and Director, Department of Special Fund Budget, Directorate-General of Budget, Accounting and Statistics, Executive Yuan Supervisor, Small and Medium Enterprise Credit Guarantee Fund of Taiwan
Director	CHANG, CHIH-HUNG	July 31, 2012	July 1, 2003	MBA in Statistics, National Chengchi University Statistician-General, Dept. of Statistics, Judicial Yuan Director-General, Dept. of Budget, Accounting and Statistics, Kaohsiung City Government Director-General, Dept. of Budget, Accounting and Statistics, Taiwan Province Government Controller and Director, Department of General Fund Budget, Directorate-General of Budget, Accounting and Statistics, Executive Yuan	Director-General, Department of Accounting, Judicial Yuan
Director	RAU, HSIU-HUA	July 31, 2012	July 1, 2003	Ph.D. in Economics, Yale University, U.S.A. Assistant Professor, Rice University, U.S.A. Research Fellow, Directorate-General of Budget, Accounting and Statistics, Executive Yuan	Associate Professor, Department of International Business, National Chengchi University Commissioner, National Income Statistics Committee, Directorate- General of Budget, Accounting and Statistics, Executive Yuan
Director	LEE, KUANG-HUEI	July 31, 2012	Sep. 25, 2009	M.A. in Economics, National Taiwan University Assistant Director General, Economic Research Dept., Central Bank of the Republic of China (Taiwan) Assistant Director General, Foreign Exchange Dept., Central Bank of the Republic of China (Taiwan)	Adviser, Economic Research Dept., Central Bank of the Republic of China (Taiwan) Supervisor, Taiwan Academy of Banking and Finance
Director	LIU, YU-CHIH (Note 3)	Mar. 29, 2013	Mar. 29, 2013	<ul> <li>B.A. of Business Administration, National Taiwan University</li> <li>Supervisor, BankTaiwan Insurance Brokers</li> <li>Co., Ltd.</li> <li>SVP &amp; General Manager, Department of Treasury, Bank of Taiwan</li> <li>SVP &amp; General Manager, Department of Trusts, Bank of Taiwan</li> <li>SVP &amp; General Manager, Department of Trusts, Central Trust of China</li> </ul>	Executive Vice President, Taiwan Financial Holding Co., Ltd. Director, Administration and Training Committee, Trust Association of R.O.C.
Director	CHEN, HSI-CHUAN	July 31, 2012	Aug.19, 2005	Banking Insurance Dept., Kaohsiung Kuochi Junior College of Commerce Assistant Banking Officer, Kaohsiung Branch, Bank of Taiwan	Deputy Manager, Kaohsiung Branch, Bank of Taiwan Managing Director, Bank of Taiwan Labor Union (Kaohsiung)

Title	Name	Date Elected	Date First Elected	Education and Career	Positions Currently Held in the BOT and Other Companies
Director	CHEN, CHUN-HSIUNG	July 31, 2012	July 31, 2012	Department of International Trade, National Open College of Continuing Education Affiliated to National Taichung Institute of Technology Assistant Vice President, Employee Benefits Committee, Bank of Taiwan Banking Officer, Hsintien Branch, Bank of Taiwan	Assistant Vice President and Deputy General Manager, Hsintien Branch, Bank of Taiwan
Director	HSU, MA	Jan. 23, 2014	Jan. 23, 2014	M.A. in Business Research, Dayeh University Manager, Chung Hsin New Village Branch, Bank of Taiwan	Assistant Vice President and Assistant General Manager, Chung Hsin New Village Branch, Bank of Taiwan Convener, Board of Supervisors, Bank of Taiwan Labor Union

Notes: 1. All Directors are assigned by the Taiwan Financial Holding Co., Ltd.

 Taiwan Financial Holding Co., Ltd. holds 100% of shares of the Bank of Taiwan (9.5 billion shares). The Ministry of Finance holds 100% of shares of the Taiwan Financial Holding Co., Ltd (9.0 billion shares).

 Other than Liu Yu-Chih (who is a member of the BOT board of directors and the spouse of Wang Chi-Ming, a AVP & General manager at the Taipei International Airport Branch), no director is the spouse of, or related within the second degree of kinship to, any head of department, director, or supervisor.
 The terms of all directors will expire on July 30, 2015.

5. All directors are of R.O.C. nationality.

Major Shareholders of the Institutional Shareholders

Name of institutional shareholders	Major shareholders of the institutional shareholders						
Taiwan Financial Holding Co., Ltd.	Ministry of Finance						

### Mar. 2, 2015

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### Professional Qualifications and Independence Analysis of Directors and Supervisors (2)

														Mai. 2, 2010
Criteria		e Following Professional Qua ogether with at Least Five Y Experience				Ind	epenc	lence	Criteri	ia (No	tes)			
Name	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Bank in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Bank	Have Work Experience in the Areas of Commerce, Law, Finance, Accounting, or Other Necessary for the Business of the Bank	1	2	3	4	5	6	7	8	9	10	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
LEE, JIH-CHU	V		V	V		V	V		V	V	V	V		0
SHIAU, CHANG-RUEY			V	v		v	v		V	V	v	v		0
HSU, YI- HSIUNG			V	v	v	v	v	v	v	V	V	V	v	1(Taiwan Financial Holding Co., Ltd.)
WU, TANG- CHIEH	V		V	v	v	v	v	v	v	v	V	V	v	0
YANG, CHENG-CHEN	V			v	v	v	v	v	v	v	V	V	v	0
CHEN, MING- CHIN	V	V	V	v	v	v	v	v	V	v	v	v	v	2(TaiMed Biologics Inc. & Ruentex Materials Co., Ltd.)
YANG, MING- SHYANG			V	v	v	v	v	V	v	v	v	v	v	0
CHANG, CHIH- HUNG			V	v	v	v	v	v	v	v	v	v	v	0
RAU, HSIU- HUA	V			v	v	v	v	v	v	v	v	v	v	0
LEE, KUANG- HUEI			V	v	v	v	v	v	v	v	v	v	v	0
LIU, YU-CHIH			V	V	V	V	V	V	V	V	V	V	V	0
CHEN, HSI- CHUAN			V		v	v	v	v	v	v	v	v	v	0
CHEN, CHUN- HSIUNG			V		v	v	v	v	v	v	v	v	v	0

Notes: A tick in the corresponding boxes indicates that the director or supervisor meets the following qualification during the two years prior to being elected or during the term of office.

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1. Not an employee of the Bank or any of its affiliates.

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2. Not a director or supervisor of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Bank's parent company, or any subsidiary in which the Bank holds, directly or indirectly, more than 50% of the voting shares.

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3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Bank or ranking in the top 10 in holdings.

4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

5. Not a director, supervisor, or employee of a Bank shareholder that directly holds 5% or more of the total number of outstanding shares of the Bank or that holds shares ranking in the top five in holdings. 6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or

business relationship with the Bank.

7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Bank or to any affiliate of the Bank, or a spouse thereof, however, members of the Remuneration Committee carrying out their duties in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter are not limited by this restriction.

8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Bank.

9. Not a person of any conditions defined in Article 30 of the Company Law.

10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

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Mar. 2, 2015

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### 2. Top Management

April. 30, 2015

Title	Name	Date Effective	Education	Other Position
President	SHIAU, CHANG-RUEY	Mar. 3, 2014	LL.B National Chung Hsing University	President, Taiwan Financial Holding Co., Ltd. Director, Taiwan Financial Holding Co., Ltd. Director, Taiwan Small Business Integrated Assistance Center Adviser, The Bankers Association of the Republic of China Director, Taipei Interbank Money Center, The Bankers Association of the Republic of China Adviser, The Bankers Association of Taipei
Executive Vice President	CHIANG, SHIH-TIEN	Nov. 23, 2007	Dept. of International Trade, Tamkang University	Director, Hua Nan Financial Holdings Co., Ltd. Director, Hua Nan Commercial Bank Director, BankTaiwan Insurance Brokers Co., Ltd. Chairperson, General Banking Committee, The Bankers Association of the Republic of China Deputy Minister, Certificate Policy Management Committee, The Bankers Association of the Republic of China
Executive Vice President	WEI, JAN-LIN	July 1, 2007	Master of Economics, Soo Chow University	Director, Mega Financial Holding Co. Executive Secretary, Taipei Interbank Money Center, The Bankers Association of the Republic of China Managing Director of Trust Association of R.O.C. Director, Tea Industry Co., Ltd. joint venture in China
Executive Vice President	CHANG, HONG-CHI	July 16, 2011	Master of Agricultural Economics, National Chung Hsing University	Acting Executive Vice President, Taiwan Financial Holding Co., Ltd. Director, Bills Finance Association of R.O.C. Director, Taiwan Futures Exchange Corp.
Executive Vice President	CHIOU, YE-CHIN	July 16, 2011	Dept. of Economics, National Taiwan University	Director of United Taiwan Bank S.A. Director of Taipei Forex Inc. Member of Taipei Land Review Committee on Land and Standards Member of Credit Card Business Development Advisory Committee, Financial Information Service Co., Ltd.
Executive Vice President	HSIEH, CHUAN-CHUAN	Aug. 6, 2014	Master of Finance, National Taiwan University	Director, Cathay United Bank
Executive Vice President	TSAI, TZONG-RONG	April 29, 2015	Ph.D. in Economics, Michigan State University	Director of Joint Credit Information Center Managing Director, Taiwan Business Bank
Executive Vice President and General Auditor	HUANG, JUI-MU	Aug. 6, 2014	Dept. of Technology Mechanical Engineering, Ming Chi Institute of Technology	Supervisor, Board of Directors, Small and Medium Enterprise Credit Guarantee Fund of Taiwan
Executive Vice President and Chief Compliance Officer	LIN, SU-LAN	April 29, 2015	Master of Laws, The University of New South Wales	Chief Compliance Officer of Taiwan Financial Holding Co., Ltd. Member of Financial Regulations and Disciplinary Committee, The Bankers Association of the Republic of China
Senior Vice President and Chief Secretary	PAN, RONG-YAW	Jan. 12, 2015	Master of Public Finance, National Chengchi University	SVP and Chief Secretary of Taiwan Financial Holding Co., Ltd. Director of BankTaiwan Securities Co., Ltd.

Notes: 1. Taiwan Financial Holding Co., Ltd. holds 100% of shares of the Bank of Taiwan. 2. All the senior officials are of R.O.C. nationality.

### 3. Remuneration of Directors, Supervisors, President, and Vice Presidents for 2014

### (1) Remuneration of Directors

		I																						Uni	t: NT\$1	,000	
				F	Remune	eration							Re	levant R	emunera	ation Re	ceived b	y Direct	ors Wh	o are Al	so Empl	oyees					
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D) (Note)		Ratio of Total Remuneration (A+B+C+D) to Net Income After Tax (%)		Bonuses,		Severance Pay (F)		Profit Sharing- Employ Bonus(G)				oloyee Emp St Op		Exercisable Employee Stock Options (H)		xercisable (A+B		Ratio of Total Compensation A+B+C+D+E+F+G) o Net Income After Tax (%)	
Title Name		The Bank	Companies in the Consolidated Financial Statements	The Bank	Companies in the Consolidated Financial Statemer	The Bank	Companies in the Consolidated Financial Statements	The Bank	Companies in the Consolidated Financial Stat	The Bank	Companies in the Consolidated Financial Stat	The Bank	Companies in the Consolidated Financial Statements	The Bank	Companies in the Consolidated Financial Stateme		The Bank	Statements	Companies in the	The Bank	Companies in the Consolidated Financial Statements	The Bank	Companies in the Consolidated Financial Statements	The Bank	Companies in the Consolidated Financial Statements	Reinvested Enterprises	
			Financial Statements	*	d Financial Statements	n <del>k</del>	Financial Statements		Financial Statements		Financial Statements		Financial Statements		d Financial Statements	Cash	Stock	Cash	Stock		Financial Statements		d Financial Statement		- inancial Statements		
Chairperson	LEE, JIH-CHU																										
President	SHIAU, CHANG- RUEY	-																									
Managing Director	WU, TANG- CHIEH																										
Managing Director	YANG, CHENG- CHEN																										
Independent Managing Director	HSU, YI- HSIUNG																										
Independent Director	SHIU, YUNG- MING	-																									
Independent Director	CHEN, MING- CHIN																										
Independent Director	SHYU, JYUO- MIN	6,442	6,442	298	298	N	one	4,481	4,481	0.14%	0.14%	4,608	4,608	272	272	None		N	one	No	one	0.20%	0.20%	96			
Director	CHANG, CHIH-HUNG																										
Director	RAU, HSIU- HUA																										
Director	YANG, MING- SHYANG																										
Director	lee, Kuang- Huei																										
Director	LIU, YU-CHIH																										
Director	CHEN, HSI- CHUAN																										
Director	HSU, MA																										
Director	LEE, HAO- HSUAN																										
Director	CHEN, CHUN- HSIUNG																										

Note: 1. The monthly rental for the chairperson's residence is NT\$86,333.
 2. The monthly rental for the president's residence is NT\$101,667; the president's sedan was purchased in November of 2011 at a cost of NT\$573,604, and the monthly expense for the chauffeur is NT\$40,695; and the oil fee is NT\$31,226 (Mar. ~ Dec. 2014).

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Linit: NT\$1 000

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### Unit: NT\$1,000

	Name of Directors												
Bracket	Total of (A	\+B+C+D)	Total of (A+B	+C+D+E+F+G)									
	The Bank	Companies in the Consolidated Financial Statements	The Bank	Companies in the Consolidated Financial Statements									
Under NT\$2,000,000	WU, TANG-CHIEH YANG, CHENG-CHEN HSU, YI-HSIUNG SHIU, YUNG-MING CHEN, MING-CHIN SHYU, JYUO-MIN CHANG, CHIH-HUNG RAU, HSIU-HUA YANG, MING-SHYANG LEE, KUANG-HUEI LIU, YU-CHIH CHEN, HSI-CHUAN HSU, MA LEE, HAO-HSUAN CHEN, CHUN-HSIUNG	WU, TANG-CHIEH YANG, CHENG-CHEN HSU, YI-HSIUNG SHIU, YUNG-MING CHEN, MING-CHIN SHYU, JYUO-MIN CHANG, CHIH-HUNG RAU, HSIU-HUA YANG, MING-SHYANG LEE, KUANG-HUEI LIU, YU-CHIH CHEN, HSI-CHUAN HSU, MA LEE, HAO-HSUAN CHEN, CHUN-HSIUNG	WU, TANG-CHIEH YANG, CHENG-CHEN HSU, YI-HSIUNG SHIU, YUNG-MING CHEN, MING-CHIN SHYU, JYUO-MIN CHANG, CHIH-HUNG RAU, HSIU-HUA YANG, MING-SHYANG LEE, KUANG-HUEI LIU, YU-CHIH CHEN, HSI-CHUAN HSU, MA LEE, HAO-HSUAN CHEN, CHUN-HSIUNG	WU, TANG-CHIEH YANG, CHENG-CHEN HSU, YI-HSIUNG SHIU, YUNG-MING CHEN, MING-CHIN SHYU, JYUO-MIN CHANG, CHIH-HUNG RAU, HSIU-HUA YANG, MING-SHYANG LEE, KUANG-HUEI LIU, YU-CHIH CHEN, HSI-CHUAN HSU, MA LEE, HAO-HSUAN CHEN, CHUN-HSIUNG									
NT\$2,000,000 ~ NT\$5,000,000	LEE, JIH-CHU SHIAU, CHANG-RUEY	LEE, JIH-CHU SHIAU, CHANG-RUEY	LEE, JIH-CHU SHIAU, CHANG-RUEY	LEE, JIH-CHU SHIAU, CHANG-RUEY									
NT\$5,000,000 ~ NT\$10,000,000													
NT\$10,000,000 ~ NT\$15,000,000													
NT\$15,000,000 ~ NT\$30,000,000													
NT\$30,000,000 ~ NT\$50,000,000													
NT\$50,000,000 ~ NT\$100,000,000													
Over NT\$100,000,000													
Total	11,221	11,221	16,101	16,101									

(2) Compensation of President and Vice President

	<b>P</b>															Uni	t: NT\$1	,000																			
		Sal	ary (A)	Seve	erance Pay (B)		uses and ances (C)	Profit Sharing- Employee Bonus (D)     Ratio of Total Compensation (A+B+C+D) to Net Income After Tax (%)     Exercisab Employee S Options       The Bank     Companies in the Consolidated Financial Statements     Time Do Bank     Time Do Bank     Time Do Bank		yee Stock	Exercisable k Restricted Stock Awards		Reinves																								
Title	Name	The Bank	Companies in the Consolidated Financial Statements	The Bank	Companies in the Consolidated Financial Statements	The Bank	Companies in the Consolidated Financial Statements			The Bank the Consolidated Financial		The Bank	Companies in the Consolidated Financial Statements	The Bank	Companies in the Consolidated Financial Statements	The Bank	Companies in the Consolidated Financial Statements	Reinvested Enterprises																			
		×	in the ted ements	×	in the ted ements	*	es in idated tements	Cash	Stock	Cash	Stock	×	in the ted ements	×	in the ted ements	<del>×</del>	in the ted ements																				
President	SHIAU, CHANG- RUEY																																				
Executive Vice President	HSIEH, TENG- LUNG						,054 9,054	J54 9,054	9,054																												
Executive Vice President	CHIANG, SHIH- TIEN																																				
Executive Vice President	WEI, JAN-LIN									9,054	9,054	9,054																									
Executive Vice President	CHIOU, YE-CHIN	11,253	11,253	899	899	9,054							9,054	9,054	9,054	9,054	9,054	9,054	9,054	9,054	9,054	9,054	9,054	9,054	9,054	9,054	54	N	one		0.26%	0.26%	None	None	None	None	636
Executive Vice President	CHANG, HONG- CHI																											9,054	9,054	9,054	9,054	9,054					
Executive Vice President	HSIEH, CHUAN- CHUAN																																				
Executive Vice President and General Auditor	HSIEH, CHUAN- CHUAN																																				
Executive Vice President and General Auditor	HUANG, JUI-MU																																				

Unit: NT\$1,000

	Name of President and Vice Presidents								
Bracket	The Bank	Companies in the Consolidated Financial Statements							
Under NT\$2,000,000	HUANG, JUI-MU	HUANG, JUI-MU							
NT\$2,000,000 ~ NT\$5,000,000	SHIAU, CHANG-RUEY HSIEH, TENG-LUNG WEI, JAN-LIN CHIANG, SHIH-TIEN CHIOU, YE-CHIN CHANG, HONG-CHI HSIEH, CHUAN-CHUAN	SHIAU, CHANG-RUEY HSIEH, TENG-LUNG WEI, JAN-LIN CHIANG, SHIH-TIEN CHIOU, YE-CHIN CHANG, HONG-CHI HSIEH, CHUAN-CHUAN							
NT\$5,000,000 ~ NT\$10,000,000									
NT\$10,000,000 ~ NT\$15,000,000									
NT\$15,000,000 ~ NT\$30,000,000									
NT\$30,000,000 ~ NT\$50,000,000									
NT\$50,000,000 ~ NT\$100,000,000									
Over NT\$100,000,000									
Total	21,206	21,206							

### III. Implementation of Corporate Governance

### 1. Board of Directors

A total of 13 meetings of the Board of Directors were held in 2014 (A). Director attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A] (Note)	Remarks
Chairperson	LEE, JIH-CHU	13	0	100	
Managing Director SHIAU, CHANG-RUEY		11	0	100	Assumed on Mar. 3, 2014
Independent Managing Director	HSU, YI-HSIUNG	12	0	92	
Managing Director	WU, TANG-CHIEH	10	3	77	
Managing Director	YANG, CHENG-CHEN	12	1	92	
Independent Director	CHEN, MING-CHIN	11	2	85	
Independent Director	SHYU, JYUO-MIN	2	2	40	Assumed on Aug. 1, 2014 Relieved on Jan. 25, 2015
Independent Director	SHIU, YUNG-MING	6	1	75	Relieved on Aug. 1, 2014
Director	YANG, MING-SHYANG	11	2	85	
Director	CHANG, CHIH-HUNG	12	1	92	
Director	RAU, HSIU-HUA	13	0	100	
Director	LEE, KUANG-HUEI	12	1	92	
Director	LIU, YU-CHIH	12	1	92	
Labor Director	CHEN, HSI-CHUAN	13	0	100	
Labor Director	LEE, HAO-HSUAN	1	0	100	Relieved on Jan. 16, 2014
Labor Director CHEN, CHUN-HSIUNG		12	0	92	
Labor Director	HSU, MA	10	1	83	Assumed on Jan. 23, 2014

Other mentionable items:

1. If there are circumstances referred to in Article 14-3 of Securities and Exchange Act and resolutions of the directors' meetings objected to by independent directors or subject to qualified opinion and recorded or declared in writing, the dates of meetings, sessions, contents of motions, all independent directors' opinion and the Company's response to independent directors' opinion should be specified: None.

2. If there is directors' avoidance of motions in conflict of interest, the directors' names, contents of motions, causes for avoidance and voting should be specified:

(1) At the 13th meeting of the 4th Board of Directors on Feb. 17, 2014, while a special performance bonus for the BOT chairperson was being discussed by the directors, Chairperson Lee Jih-Chu exercised recusal because she was an interested person in the matter (it affected her personal interests). All the other directors attended, and unanimously passed the resolution.

(2) At the 16th meeting of the 4th Board of Directors on July 11, 2014, discussion of a resolution to amend the "Bank of Taiwan Rules Governing the Issuance of Performance Bonuses": Chairperson Lee Jih-Chu and Managing Director Shiau Chang-Ruey exercised recusal because they were interested people in the matter (it affected their personal interests). All 13 directors in attendance agreed to pass the amendment.

(3) At the 10th extraordinary meeting of the 4th Board of Directors on July 25, 2014, for the sake of business purposes, it was suggested that the Bank should adjust the job duties of 11 people, including Chen Yung-Chia, SVP and General Manager of the Department of Credit Analysis: Director Liu Yu-Chih exercised recusal because she was an interested person in the matter. All the other directors attended, and unanimously passed the resolution.

Note: The actual ratio of attendance (%) is calculated as the ratio (%) of the number of Board of Directors meetings attended to the total number held during the term in office.

### 2. Audit Committee

### A total of 11 Audit Committee meetings were held in 2014 (A). Independent Director attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A] (Note)	Remarks
Independent Managing Director	HSU, YI-HSIUNG	11	0	100	
Independent Director	CHEN, MING-CHIN	9	2	82	
Independent Director	SHIU, YUNG-MING	6	0	100	Relieved on Aug. 1, 2014
Independent Director	SHYU, JYUO-MIN	3	2	60	Assumed on Aug. 1, 2014 Relieved on Jan. 25, 2015

Other mentionable items:

 If there are circumstances referred to in Article 14-5 of Securities and Exchange Act and resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all Directors, the dates of meetings, sessions, contents of motions, resolutions of Audit Committee and the Company's response to Audit Committee's opinion should be specified: None

2. If there is Independent Directors' avoidance of motions in conflict of interest, the Independent Directors' names, contents of motions, causes for avoidance and voting should be specified: None

3. Communications between the Independent Directors, internal auditing authorities and CPAs.

(1) Communication with internal auditing authorities was carried out as follows to reinforce the Bank's internal auditing work:

a. Meetings of the Audit Committee that were held during this fiscal year discussed (1) a report on auditing work for the second half of 2013; (2) Internal Control Statement in 2013; (3) a report on auditing work for the first half of 2014; and (4) auditing work plan for 2015.

b. 4 seminars were held with the internal auditing authorities to discuss the topics of internal auditing, the auditing business, and risk management.

(2) Communications with CPAs were carried out as follows in order to reinforce the content of the Bank's external auditing work:

a. Meetings of the Audit Committee that were held during this fiscal year discussed (1) financial reports of 2013; (2) the financial report for the first quarter of 2014; (3) the financial report for the second quarter of 2014; (4) the financial report for the third quarter of 2014; (5) internal control auditing in 2013.

- b. Seminars were held to discuss the Bank's financial report checking and review matters.
- (3) In order to reinforce regulatory compliance, risk management, finance, accounting, and business operations, the Bank's communications with regulatory compliance, risk management, finance, accounting, and business units were carried out as follows:
  - a. Meetings of the Audit Committee discussed important regulatory compliance, risk management, finance, accounting, and business matters.

Numerous seminars were held to discuss the Bank's important related issues.

c. Relevant executives were invited to the Audit Committee's office on an irregular basis, and talks were held via telephone, to discuss important issues. (4) A total of 11 Audit Committee meetings were called, 14 seminars were held during this year.

Note: The actual ratio of attendance (%) is calculated as the ratio (%) of the number of Audit Committee meetings attended to the total number held during the term in office.

### 3. Corporate Governance Execution Status and Deviations from "Corporate Governance Best-Practice Principles for the Banking Industry"

Matters Evaluated		Implementation Status						
		N	Summary Description					
<ol> <li>Shareholding Structure &amp; Shareholders' Rights         <ol> <li>Has the Bank adopted internal procedures for the handling of shareholder suggestions, questions, disputes, and litigation? Does the Bank act in accordance with such procedures?</li> <li>Does the Bank know the identities of the main controlling shareholders, and of the ultimate controlling shareholder?</li> <li>Has the Bank established a risk management mechanism and "firewall" between the Bank and its affiliates? Is it implementing them?</li> </ol> </li> </ol>	v v v		<ol> <li>The Bank currently has only one institutional shareholder: The Taiwan Financial Holding Co., Ltd. (which is 100% owned by the Ministry of Finance). All related matters are carried out in accordance with regulations, and channels of communication are clear.</li> <li>The Bank is a subsidiary of the state-owned Taiwan Financial Holding Co., Ltd. (whose sole owner is the Ministry of Finance).</li> <li>Business having to do with related enterprises is all carried out in accordance with the provisions of the Banking Law and the regulations of the competent authority as well as the Bank's own internal control charter.</li> </ol>					
<ul> <li>2.Composition and Responsibilities of the Board of Directors <ul> <li>(1) In addition to the Remuneration Committee and the Audit Committee, is the Bank willing to establish other function-specific committees?</li> <li>(2) Does the Bank carry out regular evaluations of CPA independence?</li> </ul> </li> </ul>	V	V	<ul> <li>(1) The Bank established an Audit Committee on July 31, 2009 and formulated an Audit Committee Charter. The primary objective of the Committee, which is made up of all the Bank's Independent Directors. The BOT is a 100% government-owned bank. As such, its employees' salary points are handled in accordance with regulations issued by the Ministry of Finance, and it does not have a Remuneration Committee.</li> <li>(2) The Bank commissioned independent, reputable, and professional international certified public accountants of appropriate scale to carry out verification and certification of the Bank's accounts.</li> </ul>					

Metters Freebucted		Implementation Status						
Matters Evaluated	Y	N	Summary Description					
3.Has the Bank established a communication channel with interested parties?	V		The Bank maintains a mailbox for complaints and suggestions on its website, as well as a customer service telephone hotline, providing materially interested persons with a diversity of communication channels. Its internal website also contains a Chairperson's Mailbox, President's Interchange, and employees' discussion area as channels for employee suggestions.					
<ul> <li>4.Information Disclosure <ul> <li>(1) Has a corporate website been established to disclose information regarding the Bank's financial, business, and corporate governance status?</li> <li>(2) Has the Bank established other information disclosure channels?</li> </ul> </li> </ul>	V V		<ul> <li>(1) The Bank's website regularly discloses information on finance, business, and corporate governance.</li> <li>(2) The Bank's website has an English page that provides information on the Bank's finance, business, and corporate governance. To circulate publicly reports and announcements in accordance with the requirements of the competent authority, the units in charge of different areas of business carry out the collection and disclosure of relevant information. To strengthen liaison and communication with the news media, the Bank makes timely and accurate reports on its major policies, business measures, and services, establishes "Bank of Taiwan News Issuance and News Liaison Guidelines", and appoints spokespersons.</li> </ul>					
5.Does the Bank have other important information that would be conducive to a better understanding of the Bank's corporate governance operations (e.g., including but not limited to employee rights, employee wellness, investor relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, purchasing insurance for directors and supervisors, and donations to political parties, stakeholders, and charity organizations)?	V		<ol> <li>The BOT is a government-run financial institution. The interests of its employees are handled in accordance with the provisions of the "Labor Standards Act," other labor legislation, and regulations issued by the competent authorities.</li> <li>Advanced Education for Directors and Supervisors: The Bank provides Directors with information on advanced courses on law, finance, and accounting related to issues of corporate governance on an irregular basis, and arranges for them to attend courses in accordance with the regulations and their individual wishes.</li> <li>Attendance of Directors and Supervisors at Board of Directors Meetings: The Bank's Directors attend meetings of the Board of Directors (Board of Managing Directors) in accordance with the "BOT Articles of Incorporation", "BOT Board of Directors Organizational Charter" and "BOT Board of Directors Rules of Procedure".</li> <li>Implementation of Risk Management Policy and Risk Measurement Standards:         <ol> <li>The Bank has worked out a risk management policy, regulations for the establishment of a risk management committee, internal criteria for capital adequacy management, criteria for racit risk management, and regulations for the disclosure of risk management, and regulations for the disclosure of risk management information.</li> <li>The Bank has established a Risk Management Committee mapped out risk strategies and considered risk monitoring. The Bank has also set up an independent dedicated risk danagement committee.</li> <li>In compliance with FSC rules, the Bank has implemented Pillars 1, 2, and 3 of Basel Accord.</li> </ol> </li> </ol>					

Matters Evaluated		Implementation Status				
	Y	N	Summary Description			
5. Does the Bank have other important information that would be conducive to a better understanding of the Bank's corporate governance operations (e.g., including but not limited to employee rights, employee wellness, investor relations, rights of stakeholders, directors' and supervisors' training records, the implementation of customer relations policies, purchasing insurance for directors and supervisors, and donations to political parties, stakeholders, and charity organizations)?	V		<ol> <li>Consumer Protection</li> <li>To protect the interests of customers and assure observance of the competent authority's regulations, the Bank has established rules for the wealth management business including "Operating Regulations for the Sale of Financial Products," "Management Guidelines for Financial Products," and "Manual of Customer Rights for the Sale of Financial Products."</li> <li>To protect consumer interests, the contracts signed with customers for the extension of consumer loans are drawn up according to the "Items to Be Included and Not Included in Personal Auto and Home Loan Model Contracts" as formulated by the competent authority in accordance with the Consumer Protection Law and other relevant laws and regulations.</li> <li>The Bank has established "Standards for Exemption from Risk due to Loss or Theft of International Credit Cards" and "Regulations for Writing Off Losses due to Fraudulent Use of International Credit Cards," so as to protect the users of international credit cards.</li> <li>In response to the promulgation and implementation of the Financial Consumer Protection Act and its subsidiary Regulations Governing Financial Services Companies Engaged in Advertising for Business Solicitation or Business Marketing, the Bank has established its "Management Instructions for Engaging in Advertising for Business Solicitation and Business Marketing."</li> <li>Abstention of Directors from Cases in Which They Have a Material Interest:</li> <li>Article 9 of the Board of Directors Rules of Procedure, both stipulate that Directors should, at the current Board of Directors in any relationship of material interest of its own, they may not participate in discussion and voting, nor may they act as proxy for other Directors in a exercising their voting rights.</li> <li>Directors have to fill out the "Parties of Material Interest" Form as stipulated in Article 33-1 of the Banking Law, and the Form is placed on a computer file by the Department of Credit Management.</li></ol>			
6.Does the Bank carry out corporate governance self-assessment reports, or hire an outside institution to prepare corporate governance assessment reports?		v	The Bank has not yet carried out corporate governance self- assessment reports or hired an outside institution to carry out corporate governance assessment reports.			

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### 4. Information on Members of the Remuneration Committee, and Its Operation

The BOT has not established a Remuneration Committee.

### 5. Social Responsibility

			Implementation Status
Matters Evaluated	Y	N	Summary Description
<ol> <li>Implementation of Corporate Governance         <ol> <li>Has the Bank adopted a corporate social responsibility policy or system? Does the Bank review the effectiveness of its implementation thereof?</li> <li>Does the Bank periodically hold social responsibility education and training sessions?</li> <li>Does the Bank have a unit (dedicated or otherwise) that is charged with responsibility for promoting corporate social responsibility? Does the board of directors specifically authorize senior management to handle corporate social responsibility matters, and does senior management report back to the board of directors on its handling of such matters?</li> <li>Has the Bank adopted a policy on reasonable remuneration? Are corporate social responsibility matters factored into employee performance evaluations? Are there clear and effective rewards and sanctions?</li> </ol> </li> <li>Development of a Sustainable Environment         <ol> <li>Does the Bank make efforts to enhance the efficiency of resource utilization, and use recyclable materials with a low environmental burden?</li> <li>Has the Bank setablished an appropriate environmental management system that is suited to the characteristics of the banking industry?</li> <li>Does the Bank pay attention to the impact of climate change on operating activities? Does it prepare greenhouse gas inventory reports? Has it adopted strategies for energy conservation and reduction of carbon and other greenhouse gases?</li> </ol> </li></ol>		V	<ol> <li>Public-benefit donations are given to civic groups in accordance with the "Bank of Taiwan Rules for the Granting of Subsidies (Donations) to Private Groups."</li> <li>The Bank uses internal education and training programs as well as online learning websites to provide employees with online courses in corporate governance. Employees are required to attend a prescribed number of hours of such coursework.</li> <li>The BOT has not yet established a unit (dedicated or otherwise) to handle corporate social responsibility matters. However, the Bank's directors all take part in corporate governance courses, and when there are government directives and other such matters, the Bank notifies each director.</li> <li>The BOT is a 100% government-owned bank. As such, its employees' salary points are handled in accordance with regulations issued by the Ministry of Finance. Corporate social responsibility policies are not currently factored into employee performance evaluations.</li> <li>The BOT carries out operational activities in accordance with the following principles in order to lower the impact on the environment:         <ul> <li>Reduction of the consumption of resources and energy for financial products and services</li> <li>Appropriate disposal of wastes</li> <li>Use of energy-saving and environmentally friendly goods</li> <li>Equipment that has reached the end of its expected working life but is still usable to be used continuously.</li> </ul> </li> <li>The BOT has established an annual environmental patrol and supervision plan to manage the environmental Cleanliness and Beautification Inspection Team for use in evaluating the environmental protection performance of different units.</li> <li>The Bank continued fulfilling its corporate social</li> </ol>
<ul> <li>3.Community Service Work</li> <li>(1) Has the Bank adopted policies and procedures in accordance with applicable legislation and international human rights conventions?</li> <li>(2) Has the Bank established an employee complaint system, including a channel for lodging complaints? Is the system being properly implemented?</li> <li>(3) Does the Bank provide a safe and healthy working environment for its employees, and offer them regular safety and health education?</li> </ul>	v v v		<ul> <li>responsibility by implementing the government's policy of energy conservation and carbon reduction.</li> <li>(1) In order to safeguard the rights and interests of both management and labor, and to improve its management system, the Bank has adopted work rules in compliance with the "Labor Standards Act" and other legislation governing civil servants, and has filed the rules with the Taipei City Government for approval and recordation.</li> <li>(2) The Bank has an internal "top management mailbox" and a "communication channel" that employees can use to submit suggestions.</li> <li>(3) In order to prevent workplace accidents and protect the safety and health of employees, the Bank has adopted the "Bank of Taiwan Best Practice Principles for Occupational Safety and Health." This measure is intended to ensure a safe and healthy environment for employees.</li> </ul>

Matters Evaluated			Implementation Status
		N	Summary Description
<ul> <li>(4) Has the Bank established a channel for periodic communication with employees? Does the Bank use reasonable methods to notify employees of operational changes with a potentially major impact upon them?</li> <li>(5) Has the Bank established a career skills development program for its employees?</li> <li>(6) Has the Bank adopted consumer protection policies and complaint procedures for its R&amp;D, purchasing, operational, and service processes?</li> <li>(7) In its marketing and labeling of products and services, does the Bank comply with applicable legislation and international standards?</li> <li>(8) Before entering into a business relationship with a supplier, does the Bank first consider whether the supplier has previously harmed the environment or the interests of society?</li> <li>(9) Do the Bank's contracts with major suppliers include a provision that allows for the Bank to terminate or rescind at any time if the supplier violates its corporate social responsibility policy in such a manner as to harm the environment or the interests of society?</li> </ul>	v v v	V V	<ul> <li>(4) The Bank holds periodic brainstorming sessions between management and staff, and issues official notices to inform employees of important operating policies. In addition, the Bank takes advantage of the brainstorming sessions, employee training activities, labor-management meetings, employee benefits meetings, and labor safety meetings to communicate fully with union representatives and employees.</li> <li>(5) The Bank has adopted rules requiring all members of management and staff to take part in training, helps employees take part in online learning, and offers financial support for ongoing professional development. The aforementioned rules are issued in many different versions, tailored according to the levels and the job descriptions of different employees.</li> <li>(6) The Bank has adopted rules to ensure adequate safeguarding of the interests of customers, and compliance with applicable requirements issued by the competent authority. These rules are amended as necessary in response to changes to legislation. In order to properly handle customer complaints, for example, the Bank has adopted a set of "Rules Governing the Handling of Customer Criticisms and Complaints."</li> <li>(7) The Bank has adopted a set of "Management Instructions for Engaging in Advertising, Business Solicitation, and Sales Promotion Activities" to regulate its advertising, business solicitation, and sales promotion activities, and to safeguard the interests of financial consumers.</li> <li>(8) The Bank is a state-run enterprise that must handle purchasing matters in compliance with the "Government Procurement Act" and related secondary legislation. Qualification requirements for suppliers and manufacturers, and the content of contracts, must all be set in accordance with the law.</li> <li>(9) As above.</li> </ul>
4. Strengthening of Information Disclosure Does the Bank use its own website and the Market Observation Post System (MOPS) website to disclose relevant and reliable information on corporate social responsibility?			Related information is disclosed in the Corporate Social Responsibility Report area of the global information web page, in such areas as corporate governance, customer commitments, employee care, environmental protection, and social participation, and sent to the Bank's various units for reference.

5.If the Bank has compiled its own corporate social responsibility rules in accordance with the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies," please explain their operation and their divergences: The BOT is not a TWSE/GTSM-listed company, and has not compiled its own corporate social responsibility rules.



The Bank held a charity auction and fair. All of the donation was given to the Genesis Social Welfare Foundation and the Taiwan Catholic Foundation of Alzheimer's Disease and Related Dementia.



The Bank invited student athletes in the Taoyuan area to attend the Chinese Professional Baseball League all-star game.

6. Other important information that would aid in understanding the operation of corporate social responsibility:

- (1) As a 100% government-owned bank, the Bank makes every effort to attain the budget targets set by the government, and coordinates with the government's major construction plans and participates actively in the financing of infrastructure projects as well as large private investment projects in order to promote overall national economic development.
- (2) In order to give back to society and act upon the company's commitment to caring, the Bank continues to hold community service activities designed to benefit the underprivileged and enhance its image as an enterprise that cares about the public good. The Bank also supports government policy by providing student loans.
- (3) The BOT carried out the following social benefit activities in 2014:
  - a. Early January 2014: The Bank donated lanterns for the Taiwan Lantern Festival. The lanterns went to the World Peace Association, the Kanner Support Group, the Jonah House orphanage, the Yilan Branch of the Taiwan Fund for Children and Families, and Bethany Children's Home.
  - b. 14 May 2014: The Bank held a public service event featuring a music concert and activities to help participants learn more about investment and financial planning, inviting the Life Jazz Trio—a group of visually impaired musicians—to perform at the concert.
  - c. 17 May 2014: The Bank held a charity auction and fair in Taipei at The Red House. Visitors to the event donated 150 bags of blood and NT\$1.8 million, all of which was given to the Genesis Social Welfare Foundation and the Taiwan Catholic Foundation of Alzheimer's Disease and Related Dementia.
  - d. 24 May 2014: The Bank held a "sweep the mountain" hiking activity for employees and their family members on a walking trail in Tianmu.
  - e. 26-27 July 2014: The Bank invited student athletes from several elementary and junior high school baseball teams in the Taoyuan area to attend the Chinese Professional Baseball League all-star game at the Taoyuan International Baseball Stadium. For each ball hit out of the park during the home run contest, the Bank made a 5-gram "gold passbook" donation to the Taiwan Foundation For Rare Disorders. A total of 70 grams of passbook gold were donated (including 15 grams donated by the baseball players).
  - f. Following a series of massive gas mains explosions in the city of Kaohsiung, the Bank's Chairperson Jih-Chu Lee asked employees to do everything they could to help out those affected by the disaster, and the Bank made every possible effort to approve applications by disaster victims who needed loan rescheduling or eased credit conditions, or sought new loans. The Bank cooperated actively with measures adopted by the Financial Supervisory Commission and the ROC Bankers Association to assist persons affected by the explosions. Also, in order to fulfill its corporate social responsibility, the Bank on August 21, 2014 wired NT\$1.85 million to an account designated by the Kaohsiung City Government for donations to help with the post-explosion relief effort.
  - g. August 13 (in Taichung) and August 21 (in Taipei) 2014: The Bank held two community service activities to promote better understanding of wealth management matters. Children from underprivileged backgrounds and children with impaired hearing were invited to take part in the events.
  - h. 8 October 2014: In a show of concern for students in remote areas, the Bank held a book donation campaign that resulted in 1,102 books being donated to Hongye Elementary School in Taitung County. The school later sent a "thank you" letter to the Bank.
  - i. 25 November 2014: In order to promote environmental education, the Bank held environmental education lectures in the Taoyuan area at Chao-Inn Elementary School and Hsihai Elementary School. The Green Island Elephant, a well-known environmental protection mascot, was on hand at the events to help achieve a higher profile.
- 7.If the Bank's corporate social responsibility reports include passage of certification standards by relevant certification agencies, please explain:
  - The Bank has prepared Corporate Social Responsibility Reports for 2012 and 2013 which have not been certificated yet.



Winner of "Excellent Performance by Financial Institutions in Export Insurance Referral" by the Ministry of Finance in 2014.



The Bank was awarded the double of "Golden Security Award" and "Golden Quality Award" by Joint Credit Information Center.

Metters Evolution	Implementation Status					
Matters Evaluated	Y	N	Summary Description			
<ol> <li>Establishment of Ethical Management Policies and Programs</li> <li>Is an ethical management policy clearly expressed in the Bank's charter and public documents? Are its board of directors and management committed to vigorous implementation of that policy?</li> <li>Has the Bank adopted programs for the prevention of unethical behavior? Does each of these programs expressly set out operating procedures and a code of conduct, provide for punishment of unethical behavior, and establish a system for lodging complaints? Are the programs being properly implemented?</li> <li>Has the Bank adopted preventive measures to ensure that the unethical behaviors set out in Article 7, paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/</li> </ol>	v v v		<ol> <li>The BOT holds to an attitude of sincerity in guaranteeing the principle of putting customer rights first and providing professional services that meet the needs of its customers, and puts "sincerity" at the head of the list of its operating principles.</li> <li>The Bank conducts all matters in compliance with the "Civil Service Act," abides by civil service ethics rules, carries out all required registrations, and in order to prevent unethical conduct, the Bank has adopted a rule explicitly requiring that important financial transactions with interested parties must be reported to the board of directors for discussion and approval.</li> <li>a. All purchasing transactions, donations, and sponsorships must be reported to the authorization level for review and approval, so compliance with applicable legislation and internal operating procedures is assured.</li> </ol>			
GTSM-Listed Companies" will not occur, and that the Bank will not engage in business activities that pose a relatively high risk of unethical conduct?			b. The Bank has established the "Instructions for Professional Ethics and Behavior by Bank of Taiwan Investment Personnel," Article 7 of which clearly prohibits the Bank's investment personnel from recommending, giving, seeking, or accepting a bribe in any form. Also, the code of conduct set out in Article 3 of the "Instructions for Prevention of Insider Trading and Conflicts of Interest in the Wealth Management Business of the Bank of Taiwan" explicitly prohibit wealth management personnel from seeking, under any guise, either a commission or assistance with the payment of activity expenses. Such personnel are also not allowed to take advantage of their job duties to funnel interests to themselves or to another person, or to accept improper gifts or entertainment.			
<ul> <li>2.Implementation of Ethical Management <ol> <li>Does the Bank evaluate the ethics track record of parties with which it does business? Do the contracts that it enters into with such parties expressly set out provisions governing ethical conduct?</li> <li>Does the Bank have a unit (dedicated or otherwise) that reports to the board of directors and is responsible for promoting ethical business practices? If so, does this unit report periodically to the board of directors on the status of its work?</li> <li>Has the Bank adopted a conflict-of-interest policy, and provided an appropriate complaint channel? Is the policy being properly implemented?</li> <li>Has the Bank established effective accounting and internal control systems designed to achieve ethical management? Does its internal audit unit carry out periodic audits, or if not, does the Bank retain a certified public accountant to carry out audits?</li> </ol> </li> </ul>	v v	V	<ol> <li>(1) Before carrying out a public procurement operation, the Bank always visits the website of the Ministry of Economic Affairs to check on the current status of the counterparty, or asks the counterparty to provide tax returns. In addition, purchasing contracts include penal provisions that require the supplier to provide compensation if it acts in breach of contract.</li> <li>(2) The Bank has not yet established a unit (dedicated or otherwise) that reports to the board of directors and is responsible for promoting ethical business practices. The BOT follows the operating principles of "Integrity, Care, Efficiency, and Prudence," and propagates an understanding of these core values to employees during regular and irregular meetings at the different units. The principles are also printed in publications to incorporate them into all operations and services.</li> <li>(3) The BOT's Charter, Organization Rules of the Board of Directors, and Rules and Procedures of Board of Directors Meetings clearly stipulate rules for the recusal of directors.</li> <li>(4) The Bank has established a rigorous accounting system and a dedicated accounting unit. All financial reports are audited by a certifying CPA to ensure the fairness of financial statements, and the Bank has established an internal audit system, a self-audit system, a chief compliance officer system, and a risk management system as required by the "Regulations Governing the Implementation of Internal Control and Audit Systems by Financial Holding Companies and Banking Enterprises."</li> </ol>			

# 6. Status of the Bank's Ethical Management, and Measures Adopted

			Implementation Status
Matters Evaluated	Y	N	Summary Description
(5) Does the Bank periodically hold in-house or out- of-house education and training sessions that focus on business ethics?	V		<ul> <li>(5) a. At periodic brainstorming sessions between management and staff, ethics officers acquai participants with legal compliance issues.</li> <li>b. Courses attended by new employees during professional training include a focus on profession ethics, ethics principles, and ethics-related interm rules and external legislation. Ethics-related legislatic and articles are posted on the Department of Ethic section of the Bank's website so that employees carconsult them at any time.</li> <li>c. The Bank reminds all personnel on these occasion that they are required to comply with the "Cir Service Ethics Rules" and in principle refuse any go or entertainment offered to them by any individual juristic person, or group that is an interested party wir respect to the Bank's business, and personnel a required to establish a file if such a party approach them with a request or seeks to influence them.</li> </ul>
<ul> <li>3. Whistleblower system <ul> <li>(1) Has the Bank established a whistleblower system that provides for whistleblower incentives? Is there a convenient channel for whistleblowers to raise their concerns? Does the Bank assign appropriate personnel who are exclusively tasked with responsibility for interfacing with the persons against whom whistleblowers lodge complaints?</li> <li>(2) Has the Bank adopted a standard operating procedure and a confidentiality regime for investigations launched in response to whistleblower complaints?</li> <li>(3) Has the Bank adopted measures to protect whistleblowers from retaliation?</li> </ul> </li> </ul>	v v v		<ul> <li>(1) The Bank has a whistleblower hotline, and shows of its website how to lodge whistleblower complaints vielephone, fax, and e-mail. A dedicated unit assign personnel to process whistleblower complaints.</li> <li>(2) The Bank's ethics unit processes whistleblower complaint in accordance with the "Procedures for Handlir Whistleblower Complaints and Providing Whistleblow Incentives and Protections (Including Confidentiality issued by the Ministry of Justice. For a complaint th does not involve any ethics issue, the ethics unit will as the unit where the complaint originated to handle the complaint promptly. For a complaint that involves a crim or other legal violation, the unit will investigate as quick as possible. Where there is clear evidence of wrongdoin the matter will be handled in accordance with the law. The ethics unit may from time to time put forward suggestion for improvement and ask the proper units to tak corrective action in order to ensure the proper protection of whistleblowers.</li> <li>(3) The Bank is subject to the provisions of the "Lab. Standards Act," Article 74 of which prohibits an employ from discharging, transferring, or taking any other unfavorable measure against a worker who files complaint.</li> </ul>
A Strengthening of Information Disclosure Does the Bank disclose the content of its ethical best practice standards, and the state of their implementation, on its website and the Market Observation Post System (MOPS) website?	v		The Bank discloses the state of its business ethics work of its website, the Market Observation Post System (MOPS website, and its annual reports.

6. Other important information that would aid in understanding the Bank's ethical management operations (such as the Bank's review and revision of ethical management regulations):

The Bank's ethical management operations have met with approval through the following:

- a. The Joint Credit Information Center's Golden Quality Award and Golden Security Award.
- b.A winner in the Reader's Digest Trusted Brands survey in the banking category.
- c. Business Today honored BOT with a Best Customer Reliability Award on the basis of its Wealth Management Bank Survey.
- d.Wealth magazine in 2014 handed BOT two separate prizes in its "consumer finance brand" category (Best Domestic Bank; Best Banking Brand Image).
- e.Global Views Monthly for its top prize in the category of "Bank with the Most Highly Recommended Wealth Management Services."

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### 7. Corporate Governance Guidelines and Regulations

Please refer to the Bank's website at http://www.bot.com.tw, and click on "Corporate Governance."

### 8. Major Resolutions of Board Meetings

- (1) Passed by the 12th meeting of the 4th Board of Directors on Jan. 3, 2014: The Bank's 2015 Business Plan (including the subsidiary).
- (2) Report by the 76th meeting of the 4th Board of Managing Directors on Jan. 24, 2014: The Board of Directors of the Taiwan Financial Holding Co., Ltd. discussed and approved the appointment of Hsu Ma as Director of the BOT.
- (3) Passed by the 13th meeting of the 4th Board of Directors on Feb. 17, 2014: The Bank's 2015 Operating Budget.
- (4) Passed by the 8th extraordinary meeting of the 4th Board of Directors on Mar. 3, 2014: The position of President of the Taiwan Financial Holding Co., Ltd. was filled following his retirement by Presidential Office Secretary Shiau Chang-Ruey, who also concurrently acted as President of the BOT.
- (5) Passed by the 14th meeting of the 4th Board of Directors on Mar. 14, 2014: Audited 2013 individual and consolidated statements, Business Report, Statement of Income Appropriation, and List of Major Properties.
- (6) Passed by the 82nd meeting of the 4th Board of Managing Directors on Mar. 14, 2014: "Rules Governing Establishment of a Capital Allocations Committee by the Bank of Taiwan."
- (7) Report by the 15th meeting of the 4th Board of Directors on May 9, 2014: The audit report of the Bank's final accounts for 2013 by the Audit Committee.
- (8) Passed by the 16th meeting of the 4th Board of Directors on July 11, 2014: Amendments to Articles 4 and 6 of the "Bank of Taiwan Articles of Incorporation."
- (9) Passed by the 16th meeting of the 4th Board of Directors on July 11, 2014: "Agreement Between the Bank of Taiwan and the Bank of China for Cooperation on Syndicated Cross-strait Lending Business."
- (10) Passed by the 10th extraordinary meeting of the 4th Board of Directors on July 25, 2014: After Executive Vice President Hsieh Teng-Lung retired, his position was filled by Hsieh Chuan-Chuan, who was promoted from her former position as General Auditor, which was in turn filled by Huang Jui-Mu, who was promoted from his former position as a SVP & General manager in the Department of Credit Management.
- (11) Report by the 102nd meeting of the 4th Board of Managing Directors on Aug. 1, 2014: Former Independent Director Shiu Yung-Ming resigned effective Aug. 1, 2014, and his position was filled by Shyu Jyuo-Min. Further, according to the provisions the BOT Audit Committee Charter, the period of Audit Committee membership is to run from Aug. 1, 2014 to July 30, 2015.
- (12) Passed by the 11th extraordinary meeting of the 4th Board of Directors on Oct. 3, 2014: The Bank carried out a capital increase by appropriating NT\$25 billion from "Share Premium" under "Capital Surplus." The Bank's capital increased from NT\$70 billion to NT\$95 billion as of the date of record, which was October 15, 2014.
- (13) Passed by the 12th extraordinary meeting of the 4th Board of Directors on Oct. 24, 2014: Amendments to Articles 29 and 30 of the Bank of Taiwan Articles of Incorporation.
- (14) Passed by the 13th extraordinary meeting of the 4th Board of Directors on Dec. 4, 2014: MOUs for cooperation on syndicated cross-strait lending business that the Bank entered into with the Bank of China, China Development Bank, Bank of Communications, China Minsheng Bank, and the Bank of Nanjing.
- (15) Passed by the 14th extraordinary meeting of the 4th Board of Directors on Jan. 9, 2015: "Concrete Plan of the Bank of Taiwan for Development of a Stronger Asian Presence."
- (16) Passed by the 14th extraordinary meeting of the 4th Board of Directors on Jan. 9, 2015: Tsai Tzong-Rong was promoted from his position as SVP & Chief Secretary to the position of EVP & Chief Compliance Officer at the Bank of Taiwan, and was also named to act concurrently as EVP & Chief Compliance Officer at Taiwan Financial Holding Co., Ltd.
- (17) Passed by the 20th meeting of the 4th Board of Directors on Mar. 20, 2015: Audited 2014 individual and consolidated statements, Business Report, Statement of Income Appropriation, and List of Major Properties.

- (18) Passed by the 20th meeting of the 4th Board of Directors on Mar. 20, 2015: "Feasibility Study for an Application by the Bank of Taiwan to Establish a Fuzhou Branch" and "Business Plan for an Application by the Bank of Taiwan to Establish a Fuzhou Branch."
- 9. Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors

None

### 10. Resignation or Dismissal of Personnel Related to the Bank

				Mar. 2, 2015
Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Executive Vice President serving as temporary Acting President	CHIOU, YE-CHIN	Sep. 30, 2013	Mar. 3, 2014	Personnel changes
Executive Vice President	HSIEH, TENG-LUNG	May 12, 2006	July 16, 2014	Retirement
Executive Vice President and General Auditor	HSIEH, CHUAN-CHUAN	July 16, 2011	Aug. 6, 2014	Personnel changes

Note: "Personnel related to the Bank" refers to the chairperson, president, finance executive, accounting executive and chief internal auditor.

### **IV. CPA Information**

(CPA audit fees, change of CPA, employment of the chairperson, president, or managers responsible for financial or accounting duties at the attesting CPA's office or an affiliated enterprise, or other matters requiring disclosure)

Name of Accounting Firm	Name of	CPA	Period of Audit	Notes
KPMG Certified Public Accountants	Yen-Ling Fang	Derek Hsu	Jan. 1, 2014 ~ Dec. 31, 2014	

Unit: NT\$1,000

Items	Auditing Fees	Non-Auditing Fees	Total	
Under NT\$ 2,000,000				
NT\$2,000,000 ~ NT\$4,000,000	3,345	2,472	5,817	
NT\$4,000,000 ~ NT\$6,000,000				
NT\$6,000,000 ~ NT\$8,000,000				
NT\$8,000,000 ~ NT\$10,000,000				
Over NT\$10,000,000				



The BOT has launched retirement trust in response to the aging society.



"Lunar Year of the Goat Proof Silver Coin (Gilded Edition)" press conference

### V. Numbers of Shares in the Same Reinvested Enterprises Held by the BOT and Its Directors, Supervisors, President, Executive Vice Presidents, Heads of Departments and Branches, and Enterprises Controlled Directly or Indirectly by the Bank, and Ratios of Consolidated Shareholding

	31, 2014		L	Init: Share; %		
Reinvested Enterprise (Note)	Investment by the BOT		Investment by Directors, Supervisors, President, Executive Vice Presidents, Heads of Departments and Branches, and Enterprises Directly or Indirectly Controlled by the BOT		Consolidated Investment	
	No. of Shares	Ratio of Shareholding	No. of Shares	Ratio of Shareholding	No. of Shares	Ratio of Shareholding
First Financial Holding Co., Ltd.	715,223,724	7.72	274,970,634	2.97	990,194,358	10.69
Taiwan Business Bank	912,520,417	17.22	1,236,197	0.02	913,756,614	17.24
Cathay Financial Holding Co., Ltd.	63,521,565	0.51	7,294,224	0.06	70,815,789	0.57
Mega Financial Holding Co.	309,799,938	2.49	9,636,549	0.08	319,436,487	2.57
Taiwan Fire & Marine Insurance Co., Ltd.	64,608,278	17.76	111,120	0.03	64,719,398	17.79
China Development Financial Holding Corp.	238,729,496	1.56	1,793,623	0.01	240,523,119	1.57
Yuanta Financial Holding Co., Ltd.	236,607,231	2.33	37,454,402	0.37	274,061,633	2.70
Taiwan Sugar Corp.	16,658,992	0.30	8,006,499	0.14	24,665,491	0.44
Taiwan Power Company	865,191,972	2.62	148,281,804	0.45	1,013,473,776	3.07
Taiwan Stock Exchange Corp.	64,497,438	10.01	19,326,645	3.00	83,824,083	13.01
China Trade & Development Corp.	1,250,110	1.91	0	0.00	1,250,110	1.91
China Daily News	62,882	0.14	0	0.00	62,882	0.14
Central Pictures Corporation	10,696,149	15.22	0	0.00	10,696,149	15.22
United Taiwan Bank S.A.	146,250	4.99	0	0.00	146,250	4.99
Taipei Forex Inc.	1,400,000	7.06	700,000	3.53	2,100,000	10.59
Taiwan Futures Exchange Corp.	5,941,756	2.05	5,701,180	1.97	11,642,936	4.02
Taiwan Asset Management Corp.	75,000,000	5.68	150,000,000	11.35	225,000,000	17.03
BankPro E-Service Technology Co., Ltd.	450,000	3.33	0	0.00	450,000	3.33
Taiwan Financial Asset Service Corp.	10,000,000	5.88	5,000,000	2.94	15,000,000	8.82
Financial Information Service Co., Ltd.	11,998,125	2.67	5,191,875	1.15	17,190,000	3.82
Financial eSolution Co., Ltd.	1,268,688	5.77	404,936	1.84	1,673,624	7.61
Sunny Asset Management Corp.	15,531	0.26	69,740	1.16	85,271	1.42
International Property & Finance Co., Ltd.	14,658	0.92	0	0.00	14,658	0.92
Taiwan Chung Hsing Paper Corp.	25,035,822	9.54	10,000	0.00	25,045,822	9.54
Taiwan Mobile Payment Co., Ltd.	1,200,000	2.20	600,000	1.10	1,800,000	3.30
Hua Nan Financial Holdings Co., Ltd.	1,980,444,762	21.23	358,513,765	3.84	2,338,958,527	25.07
Taiwan Life Insurance Co., Ltd.	172,011,552	17.77	24,124,703	2.49	196,136,255	20.26
Tang Eng Iron Works Co., Ltd.	74,802,414	21.37	16,074,512	4.59	90,876,926	25.96
Kaohsiung Ammonium Sulfate Co., Ltd.	303,131,576	91.86	0	0.00	303,131,576	91.86
Taiyi Real Estate Management Co., Ltd.	1,500,000	30.00	0	0.00	1,500,000	30.00
BankTaiwan Insurance Brokers Co., Ltd.	2,000,000	100.00	0	0.00	2,000,000	100.00

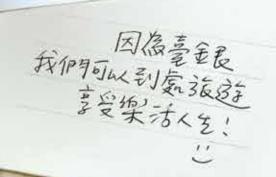
### Consolidated Shareholding Ratios

Note: Investment according to Article 74 of the Banking Law.





## 臺銀財富管理**·**丁護 樂活人生



2014遠見財富管理大調查 臺灣銀行 「親友推薦」第一名 2014今周刊財富管理銀行評鑑 最佳安心獎

### BANK OF Care TAIWAN

### 038 Capital Overview

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### Capital Overview

### I. Capital and Shares

### 1. Source of Capital

Month/	Par	Authorize	ed Capital	Paid-in Capital		Remark		
Year	Value (NTD)	Shares	Amount (NTD)	Shares	Amount (NTD)	Sources of Capital	Others	
Dec. 2014	\$10	9.5 billion	\$95 billion	9.5 billion	\$95 billion	Appropriation from the National Treasury, and a capital increase of NT\$5 billion due to a merger with the Central Trust of China. A capital increase of NT\$25 billion was carried out in 2010, and another NT\$25 billion capital increase (from capital surplus) was carried out in 2014.		

### 2. Net Worth, Earnings, and Dividends per Share

Unit: NT\$; Share

Items	Year	2014	2013
Net Worth Per Share	Before Appropriation	26.76	26.11
Net Worth Fer Share	After Appropriation	26.36	25.73
Earnings Per Share	Weighted Average Issued Shares	9,500,000,000	9,500,000,000
Earnings Per Share	Earnings Per Share	0.87	0.78
Dividends Per Share	Cash Dividends	0.39	0.38

Notes: 1. Figures for 2013 are readjusted by the CPA in accordance with figures approved by the National Audit Office; figures for 2014 are CPA approved. 2. The Bank's authorized capital was increased to NT\$95 billion on October 15, 2014. This amount was retroactively factored into earnings per share and cash dividends for FY 2013.

### 3. Dividend Policy and Implementation Status

### (1) Dividend Policy

The BOT Charter stipulates that if the final annual accounts show a profit, the profit will be distributed as follows:

A. Payment of the income tax;

- B. Making up of losses for previous years;
- C. Allocation of 30% for legal reserve;

D. Allocation of 20~40% of the surplus, and allocation of special reserve according to rule.

Any remaining profits will be distributed, together with undistributed profits from the previous year, in accordance with the relevant laws and regulations.

Until the legal reserve reaches the total amount of capital the maximum distribution of profits in the form of cash may not exceed 15% of the capitalization.

(2) Current Distribution of Stock Dividends

Following the write-down or offset of losses (actuarial losses) through allocation of legal reserve and special reserve from the audited after-tax profit for 2014, the Bank decided to distribute a cash dividend of NT\$3.745 billion, or NT\$0.39 per share. Under Article 50 of the Audit Law, however, the final determinant of the BOT's profit is the National Audit Office. Since the Bank's final 2014 final budget is still under examination by the National Audit Office, the actual amount of cash dividends distributed will be determined after the National Audit Office completes its examination.

### II. Issuance of Financial Bonds

Types of Financial Bonds	Bank of Taiwan's Series 102-1 Unsecured Subordinated Debentures	Bank of Taiwan's Series 103-1 Unsecured Subordinated Debentures	Bank of Taiwan 103-2 Unsecured USD Callable Bond
Date and serial No. approved by authority	Aug. 9, 2013 Letter No.(FSC) Gin-Guan-Ying Kong 10200215390	Aug. 9, 2013 Letter No.(FSC) Gin- Guan-Ying Kong 10200215390	Oct. 23, 2014 Letter No.(FSC) Gin- Guan-Ying Kong 10300295070
Issue Date	Dec. 2, 2013	25, 2014 2. B Issue: Bonds issued on June 27, 2014	<ol> <li>A Issue: Bonds issued on Nov. 26, 2014</li> <li>B Issue: Bonds issued on Nov. 26, 2014</li> <li>C Issue: Bonds issued on Dec. 1, 2014</li> </ol>
Par Value	NT\$10 million	NT\$10 million	US\$10 million
Currency	NTD	NTD	USD
Offering Price	Offered at full face value	Offered at full face value	Offered at full face value
Issued Amount	NT\$16 billion	NT\$9 billion	US\$1.02 billion
Interest Rate	The annual rate is a floating rate of the index rate plus 0.15%. The index rate is the Bank's (general) floating interest rate on one-year time deposits.	<ol> <li>A Issue: The annual interest rate is a simple floating rate equal to the benchmark interest rate plus 0.3%.</li> <li>B Issue: Annual interest rate: Fixed 1.70% simple rate.</li> <li>C Issue: The annual interest rate is a simple floating rate equal to the benchmark interest rate plus 0.15%.</li> </ol>	<ol> <li>A Issue: Coupon rate of 0%, with an implicit interest rate of 4.0% per annum.</li> <li>B Issue: Coupon rate of 0%, with an implicit interest rate of 4.3% per annum.</li> <li>C Issue: Coupon rate of 0%, with an implicit interest rate of 4.3% per annum.</li> </ol>
Term	10-year term, maturity date: Dec. 2, 2023	<ul> <li>1. 10-year term</li> <li>2. A Issue: Bonds to mature on June 25, 2024</li> <li>B Issue: Bonds to mature on June 27, 2024</li> <li>C Issue: Bonds to mature on June 27, 2024</li> </ul>	<ol> <li>A Issue : 20-year term, Bonds to mature on Nov. 26, 2034</li> <li>B Issue : 30-year term, Bonds to mature on Nov. 26, 2044</li> <li>C Issue : 30-year term, Bonds to mature on Dec. 1, 2044</li> </ol>
Mortgage Priority	Subordinate to all BOT depositors and other ordinary creditors	Subordinate to all BOT depositors and other ordinary creditors	Same priority as that enjoyed by other ordinary unsecured creditors.
Guarantor	None	None	None
Trustee	None	None	None
Underwriting Organization	None	None	None
Verification Lawyer	None	None	None
CPA-auditor of the Financial Report	None	None	None
Verification Financial Institution	None	None	None
Settlement Method	Annual retirement of mid- and long-term loans, or rolled over through the issuance of new bonds.	Annual retirement of mid- and long- term loans, or rolled over through the issuance of new bonds.	Annual retirement of mid- and long- term loans, or rolled over through the issuance of new bonds.
Unsettled Balance	NT\$16 billion	NT\$9 billion	US\$1.02 billion
Paid-in capital during fiscal year	NT\$70 billion	NT\$70 billion	NT\$70 billion

Types of Financial Bonds	Bank of Taiwan's Series 102-1 Unsecured Subordinated Debentures	Bank of Taiwan's Series 103-1 Unsecured Subordinated Debentures	Bank of Taiwan 103-2 Unsecured USD Callable Bond
Net Book Value on the Date of Balance Sheet in the Previous Fiscal Year	NT\$247,962,981,000	NT\$244,475,322,000	NT\$244,475,322,000
Exercise	Normal	Normal	Normal
The Conditions and Terms for Redemption or Early Settlement	None	None	None
Conversion and Exchange Terms	None	None	None
Restriction Terms	Subordinated Debentures	Subordinated Debentures	None
Capital Investment Plans	Development of consumer loan and corporate loan.	Development of consumer loan and corporate loan.	<ol> <li>Provide for the medium- and long- term funding needs of the Bank's overseas branches.</li> <li>Fund the medium- and long-term corporate loans (both domestic and overseas syndicated loans).</li> <li>Replace some of the Bank's borrowings made through the money market and through bond repo transactions.</li> </ol>
Ratio of Reported Issuing Debt and Balance of Outstanding Debt to the Net Book Value on the Date of Balance Sheet (%)	6.45%	10.2%	23.1%
Counting in Net Capital (Risk- Based Capital Ratio) and Its Tier	Listed as the Bank's Tier II capital	Listed as the Bank's Tier II capital	No
Credit Rating Agency, Rating Date and Rating	Taiwan Rating: twAA (Nov. 19, 2013) twAA+ (Sep. 30, 2014)	Taiwan Rating: twAA (June 16, 2014) twAA+ (Sep. 30, 2014)	Taiwan Rating: twAAA (Nov. 19, 2014)

### III. Comments on Implementation of Capital Allocation Plan

	2013	20	14
Description of plan	The Bank in 2013 issued NT\$16 billion in unsecured subordinated debentures. Most of the proceeds have been used to fund credit operations.	The Bank in 2014 issued NT\$9 billion in unsecured subordinated debentures. Most of the proceeds have been used to fund credit operations.	The Bank in 2014 issued US\$1.02 billion in unsecured USD Callable Bond. Most of the proceeds have to provide working capital and liquidity at the Bank's overseas branches.
Status of implementation	1. Development of consumer loan 2. Development of corporate loan	1. Development of consumer loan 2. Development of corporate loan	<ol> <li>Provide for the medium- and long-term funding needs of the Bank's overseas branches.</li> <li>Fund the medium- and long-term corporate loans (both domestic and overseas syndicated loans).</li> <li>Replace some of the Bank's borrowings made through the money market and through bond repo transactions.</li> </ol>
Date of posting to the Market Observation Post System (M.O.P.S)	<ol> <li>Information on the bond issues was announced on 29 November 2013.</li> <li>On 1 October 2014 the Bank reported a changed credit rating for its bonds, which were upgraded from twAA to twAA+.</li> </ol>	<ol> <li>Information on the bond issues was announced on 20 June 2014.</li> <li>On 1 October 2014 the Bank reported a changed credit rating for its bonds, which were upgraded from twAA to twAA+.</li> <li>On 22 December 2014 the Bank announced a change to the issuance rules governing its 103- 1 bonds (A Issue).</li> </ol>	Information on the bond issues was announced on 24 November 2014.



BOT helped organize the Michael Porter Taipei Forum, inviting renowned competitiveness expert Michael Porter to speak on how to make Taiwan more competitive.



BOT helped organize a forum where Thomas Piketty, noted French economist and author of Capital in the Twenty-First Century, delivered a keynote address.

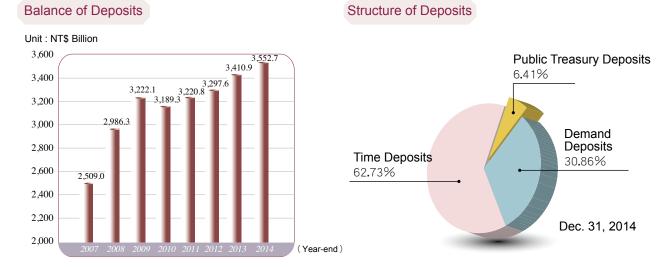
### **Operational Highlights**

### I. Business Activities

### 1. Main areas of Business Operations

(1) Deposits

Total deposits in the Bank at the end of December 2014 amounted to NT\$3,552.7 billion, equal to 80.69% of the NT\$4,402.7 billion in the Bank's total assets and representing an increase of 4.16% over the previous year. Demand deposits in 2014 grew by 1.38%, and public treasury deposits increased by 12.90% over the year before.

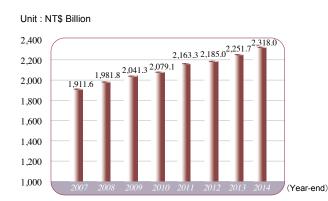


### (2) Corporate Banking

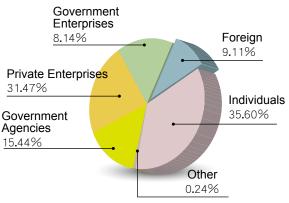
The amount of the Bank's total loans outstanding at the end of December 2014 (including general loans as well as import and export negotiations) stood at NT\$2,318.0 billion, equal to 52.65% of the Bank's total assets and reflecting an increase of 2.94% over a year earlier. Corporate loans outstanding at the end of 2014 (including loans to government agencies and government-owned enterprises) amounted to NT\$1,492.7 billion, accounting for 33.9% of the Bank's total assets and representing an increase of 1.62% from the previous year. SME loans outstanding at the end of 2014 amounted to NT\$340.0 billion, reflecting an increase of 2.78% from a year earlier.

According to statistics from the specialized syndicated loan magazine Basis Point, the BOT's performance as lead bank for syndicated loans in 2014, calculated as mandated arranger and quota bookrunner, placed it first in share of Taiwan's domestic market.

### Balance of Loans



### Structure of Loans

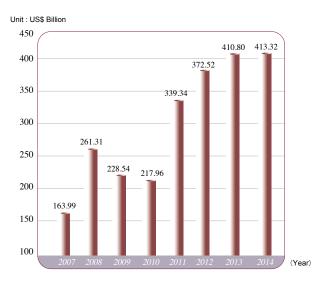


### (3) Consumer Banking

Consumer loans outstanding at the end of 2014 amounted to NT\$763.6 billion, NT\$41.0 billion more than a year earlier for a growth of 5.67%. This occurred mainly because the Bank worked in line with market development trends, launching different types of home loans for different customers and areas in an active effort to solicit the business of high-quality buyers of owner-occupied homes. And in support of government policy, the Bank continued to offer various kinds of policy-driven personal loans to help consumers buy homes, start businesses, and further their education.

### (4) Foreign Exchange and International Banking

### Foreign Exchange Operations



The amount of foreign exchange transactions undertaken during the year reached US\$413.3 billion. In this area, the Bank sought continued stable growth. A total of 158 branches were designated to handle foreign exchange services and 415 foreign-currency exchange bureaus at the end of 2014. The Bank also had an Offshore Banking Unit and 9 overseas branches which, in addition to the deposit, loan, remittance, and import and export trade financing businesses, engaged in international bond investment and participate in international syndicated loans. At the end of 2014, the total assets of these overseas branches and OBU amounted to US\$14.73 billion.

(5) Electronic Banking

At the end of 2014 the accumulated number of Internet banking transfer accounts stood at 2.76 million, up 10.1% over 2013. Transfers carried out during the year stood at 10.35 million. Gold Passbook Internet transactions numbered 0.75 million. The number of internet forex transactions amounted to 1.69 million. Online purchase requests for funds amounted to 2.36 million. The number of Corporate e-Banking Site accounts stood at 52.3 thousand. Transfer transactions undertaken via the Bank's Corporate e-Banking site in 2014 numbered 4.92 million, up 11.06% from 2013, while corporate online foreign exchange transactions came to 0.17 million (up 6.25% from 2013).

### (6) Trust Business

At the end of 2014 the average principal of trust property amounted to NT\$410.7 billion, down 1.53% from the previous year. At the end of December 2014 the amount of assets under custodianship by the BOT totaled NT\$1,331.2 billion, for a growth of 17.39% over the year earlier. Of this total, the outstanding amount of foreign assets under custodianship for investment in domestic securities was NT\$406.7 billion, for a growth of 36.42% over the previous year; discretionary investment assets amounted to NT\$414.4 billion, and boosted the BOT to first place in market share in the fourth quarter of 2014. In addition, 174,685 enterprise units opened worker retirement fund accounts with total deposits of NT\$1,351.3 billion, retirement payments amounting to NT\$771.8 billion, and trust funds outstanding of NT\$579.5 billion.

### (7) Investment

### A. Bills Finance

Short-term commercial paper transactions by the Bank in 2014 totaled NT\$7,453.8 billion, a growth of NT\$761.6 billion over a year earlier. The outstanding amount of bills dealing at the end of the year stood at NT\$685.5 billion, of which Central Bank negotiable certificates of deposit

accounted for NT\$658.4 billion. Profit from securities dealing during the year was NT\$5.62 billion, down slightly from the year before.

### B. Bond

(a) Proprietary Bond Dealing

The Bank's dealing in government bonds amounted to a total of NT\$31.67 billion in 2014, of which government bonds purchased amounted to NT\$20.31 billion and government bonds sold totaled NT\$11.36 billion. Repurchase agreements amounted to NT\$373.2 billion, and reverse repo agreements totaled NT\$8.27 billion.

(b) Bond underwriting

The Bank in 2014 acted as the lead underwriter for Formosa Bonds issued by the Taipei branch of the Bank of China, KGI Securities, and Yuanta Securities. A total of RMB 2.3 billion was raised through firm commitment underwriting arrangements. In addition, the Bank was also a co-underwriter for Formosa Bonds issued by the Bank of Communications Hong Kong Branch, raising RMB 200 million on a firm commitment basis and selling the bonds on the secondary market to institutional investors.

(c) Bond investments

The Bank in 2014 invested primarily in Australian-dollar bonds and RMB-denominated Formosa bonds and dim sum bonds (including Formosa bonds issued by mainland Chinese banks and major securities firms through firm commitment underwriting arrangements).

### C. Reinvestment

At the end of 2014 the Bank had investments in 31 enterprises with the book value of the investments totaling NT\$59.59 billion, an increase of NT\$2.13 billion, or 3.7%, over the year before. Profit on long-term equity investment amounted to NT\$4.53 billion in 2014, derived mainly from stock dividends and the benefit from booking by the equity method.

### D. Short-term Investment (in Stocks and Funds)

At the end of 2014 the costs of the Bank's investment in stocks were NT\$6.67 billion, and the operating volumes were NT\$7.06 billion. The overall rate of return on investment was 6.78%. At the end of 2014 the costs of the Bank's investment in NT Dollar dominated equity funds were NT\$0.35 billion, and the operating volumes were NT\$0.39 billion. The rate of return on investment was 6.86%.

### (8) Business Derived from the Issuance of NT Dollar Currency for the Central Bank

As mandated by the Central Bank, the BOT handles collection and payment, transport, regulation of supply and demand, and the recovery of worn bills associated with the issuance of NT currency. The average amount of currency in circulation in 2014 was NT\$1,666.2 billion, an increase of 8.65% over the previous year. The peak amount in circulation was NT\$1,980.9 billion, also an increase of 5.76% over the 2013 peak. The amount in circulation at the end of the year was NT\$1,706.7 billion, 9.68% more than year-end 2013.

(9) Government Employees Insurance

The Bank supports the government's policy objective of building up the nation's social safety net (through implementation of a national pension system). Acting in accordance with the provisions of the "Civil Servants and Teachers Insurance Act" as amended on June 1, 2014, the Bank handled benefit payments for old-age pensions and survivor pensions paid out to teachers from private schools, and the Bank for the first time began handling payouts of maternity benefits. At the end of 2014 there were 7,447 insured units and 587,609 insured persons, and income on insurance premiums in 2014 amounted to NT\$20.949 billion, and 68,411 claims totaling NT\$24.428 billion

were paid that year. For 2014, the balance of civil servants' and teachers' insurance was NT\$23.875 billion, the full amount of which was allocated to reserves. The Bank's retiree insurance fund had a shortfall of NT\$1.18 million, the entire amount of which was charged to reserves.

(10) Procurement Business

The primary mission of the BOT's procurement business is to execute the government's centralized procurement policy in carrying out procurement on behalf of government agencies, public schools, as well as government enterprises. The Bank also coordinates with government policy in carrying out special procurement projects designated by the government. The volume of the procurement business in 2014 amounted to NT\$30.87 billion.

(11) Wealth Management Service

The fee income of the wealth management business in 2014 amounted to NT\$2.196 billion (including fee income of NT\$385 million earned by BankTaiwan Insurance Brokers Co.), for a growth of 19.48% over the year earlier. At the end of 2014 a total of 134 business units were handling wealth management, eight of them were flagship units, and 182 wealth-management agents were in place to serve high-net-worth customers.

(12) Precious Metals Business

The operating volume of the precious metals business in 2014 was NT\$140.5 billion, up 4.8% over the previous year. Fee income from the handling of tariff-rate quotas and outsourced business services came to NT\$51 million, 7.8% more than the year before.

### 2. Operating Plans for 2015

(1) Deposits

Deposit structure will be improved by increasing the share of demand deposits; operating procedures will be simplified; service performance will be enhanced; in line with government policy, the Bank will improve services designed to provide convenience to consumers and streamline administrative procedures.

(2) Corporate Banking

Loans to private enterprises will be promoted continuously and loan risk controls will be reinforced; the Bank will seek opportunities to lead or participate in syndicated loans at home and abroad; the overseas loan business will be actively developed; the internet banking and factoring businesses will be promoted; the electronic local letter of credit and electronic bid bond businesses will be implemented; in line with government policy, small and medium enterprises will be assisted in obtaining funds needed for operations and investment.

(3) Consumer Banking

The promotion of high-quality loans for owner-occupied homes will be continued; overall promotion of student loan portal functions will be carried out; promotion of the Bank's "Gold Life" series of credit cards will be continued by planning the launch of a Gold Life Titanium Card; working with the Payment Service Provider Trusted Service Manager (PSP TSM) system, the Bank will plan the launch of a Mobile Banking Card and a Mobile Credit Card.

(4) Foreign Exchange and International Banking

Promotion of the Bank's foreign-currency deposit business and expansion of e-banking service will be continued. At the same time, the BOT will vigorously promote a variety of RMB businesses to provide customers with one-stop shopping for financial services. In overseas operations, cultivation of overseas markets will be deepened, the deposit and loan business will be developed, businesses for Taiwanese enterprises will be strengthened, and the Bank will actively expand its overseas presence.

### (5) Electronic Banking

The Bank will add a function to its Mobile Online Bank service that will enable customers to use a mobile phone to pay a bill by scanning the barcode on a hardcopy bill, and to look up information on participating merchants and special discounts; the payment information from various subsystems of the Corporate e-Banking site will be integrated, so that suppliers can check accounts receivable data; marketing will be carried out via the internet and mobile media to deepen consumer identification with the BOT brand.

### (6) Trust Business

The Bank will continue to launch offshore bond products and add domestic and overseas fund products in combination with the wealth management business to increase the operating scale of fund and trust management products; real estate trust will be promoted in line with government policy; old-age trust products will be launched in response to ageing demographics; and various kinds of property management trust will be continuously developed.

### (7) Investment

The Bank will continue to focus on the purchase of Central Bank negotiable certificates of deposit in its bills finance business; bond investment will be carried out under the principle of buying in batches in times of yield rebounds; the Bank will actively seek opportunities to lead or participate in the underwriting of international bonds, and continue expanding into Asia, Europe, the US, Australia, and other markets where bank debentures and corporate bonds are relatively highly rated (investing primarily in bonds with international credit ratings of A- or higher); the Bank will continue with the appropriate management of the reinvestment business to enhance overall reinvestment performance; and stock portfolio investment will continue to focus on blue chips, high cash dividend stocks, and ETFs. The principle of controlling risk-control positions will be observed, and hedging transactions will be used to lower market risk.

### (8) Government Employees Insurance

The Bank will, in line with the policy of the competent authority, actively carry out the pensions business and related measures, improve operations to coordinate with business development, and develop e-banking operations and provide a secure and convenient operating system. The Bank will strengthen the diversified utilization and risk management of the government insurance reserve.

(9) Wealth Management Service

Wealth management channel deployment will be reinforced to expand the service network of wealth management; the integrated marketing effect will be maximized for holding company products and sales channels to build a diversified financial product sales platform; the plans for RMB business will be supported by stepping up efforts to develop RMB products; professional manpower training will be strengthened to deeply implant wealth management capability; the Bank will continue holding financial planning seminars and provide professional advisory services; and information systems will be reinforced to strengthen risk controls.

(10) Precious Metals Business

The Bank will continue promoting new gold-related businesses and products, and to that end will add "buy in" and "redeem" functions to the US-dollar "gold passbook" accounts offered through the Bank's Mobile Online Bank service. It will reinforce customer services, providing the public with abundant and objective gold-related information. In support of the government's policy objective of encouraging trading in a more diverse range of securities products, the Bank—in collaboration with the Taipei Exchange and the Taiwan Depository & Clearing Corporation—is working to plan the establishment of a platform for trading in physical gold.

### 3. Market Analysis

### (1) Business operations areas

The BOT is a 100% government-owned bank, and all of its financial products are marketed to customers through business branches. At the end of 2014 the BOT's business units included 164 domestic branches (including Offshore Banking Branch), 9 overseas units (including New York Branch, Los Angeles Branch, London Branch, Hong Kong Branch, Singapore Branch, Tokyo Branch, South Africa Branch, Shanghai Branch and Mumbai Representative Office).

- (2) Future market supply and demand as well as growth prospects
  - International economic forecasting bodies all expect the global economy to perform well in 2015, but there are still uncertainties, most key among being the timing and size of the US Federal Reserve's expected interest rate hike. Beyond that, the impact of global energy price movements and geopolitics could also affect global economic development. Taiwan's economy is forecast to perform better than in 2014 because of continued improvement in the global economy and accelerating growth in world trade, which should spur exports. In addition, falling international commodities and petroleum prices should also have a positive effect. Domestic banks, meanwhile, are expected to strengthen their product development capabilities, and become more internationally competitive and profitable. Markets, meanwhile, may continue to expand. Factors pushing in this direction include the fact that the government will continue to pursue deregulation and financial liberalization, and will work to allow financial institutions to participate in a wider range of business activities. For example, the government is encouraging an expanded business presence in Asia, pushing the development of a digitized financial environment (Bank 3.0), and continuing to ease restrictions on participation in electronic financial services and cross-strait financial business.
- (3) Competitive Niches
  - A. An outstanding brand image and professional financial personnel, along with service channels that spread over the whole country, will facilitate the promotion of business in various areas.
  - B. As the oldest bank in Taiwan the BOT enjoys an outstanding reputation; its operating performance over the years has been excellent, and it has built up a strong operating strength.
  - C. Financial holding company resources will be integrated to provide a comprehensive financial product line that will satisfy customers' diverse needs in financial services.
  - D. The Bank's Shanghai Branch has an advantage as the NT Dollar settlement bank in the mainland China area, and has been granted approval to begin offering RMB services to Taiwan-invested enterprises in the mainland. This will help the branch obtain the necessary qualifications to conduct the full range of RMB banking services, which in turn would enable the branch to serve an expanded range of customers and provide a wider range of services.
- (4) Factors Favorable and Unfavorable to the Bank's Development Prospects
  - A. Favorable factors:
    - a. The BOT is a 100% government-owned bank and has the highest credit rating of all domestic banks; with a solid operating base, it enjoys the trust of the public.
    - b. The Bank enjoys a No. 1 position in scale of deposits and loans, leadership among local banks in total assets and shareholders' equity, and a solid operating strength.
    - c. The BOT is a subsidiary of Taiwan Financial Holdings, the resource-sharing platform of which reinforces the operation of the primary and cross-sales systems, and realizes the synergies of business integration.
    - d. The BOT serves as the cover bank for RMB cash in the Taiwan area and the settlement bank for the NT dollar in mainland China. This advantage facilitates the development of RMB related businesses.

- B. Unfavorable factors:
  - a. As a bank that is 100% owned by the government, the BOT has a personnel system, budget, and procurement that are relatively inflexible. The Bank's organizational framework makes it difficult to respond to changes of the external environment in a timely manner and grasp early opportunities in the market.
  - b. Domestic banks in Taiwan have long been dealing with intense competition and a low interest rate spread environment. The BOT, on top of that, also shoulders policy missions, which reduces profitability.
  - c. The Bank holds massive deposits, a large share of which are time deposits, so the cost of funds is relatively high.
  - d. As a bank that is 100% owned by the government, profits are placed in the national treasury, and capital accumulation is slow; the resulting difficulty of boosting capital through cash injections weakens the Bank's capital adequacy ratios.
- C. Countermeasures:
  - a. The BOT will take advantage of policy encouragement and the opportunities afforded by liberalization measures to accelerate deployment in the Asia-Pacific market and adopt diversified business management methods to strengthen its business.
  - b. The Bank will pay due attention to both information security and the need to safeguard consumer interests, the Bank will use cutting-edge technologies to develop a diverse range of e-payment methods and provide the public with more convenient financial services.
  - c. The Bank will make optimum use of its outstanding brand image and of the holding company's complete line of financial products to give full play to value of branch channel and upgrade operating performance.
  - d. The Bank will adjust the allocation of assets and liabilities to enhance capital efficiency, reinforce capital structure in a timely manner, and improve operating capabilities.

### 4. Financial Product R&D and Business Development

The Bank has established "Guidelines for Handling the Suggestion System," enabling employees to make suggestions online via the internal global information network. Bonuses are given for suggestions that are adopted following evaluation and approval. The Bank received a total of 457 staff suggestions in 2014, of which 108 were adopted, in whole or in part, and incentives in the amount of NT\$57,500 were granted.

- (1) Major Financial Products and New Business Units Added in the Past Two Years, and Scale and Profit and Loss Situation Up to Date of Publication of the Annual Report
  - A. For major financial products during the past two years, refer to "Results of Implementation of Business Plan and Operating Strategy" on page 9.
  - B. Establishment of new business units: The Mumbai Representative Office was established on June 16, 2014.
- (2) R&D Expenditures and Results for the Past Two Years, and Future R&D Plans

R&D spending amounted to NT\$7,464,000 in 2014 and NT\$11,359,000 in 2013.

To respond to changes in the financial environment and the needs of business development, and to encourage employees to pursue self-development, the Bank will continue to carry out research related to reform and development of its own business as well as to the financial business in general, and will continue to implement the employee suggestion program as well as self-initiated research and overseas study by employees.

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### 5. Long-term and Short-term Development

### (1) Short-term development plan

- A. The deposit structure will be improved by reducing time deposits as a share of total deposits.
- B. The loan business will be optimized by proper implementation of an interest rate pricing policy.
- C. The Bank will further build up its e-banking business to consolidate its position as an industry leader.
- D. The credit card business will be strengthened to augment operating income.
- E. The Bank will coordinate with deregulation of offshore banking business to heighten the contribution of the Bank's OBU.
- F. The Bank will continue promoting wealth management business to take full advantage of the functionality of the bank's channels.
- G. Cross-strait business opportunities will be grasped, and a diverse range of business locations will be set up throughout Asia to expand the scope and scale of business.
- H. Financial instruments will be used appropriately to reinforce the performance of asset utilization.
- (2) Long-term development plan

As a 100% government-owned bank, the Bank will conduct various businesses in line with government policy, and will also actively develop core businesses while cultivating overseas markets and accelerating expansion in Asia-Pacific financial markets. In particular, now that cross-strait financial business dealings are being deregulated, the Bank will take advantage of its status as the NT Dollar settlement bank in the mainland China area to develop RMB-related financial products. At the same time, the Bank will make optimum use of the financial holding company's resource platform to provide a range of financial services. This will help us expand our operating territory and advance in the direction of becoming an outstanding Asia-Pacific bank.

### II. Human Resources

In 2014 the Bank held 265 in-house training courses with a total of 18,700 trainees participating, sent 1,959 employees for outside training in Taiwan, and subsidized domestic advanced training for 792 persons.

Items	Year	2013	2014	As of Mar. 31, 2015
	Staff	7,107	7,098	7,090
Number of	Guards	153	153	150
Employees	Janitors	708	685	671
	Total	7,968	7,936	7,911
Average Age		44.88	45.20	45.20
Average Years	of Service	18.07	18.30	18.28
	Ph.D.	0.08	0.06	0.06
	Master	13.73	15.10	15.32
Education (%)	Bachelor's Degree	75.27	74.39	74.35
	Senior High School	9.43	9.03	8.92
	Below Senior High School	1.49	1.42	1.35

### **Employee Statistics**

Note: The above numbers do not include contract salespersons, contract workers, and overseas employees.

### III. Corporate Responsibility and Ethical Behavior

As a 100% government-owned bank, the Bank makes every effort to attain the budget targets set by the government, coordinates with the government's major construction plans and participates actively in the financing of infrastructure projects as well as large private investment projects in order to promote overall national economic development. Furthermore, while continuing to reflect public interest concerns in product design, the Bank will also participate in public welfare activities to pay back to the public and carry out the principle of "Caring."

### IV. Information Equipment

### 1. Installation and Maintenance of Hardware and Software for Major Information Systems

The Bank's core accounts system and overseas system consist of an exclusive server platform for deposit, foreign exchange, loan, and remittance account transactions; an open-system server for the securities, trust, credit card, bonds, and notes businesses; and an operations management support system. These systems are connected on an open-system server through the "Integrated Corporate Application System Platform" to make up a comprehensive back-office system for financial operations. The Bank builds up a comprehensive financial service network that, in addition to traditional teller operations, has a front-end system that includes a global information network, ATM system, internet bank, corporate e-banking site, financial EDI, telephone banking, and mobile banking.

Key aspects of the Bank's information system operations in 2014 included the following:

- (1) The Bank in January 2014 launched an RMB Traveler's Check Sales and Cashing Service, and in June 2014 began using the bulk wire transfer function of the Financial Information Service Company's Foreign Currency Settlement Platform.
- (2) The Bank's civil servants and teachers insurance system was adjusted to coordinate with the June 1, 2014 amendment of the "Civil Servants and Teachers Insurance Act."
- (3) The Bank launched a US foreign account tax compliance system to coordinate with the requirements of the US Foreign Account Tax Compliance Act (FATCA).
- (4) The Bank coordinated with the Ministry of Justice's "Procedures for Use by Financial Institutions of Electronic Official Document Exchange to Respond to Administrative Enforcement Orders" by installing an Administrative Enforcement Order Document Exchange System.
- (5) The Bank expanded its Management System for Credit Reviews, Lending, Collateral, and Credit Assets by adding functions for credit reviews, follow-up evaluations, day-after reviews, and early warnings.
- (6) Functions called "My Assets and Liabilities" and "Personal Secretary" were added to the Bank's online banking system, and functions called "Investment Fund Order Submissions, Redemptions, and Conversions" and "Barcode Scan Payment of National Pension Premiums and Taipei Water Bills" were added to the mobile banking system.

### 2. Future Development or Procurement Plans

- (1) In the integrated establishment of an overseas branch information system, the Bank has converted and launched systems at its branches in Tokyo, New York, Los Angeles, Hong Kong, and Singapore. Now the South Africa Branch and London Branch are engaged in drill testing for system conversions and the adoption of handling procedures for standard reporting forms required by law.
- (2) In response to demand to provide cross-border RMB payment and settlement services, the Bank has expanded the functionality of its Mainland Branch Information System and added the RMB Cross-Border Payment and Receipt Management Information System (RCPMIS). In addition, the Bank has established the Online Query Function for the Shanghai Branch Online Bank in order to make it easier for customers to use the internet to check on their accounts at the BOT's Shanghai Branch.

- (3) The Central Bank is planning to upgrade the online architecture of the Central Bank Foreign Exchange Data Processing System, and to add a function to the system that enables financial institution foreign exchange systems to link directly, so as to replace the current terminal-based operations. This will eliminate the duplication of foreign exchange information, thus increasing data accuracy. To coordinate with these plans, the Bank is planning to establish its own Central Bank Foreign Exchange Data Reporting System.
- (4) The Bank has established an Online Transaction Collection and Payment System to act as an intermediary for transaction payments between buyer and seller, and to safeguard the interests of the two parties. The Bank indirectly achieves the goal of ensuring delivery of both product and payment, thus creating a win-win-win situation for the buyer, the seller, and the Bank.
- (5) In line with the RMB business development strategy of the Bank's Department of Trusts, customers are provided multiple options for the allocation of RMB assets, planning has been carried out for trustee investment, and a "non-discretionary money trust investment in overseas bonds" function has been added.

### 3. Emergency Back-up and Security Measures

(1) Emergency Backup

The Bank formally inaugurated its integrated Taoyuan remote backup center to serve as a backup mechanism for the core accounts servers. Establishment of the Bank's backup systems for open front-end systems that are important and that involve a large volume of transactions (such as the information channel integration platform, corporate banking service platform business applications, personal internet banking, student loans, and corporate e-banking site) is steadily being completed. The outsourcing of the remote backup center, with the leasing of specialized infrastructure facilities, the operation and management of the specialized computer room, and the provision of emergency response management planning services, enhances the availability of the backup center.

- (2) Safety Protection
  - A. To ensure the security of personal information in its information system, the Bank in December 2014 obtained BS 10012 certification for personal information management system.
  - B. To maintain and further improve the Bank's information governance, the British Standards Institution visited the BOT in January and July of 2014 for semi-annual ISO 20000 information technology service management inspections, and in August 2014 for a triennial ISO 27001 information security management inspection as well as an ISO 22301 business continuity inspection. The Bank passed all these inspections without a problem.
  - C. An IP Resource Management mechanism has been adopted to prevent unauthorized devices from gaining access to the Bank's network. In addition, an IP Workstation Maximum Authorization Management System and a Data Endpoint Protection System have been established to enhance information security control and better protect sensitive information.

### V. Labor Relations

- 1. Employee Welfare Measures, Retirement System and Its Implementation, Labor-Ownership Agreements, and Measures for Protecting Employee Interests
  - (1) The BOT is a government enterprise in an industry that is subject to the Labor Standards Law. Working conditions, welfare measures, and the retirement system are all handled in accordance with the provisions of the Labor Standards Law and other laws and regulations governing civil servants. The Bank addresses concrete requests raised by employees by establishing a labor-ownership meeting for negotiation and communication and, whenever necessary, by using various other occasions or human resources evaluation committees at various levels to communicate with employees.

- (2) In the past year the Bank suffered no damage as a result of employee-management disputes, and a response mechanism to prevent an interruption in case of strikes has been set up to cope with potential disputes and bring about their early resolution.
- 2. Losses Due to Labor-Ownership Disputes, Estimated Possible Current and Future Amounts that Might Occur, and Countermeasures

None

### VI. Important Contracts

Agreement	Counterparty	Period	Major Contents and Restrictions
Agency for county, city, and town treasuries, and recommissioning of other financial institutions to handle treasury affairs	<ol> <li>BOT branches serving as agency for the general treasury</li> <li>Local governments</li> <li>Other recommissioned financial institutions</li> </ol>	Depends on different agency tasks and contracts	Agency for treasury affairs
Operations of public treasury commissioning contract	Central Bank of the Republic of China (Taiwan)	From Feb. 1, 2011	Commissioning of operations for public treasury
Commissioning of financial institutions to collect local taxes for the BOT on behalf of the National Treasury	<ol> <li>Financial institutions         <ul> <li>(including farmers' and fishermen's associations, and credit cooperatives)</li> </ul> </li> <li>BOT branches serving as agency for the general treasury</li> </ol>	July 1, 2010 ~ July 1, 2015	Commissioned collection of local taxes on behalf of the National Treasury
Commissioning of the operation of the local tax collection system to the Financial Information Service Co.	Financial Information Service Co., Ltd.	July 1, 2010 ~ July 1, 2015	Commissioning of cash and information flow transmission operations for the collection of local taxes for the National Treasury
Commissioning of the Bank of Taiwan by the National Tax Administration of Southern Taiwan to handle the redemption of consolidated income tax refund certificates	National Tax Administration of Southern Taiwan, Ministry of Finance	From July 9, 2010	Redemption of consolidated income tax refund certificates beginning in fiscal year 2009



The Bank held investment and family charity activities, and received a letter of appreciation from the World Peace Association.



In order to promote environmental education, the Bank held environmental education lectures in the Taoyuan area schools.

Agreement	Counterparty	Period	Major Contents and Restrictions
Contract for the New Taipei City Government's Commissioning of the Bank of Taiwan to Manage Government Construction Bonds and Municipal Treasury Bills	New Taipei City Government	From Mar. 30, 2012 until the date when the two parties sign a new National Treasury Agent contract	The method of issuance, investor qualifications and undersubscription, and payment of principal and interest for municipal bonds and treasury bills will be handled in accordance with the outsourcing contract, issuing plan, and regulations of cities under the direct administration of the Executive Yuan.
Data entry service contracting for centralized domestic remittance and bills operations	Tsai Ku Hr Management Co., Ltd.	June 1, 2014 ~ May 31, 2015	Data processing
The BOT "Outsourcing of Mainland China Branch Information Operations" procurement project	IBM Taiwan	Five years beginning with date of signing on Dec. 29, 2011	Data processing
Outsourced procurement of operating cash and notes shipping	Taiwan Security Co., Ltd.	Apr. 1, 2014 ~ Mar. 31, 2015	Service: Fixed and irregular duties
"Outsourced Shipment of Cash for ATMs" procurement	LienAn Service Co., Ltd.	Apr. 1, 2014 ~ Mar. 31, 2015	Shipment of cash
Credit card service operations	Financial Information Service Co., Ltd.	Jan. 1, 2014 ~ Dec. 31, 2014	Credit card authorization operations, card loss and cancellation operations, handling of emergency services
Outsourcing of RMB Cross-border shipment Services procurement project	Brink's Taiwan Security Limited	Sep. 1, 2014 ~ Aug. 31, 2016	Shipment of cash
Outsourcing of NT Dollar Cross-border shipment Services	Brink's Taiwan Security Limited	Apr. 11, 2014 ~ Apr. 10, 2016	Shipment of cash
Agency for Cash Box Transport and Custodianship Services	Industrial and Commercial Bank of China Limited (ICBC) JingAn Subbranch	Mar. 29, 2014 ~ Mar. 29, 2015	Agency for Cash Box Transport and Custodianship Services
Contract for the Lease of Remote Backup Control Room Premises Equipment, and Outsourcing of Management Services	Tung-I Information Service Co., Ltd.	May 1, 2013 ~ Apr. 30, 2018	The Lease of Remote Backup Control Room Premises Equipment, and Outsourcing of Management Services

VII. Type of and Related Information on Securitized Products Approved in Accordance with the Statute for Securitization of Financial Assets or Statute for Securitization of Real Estate during the Past Year

None

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   Android用戶:請用手機進入「Play商店」,搜尋「臺灣銀行」即可下載
- 3. Windows Phone 用戶:請用手機進入「市集」,搜尋「臺灣銀行」即可下載
- ○下載後即可使用「匯率利率、黃金牌價、服務據點、便利資訊」等服務,使用網路銀行服務請先完成下列開通步驟:登入本行網路銀行→個人設定→網路銀行隨身服務開通申請。





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# BANK OF Efficiency

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### **Financial Information**

### I. Five-Year Financial Summary

### 1. Condensed Balance Sheets and Comprehensive Income Statements under IFRS

### Unit: NT\$1,000 Year 2014 2013 2012 Items Cash, cash equivalents, placement with Central 738,816,618 704,709,365 622.440.273 Bank and call loans to banks Financial assets measured at fair value through 208,646,968 166,714,218 146,534,038 profit or loss 797,692,802 765,521,333 734,870,751 Available-for-sale financial assets Hedging financial assets 25.613 5.443 3.543 Bills and bonds purchased under resell agreements 1,956,563 6,173,451 4,980,621 89,166,548 Receivables, net 62,570,189 82,279,036 2,131,424 Current income tax assets 1,878,465 2,169,130 Assets held for sale, net Loans and discounts, net 2,298,237,964 2,240,652,458 2,177,133,260 62,009,085 Held-to-maturity financial assets 77,372,697 73,044,728 Investments under equity method, net 36,990,117 34,792,041 34,652,109 Restricted assets 68,466,496 70,317,802 69,668,204 Other financial assets, net Property and equipment, net 97,108,785 97,502,611 98,086,367 Investment property, net 1,164,105 Intangible assets, net 941,417 1,048,025 Deferred tax assets, net 361,798 241,804 331,086 Before distribution 11,404,016 9,229,150 10,620,513 Other assets After distribution 7,754,090 5,630,335 6,026,501 Before distribution 4,402,470,508 4,254,400,595 4,053,791,927 Total assets After distribution 4,398,820,582 4,250,801,780 4,049,197,915 Deposits of Central Bank and other banks 156,988,830 252,738,244 213,374,465 Financing from Central Bank and banks Financial liabilities measured at fair value through 47,915,342 3,999,496 4,876,954 profit or loss 301,390 Hedging financial liabilities 103,024 225,806 Bills and bonds sold under repurchase agreements 38,018,153 19,036,703 11,998,398 Payables 41,039,673 44,758,616 41,988,683 Current income tax liabilities 181,948 162,430 96,083 Liabilities related to assets held for sale Deposits and remittances 3,554,081,722 3,409,605,226 3,294,903,719 Bonds payable 24,997,612 15,998,240 Preferred stock liabilities Other financial liabilities 8,198,013 1,756,954 1,243,698 Provision 257,654,781 232,766,904 210,201,483 Deferred tax liabilities 18,348,772 18,299,657 18,359,086 Before distribution 7,202,223 7,491,439 7,671,101 Other liabilities

7,297,672

7,491,439

7,844,210

After distribution

### **Condensed Consolidated Balance Sheets**

Items	Year	2014	2013	2012
Tatal liabilities	Before distribution	4,148,289,034	4,006,326,459	3,811,969,375
Total liabilities	After distribution	4,148,384,483	4,006,326,459	3,812,142,484
Equity attributable to owne	rs of the parent company	-	-	-
	Before distribution	95,000,000	70,000,000	70,000,000
Capital stock	After distribution	95,000,000	70,000,000	70,000,000
Capital surplus	1	80,521,742	105,496,092	105,453,034
Detained comines	Before distribution	55,169,251	51,053,056	48,686,675
Retained earnings	After distribution	51,423,876	47,454,241	43,919,554
Other equity		23,490,481	21,524,988	17,682,843
Treasury stock		-	-	-
Non-controlling interests		-	-	-
<b>-</b>	Before distribution	254,181,474	248,074,136	241,822,552
Total shareholders' equity	After distribution	250,436,099	244,475,321	237,055,431

Note: Figures for 2012 are final audit accounts compiled by the CPA in accordance with domestic financial accounting standards and their interpretation fundamentals as stipulated by the National Audit Office, and were recompiled, following adjustment, in line with the International Financial Reporting Standards (IFRS); figures for 2013 are readjusted by the CPA in accordance with figures approved by the National Audit Office; figures for 2014 are CPA approved.

### **Condensed Consolidated Statements of Comprehensive Income**

		Unit: NT\$1,000	
Year	2014	2013	2012
Interest income	65,232,863	59,252,283	56,039,716
Less: Interest expense	36,453,488	33,364,389	31,952,145
Net interest income	28,779,375	25,887,894	24,087,571
Non-interest income, net	7,274,096	3,609,713	4,786,638
Net Revenue	36,053,471	29,497,607	28,874,209
Bad debt expense and reserve for guarantees	7,284,809	2,625,044	3,107,865
Operating expenses	19,335,309	18,025,012	17,722,916
Income before tax from continued operations	9,433,353	8,847,551	8,043,428
Income tax expenses	1,185,145	1,429,623	862,560
Net income from continued operations	8,248,208	7,417,928	7,180,868
Gain(Loss) from discontinued operations	-	-	-
Net income	8,248,208	7,417,928	7,180,868
Other comprehensive income	1,432,294	3,557,719	3,139,909
Total comprehensive income	9,680,502	10,975,647	10,320,777
Net income attributed to owners of the parent company	8,248,208	7,417,928	7,180,868
Net income attributed to non-controlling interests	-	-	-
Total comprehensive income attributed to owners of the parent company	9,680,502	10,975,647	10,320,777
Total comprehensive income attributed to non-controlling interests	-	-	-
Earnings per share (NT\$)	0.87	0.78	0.76

Notes: 1. Figures for 2012 are final audit accounts compiled by the CPA in accordance with domestic financial accounting standards and their interpretation fundamentals as stipulated by the National Audit Office, and were recompiled, following adjustment, in line with the International Financial Reporting Standards (IFRS); figures for 2013 are readjusted by the CPA in accordance with figures approved by the National Audit Office; figures for 2014 are CPA approved.

2. The Bank's authorized capital was increased to NT\$95 billion on October 15, 2014 and the Bank retroactively adjusts annual figures for earnings per share.

### **Condensed Individual Balance Sheets**

Unit: NT\$1.000

Unit: NT\$1,0				
Items	Year	2014	2013	2012
Cash, cash equivalents, placement with Central Bank and call loans to banks		738,816,588	704,709,335	622,440,273
Financial assets measured profit or loss	at fair value through	208,646,968	166,714,218	146,534,038
Available-for-sale financial	assets	797,692,802	765,521,333	734,870,751
Hedging financial assets		25,613	5,443	3,543
Bills and bonds purchased	under resell agreements	1,956,563	6,173,451	4,980,621
Receivables, net		62,547,115	82,258,188	89,166,548
Current income tax assets		1,878,465	2,169,130	2,131,424
Assets held for sale, net		-	-	
Loans and discounts, net		2,298,237,964	2,240,652,458	2,177,133,260
Held-to-maturity financial as	ssets	77,372,697	73,044,728	62,009,085
Investments under equity m	nethod, net	37,242,253	34,941,396	34,652,109
Restricted assets		-	-	
Other financial assets, net		68,466,496	70,317,802	69,668,204
Property and equipment, ne	et	97,103,753	97,497,978	98,086,367
Investment property, net		-	-	· · ·
Intangible assets, net		940,987	1,047,495	1,164,105
Deferred tax assets, net		357,844	237,929	331,086
	Before distribution	11,399,279	9,227,485	10,620,513
Other assets	After distribution	7,749,353	5,628,670	6,026,50
	Before distribution			
Total assets		4,402,685,387	4,254,518,369	4,053,791,927
	After distribution	4,399,035,461	4,250,919,554	4,049,197,915
Deposits of Central Bank and		156,988,830	252,738,244	213,374,465
Financing from Central Ban		-	-	
Financial liabilities measure profit or loss	d at fair value through	47,915,342	3,999,496	4,876,954
Hedging financial liabilities		103,024	225,806	301,390
Bills and bonds sold under	repurchase agreements	38,018,153	19,036,703	11,998,398
Payables		41,013,062	44,746,966	41,988,683
Current income tax liabilitie	S	154,840	132,072	96,083
Liabilities related to assets	held for sale	-	-	
Deposits and remittances		3,554,349,701	3,409,797,342	3,294,903,719
Bonds payable		24,997,612	15,998,240	
Preferred stock liabilities		-	-	
Other financial liabilities		1,756,954	1,243,698	8,198,013
Provision		257,654,781	232,743,116	210,201,483
Deferred tax liabilities		18,348,772	18,299,657	18,359,086
Other liabilities	Before distribution	7,202,842	7,482,893	7,671,10 <sup>-</sup>
Other habilities	After distribution	7,298,291	7,482,893	7,844,210
Total liabilities	Before distribution	4,148,503,913	4,006,444,233	3,811,969,37
Total liabilities	After distribution	4,148,599,362	4,006,444,233	3,812,142,484
Equity attributable to owner	s of the parent company	-	-	
Canital stock	Before distribution	95,000,000	70,000,000	70,000,000
Capital stock	After distribution	95,000,000	70,000,000	70,000,000

Year		2014	2013	2012
Capital surplus		80,521,742	105,496,092	105,453,034
Detained correines	Before distribution	55,169,251	51,053,056	48,686,675
Retained earnings	After distribution	51,423,876	47,454,241	43,919,554
Other equity		23,490,481	21,524,988	17,682,843
Treasury stock		-	-	-
Non-controlling interests		-	-	-
Total above baldenet a suite	Before distribution	254,181,474	248,074,136	241,822,552
Total shareholders' equity	After distribution	250,436,099	244,475,321	237,055,431

Note: Figures for 2012 are final audit accounts compiled by the CPA in accordance with domestic financial accounting standards and their interpretation fundamentals as stipulated by the National Audit Office, and were recompiled, following adjustment, in line with the International Financial Reporting Standards (IFRS); figures for 2013 are readjusted by the CPA in accordance with figures approved by the National Audit Office; figures for 2014 are CPA approved.

### **Condensed Individual Statements of Comprehensive Income**

Unit: NT\$1,0				
Year	2014	2013	2012	
Interest income	65,232,863	59,252,283	56,039,716	
Less: Interest expense	36,453,834	33,364,505	31,952,145	
Net interest income	28,779,029	25,887,778	24,087,571	
Non-interest income, net	7,111,636	3,513,757	4,786,638	
Net Revenue	35,890,665	29,401,535	28,874,209	
Bad debt expense and reserve for guarantees	7,284,809	2,625,044	3,107,865	
Operating expenses	19,214,750	17,955,435	17,722,916	
Income before tax from continued operations	9,391,106	8,821,056	8,043,428	
Income tax expenses	1,142,898	1,403,128	862,560	
Net income from continued operations	8,248,208	7,417,928	7,180,868	
Gain (Loss) from discontinued operations	-	-	-	
Net income	8,248,208	7,417,928	7,180,868	
Other comprehensive income	1,432,294	3,557,719	3,139,909	
Total comprehensive income	9,680,502	10,975,647	10,320,777	
Net income attributed to owners of the parent company	8,248,208	7,417,928	7,180,868	
Net income attributed to non-controlling interests	-	-	-	
Total comprehensive income attributed to owners of the parent company	9,680,502	10,975,647	10,320,777	
Total comprehensive income attributed to non-controlling interests	-	-	-	
Earnings per share (NT\$)	0.87	0.78	0.76	

Notes: 1. Figures for 2012 are final audit accounts compiled by the CPA in accordance with domestic financial accounting standards and their interpretation fundamentals as stipulated by the National Audit Office, and were recompiled, following adjustment, in line with the International Financial Reporting Standards (IFRS); figures for 2013 are readjusted by the CPA in accordance with figures approved by the National Audit Office; figures for 2014 are CPA approved.

2. The Bank's authorized capital was increased to NT\$95 billion on October 15, 2014 and the Bank retroactively adjusts annual figures for earnings per share.

### 2. Condensed Balance Sheets and Income Statements under Accounting Principles Generally Accepted in the Republic of China (ROC GAAP)

Condensed	Balance	Sheets
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Condensed Balance Sheets Unit: NT\$1,00				
Items	Year	2012	2011	2010
	valent, placement with d call loans to banks	622,440,273	564,981,579	562,643,187
Financial assets through profit or	measured at fair value loss	146,534,038	110,886,008	99,875,033
Bonds and bills pagreements	ourchased under resell	4,980,621	3,231,949	600,294
Receivables		91,271,394	86,439,780	84,272,771
Loans and disco	unts	2,177,133,260	2,153,591,118	2,079,558,679
Available-for-sale	e financial assets	734,870,751	757,373,465	837,360,582
Held-to-maturity	financial assets	61,999,046	50,942,589	54,207,507
Investments und	er equity method	35,393,882	32,479,598	31,330,008
Other financial a	ssets	69,672,866	72,207,332	69,201,006
Fixed assets		97,253,304	97,864,904	76,596,999
Intangible assets	3	1,164,105	821,057	969,574
0.1	Before distribution	11,934,505	15,119,109	18,607,244
Other assets	After distribution	7,340,493	10,747,702	12,986,379
	Before distribution	4,054,648,045	3,945,938,488	3,915,222,884
Total assets	After distribution	4,050,054,033	3,941,567,081	3,909,602,019
Deposits of Cent banks	ral Bank and other	213,374,465	208,926,475	207,612,937
Financial liabilities measured at fair value through profit or loss		4,876,954	3,902,885	18,985,604
Bonds and bills sold under repurchase agreements		11,998,398	14,906,165	9,429,373
Deposits and rer	nittances	3,294,903,719	3,218,010,687	3,185,931,012
	Central Bank and other cial bonds payable	-	-	
Preferred liability	1	-	-	-
Accrued pension	liability	4,959,970	4,566,752	3,389,155
Other financial lia	abilities	8,499,403	5,756,183	1,048,528
	Before distribution	263,305,034	243,500,212	237,277,669
Other liabilities	After distribution	263,478,142	243,560,707	237,399,288
	Before distribution	3,801,917,943	3,699,569,359	3,663,674,278
Total liabilities	After distribution	3,802,091,051	3,699,629,854	3,663,795,897
- · · ·	Before distribution	70,000,000	70,000,000	70,000,000
Common stock	After distribution	70,000,000	70,000,000	70,000,000
Capital surplus		105,682,871	106,077,872	105,581,440
Retained	Before distribution	33,697,990	30,901,653	32,923,901
earnings	After distribution	28,930,870	26,469,751	27,181,417
Unrealized gain	or loss on financial	17,929,660	13,983,157	28,860,619
Cumulative trans	slation adjustments	- 800,300	- 366,046	- 455,457
	nareholders' equity	26,219,881	25,772,493	14,638,103
Total shareholders'	Before distribution	252,730,102	246,369,129	251,548,606
equity	After distribution	247,962,982	241,937,227	245,806,122

Note: Figures for 2010-2012 are readjusted by the CPA in accordance with figures approved by the National Audit Office.

### **Condensed Income Statements**

	Unit: NT\$1,000		
Year	2012	2011	2010
Net interest income	24,675,639	23,186,559	20,269,138
Non-interest income, net	4,502,274	4,422,055	5,257,020
Bad debt expenses	3,107,865	5,045,474	376,029
Operating costs	17,984,064	18,114,175	17,323,324
Income (loss) before tax from continued operations	8,085,984	4,448,965	7,826,805
Income (loss) from continued operations	7,228,241	3,663,805	7,084,968
Gain (loss) from discontinued operations	-	-	-
Extraordinary gain or loss	-	-	-
Cumulative effect of changes in accounting principles	-	-	-
Net income	7,228,241	3,663,805	7,084,968
Earnings per share (after tax) (NT\$)	0.76	0.39	0.75

Notes: 1. Figures for 2010-2012 are readjusted by the CPA in accordance with figures approved by the National Audit Office.

2. The Bank's authorized capital was increased to NT\$95 billion on October 15, 2014 and the Bank retroactively adjusts annual figures for earnings per share.

### **CPA-Auditor of Financial Report**

Year	Name of Accounting Firm	Name of CPA	Audit Opinion
2010	KPMG Certified Public Accountants	Yen-Ling Fang, Derek Hsu	Modified Unqualified Opinion
2011	KPMG Certified Public Accountants	Yen-Ling Fang, Derek Hsu	Modified Unqualified Opinion
2012	KPMG Certified Public Accountants	Yen-Ling Fang, Derek Hsu	Modified Unqualified Opinion
2013	KPMG Certified Public Accountants	Yen-Ling Fang, Derek Hsu	Modified Unqualified Opinion
2014	KPMG Certified Public Accountants	Yen-Ling Fang, Derek Hsu	Modified Unqualified Opinion

### II. Five-Year Financial Analysis

### Year 2014 2013 2012 Items 65.25 66.02 66.26 Ratio of Loans to Deposits Non-Performing Loan Ratio\* 0.31 0.44 0.52 Ratio of Interest Cost to Annual Average Deposits 1.27 1.25 1.27 Operating Ratio of Interest Income to Annual Average Loans 1.89 1.89 1.87 Ability Outstanding Total Assets Turnover (Times) (Note 4) 0.83 0.71 0.72 4,485 3,674 3,596 Average Operating Revenue per Employee\* Average Profit per Employee 1.026 924 894 Return on Tier 1 Capital (%) (Note 4) 5.50 5.13 4.61 Return on Assets (%) (Note 4) 0.19 0.18 0.18 Profitability Return on Shareholders' Equity (%) (Note 4) 3.28 3.03 3.01 Net Income Ratio 22.88 25.15 24.87 Earnings per Share (NT\$) (Note 8) 0.87 0.78 0.76 94.20 94.15 94.02 Ratio of Liabilities to Assets Financial Structure 38.20 40.56 Ratio of Property and Equipment to Shareholders' Equity 39 30 3.48 4.95 Rate of Asset Growth\* 2.75 Growth Rate Rate of Profit Growth\* (Note 5) 6.62 10.00 12.76 Cash Flow Ratio (Note 6) 25.90 Cash Flow Cash Flow Adequacy Ratio (Note 7) 619.88 582.05 1,196.38 Cash Flow Satisfied Ratio (Note 6) 2,447.72 20,351.29 Liquidity Reserve Ratio 39.90 42.81 40.07 Loans to Parties with Material Relationship with the Bank 34,864,509 34,267,212 20,181,252 Ratio of Loans to Parties with Material Relationship with the Bank to 0.88 1 44 1 4 5 **Total Loans** Market Share of Assets 9.34 9.83 10.31 Market Share of Net Worth 8.39 9.11 9.60 Operating Scale Market Share of Deposits 10.59 10.80 11.12 Market Share of Loans 8.78 9.06 9.29

### **Consolidated Financial Analysis under IFRS**

Unit: NT\$1,000; %

\*a. The Bank's NPL ratio dropped because a total of NT\$3.471 billion in bad debts were written off in 2014 (NT\$800 million more than in 2013), while loans outstanding increased to NT\$63.8 billion.

b. Average operating revenue per employee increased because net earnings were NT\$6.6 billion higher in 2014 than in 2013.

c. The growth rate of assets declined because asset growth in 2014 came to NT\$148.1 billion, versus NT\$200.6 billion in 2013. d. The growth rate of profit declined because an increase of net income before tax came to NT\$586 million in 2014, versus

NT\$804 million in 2013.

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- Notes: 1. Figures for 2012 are final audit accounts compiled by the CPA in accordance with domestic financial accounting standards and their interpretation fundamentals as stipulated by the National Audit Office, and were recompiled, following adjustment, in line with the International Financial Reporting Standards (IFRS); figures for 2013 are readjusted by the CPA in accordance with figures approved by the National Audit Office; figures for 2014 are CPA approved.
  - 2. Formulae used in calculations:
    - (1) Operating ability
      - a. Ratio of loans to deposits = Annual average loans outstanding / Annual average deposits
      - b. Non-performing loan ratio = Non-performing loans / Total loans outstanding
      - c. Ratio of interest cost to annual average deposits = Interest cost related to deposits (Note 3) / Annual average deposits
      - d. Ratio of interest income to annual average loans outstanding = Interest income related to loans outstanding / Annual average amount of loans outstanding
      - e. Total assets turnover (times) = Net interest and non-interest income / Average Total Assets
      - f. Average operating revenue per employee = Net interest and non-interest income / Total number of employees
      - g. Average profit per employee = Net income / Total number of employees
    - (2) Profitability
      - a. Return on Tier 1 capital = Before-tax profit or loss / Total amount of Tier 1 capital
      - b. Return on assets = Net Income / Average total assets
      - c. Return on shareholders' equity = Net income / Average net shareholders' equity
      - d. Net income ratio = Net income / Net interest and non-interest income
      - e. Earnings per share = (Income attributable to owners of the parent company preferred stock dividend) / Weighted average number of shares issued
    - (3) Financial Structure
      - a. Ratio of liabilities to assets = Total liabilities / Total assets
    - b. Ratio of property and equipment to shareholders' equity = Net property and equipment / Net shareholders' equity (4) Growth Rate
      - a. Rate of asset growth = (Total assets for current year total assets for previous year) / Total assets for previous year
      - b. Rate of profit growth = (Before-tax profit or loss for current year before-tax profit or loss for previous year) / Beforetax profit for previous year
    - (5) Cash Flow
      - a. Cash flow ratio = Net cash flow from operating activities / (Call loans and overdrafts from banks + commercial paper + financial liabilities measured at fair value through profit or loss + bonds and bills sold under repurchase agreements + current portion of payables)
      - b. Cash flow adequacy ratio = Net cash flow from operating activities for the past five years / (Capital expenditures + cash dividends) for the past five years
      - c. Cash flow satisfied ratio = Net cash flow from operating activities / Net cash flow from investing activities
    - (6) Liquidity reserve ratio = Liquid assets specified by the Central Bank / Debt items for which liquidity reserves should be allocated
    - (7) Operating Scale
      - a. Market Share of Assets = Total assets / Total assets of the major financial institutions
      - b. Market Share of Net Worth = Net Worth / Total net worth of the major financial institutions
      - c. Market Share of Deposits = Deposits / Total deposits of the major financial institutions
      - d. Market Share of Loans = Loans / Total loans of the major financial institutions
  - To reasonably express average interest rate, excess interest paid on preferential deposits was added back into total interest expenditures for 2014, 2013 and 2012 in the amounts of NT\$10,663,770,000, NT\$10,820,906,000 and NT\$10,664,322,000, respectively.
  - 4. The Bank began compiling its financial statements in accordance with IFRS in 2013. Figures for 2012 are final audit accounts compiled by the CPA in accordance with domestic financial accounting standards and their interpretation fundamentals as stipulated by the National Audit Office, and were recompiled, following adjustment, in line with the International Financial Reporting Standards (IFRS). The "Rate of Return" for 2012 uses the Jan. 1, 2012 initial amount and 2012 Tier 1 Capital and asset or net value average. For 2013, the average amounts of the preceding items for 2012 and 2013 are used. For 2014, the average amounts of the preceding items for 2013 and 2014 are used.
  - 5. Result of not using IFRS in compilation of financial statement amounts in 2011.
  - 6. Net cash outflow produced by operating activities in 2013, making it impossible to calculate this ratio.
  - 7. Net cash flow adequacy ratios for 2012 were calculated using net cash flows from operating activities for the current year/ (capital expenditures + cash dividends); for 2013 were calculated using net cash flows from operating activities for past two years/(capital expenditures + cash dividends); for 2014 were calculated using net cash flows from operating activities for past three years/(capital expenditures + cash dividends).
  - 8. The Bank's authorized capital was increased to NT\$95 billion on October 15, 2014 and the Bank retroactively adjusts annual figures for earnings per share.

### Individual Financial Analysis under IFRS

Unit: NT\$1,000; % Year 2014 2013 2012 Items Ratio of Loans to Deposits 65.25 66.02 66.26 Non-Performing Loan Ratio\* 0.31 0.44 0.52 Ratio of Interest Cost to Annual Average 1.27 1.25 1.27 Deposits **Operating Ability** Ratio of Interest Income to Annual Average 1.89 1 89 1.87 Loans Outstanding Total Assets Turnover (Times) (Note 4) 0.83 0.71 0.72 Average Operating Revenue per Employee\* 4.504 3.674 3.596 Average Profit per Employee 1.035 927 894 5.48 Return on Tier 1 Capital (%) (Note 4) 5.11 4.61 Return on Assets (%) (Note 4) 0.19 0.18 0.18 Profitability Return on Shareholders' Equity (%) (Note 4) 3.28 3.03 3.01 22.98 25.23 24.87 Net Income Ratio Earnings per Share (NT\$) (Note 8) 0.87 0.78 0.76 Ratio of Liabilities to Assets 94.20 94.15 94 02 Financial Structure Ratio of Property and Equipment to 38.20 39.30 40.56 Shareholders' Equity Rate of Asset Growth\* 3.48 4.95 2.75 Growth Rate Rate of Profit Growth\* (Note 5) 6.46 9.67 Cash Flow Ratio (Note 6) 12.76 25.90 619.91 1,196.38 Cash Flow Cash Flow Adequacy Ratio (Note 7) 582.05 20,351.29 Cash Flow Satisfied Ratio (Note 6) 2,455.67 Liquidity Reserve Ratio 39.90 42.81 40.07 34,864,509 34,267,212 20,181,252 Loans to Parties with Material Relationship with the Bank Ratio of Loans to Parties with Material Relationship with the Bank 1.45 0.88 1.44 to Total Loans Market Share of Assets 9.83 10.31 9.34 8.39 9.60 Market Share of Net Worth 9.11 **Operating Scale** Market Share of Deposits 10.59 10.81 11.12 Market Share of Loans 8.78 9.06 9.29

\*a. The Bank's NPL ratio dropped because a total of NT\$3.471 billion in bad debts were written off in 2014 (NT\$800 million more than in 2013), while loans outstanding increased to NT\$63.8 billion.

b. Average operating revenue per employee increased because net earnings were NT\$6.6 billion higher in 2014 than in 2013.

c. The growth rate of assets declined because asset growth in 2014 came to NT\$148.1 billion, versus NT\$200.6 billion in 2013.

d. The growth rate of profit declined because an increase of net income before tax came to NT\$570 million in 2014, versus NT\$778 million in 2013.

- Notes: 1. Figures for 2012 are final audit accounts compiled by the CPA in accordance with domestic financial accounting standards and their interpretation fundamentals as stipulated by the National Audit Office, and were recompiled, following adjustment, in line with the International Financial Reporting Standards (IFRS); figures for 2013 are readjusted by the CPA in accordance with figures approved by the National Audit Office; figures for 2014 are CPA approved.
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      - g. Average profit per employee = Net income / Total number of employees
    - (2) Profitability
      - a. Return on Tier 1 capital = Before-tax profit or loss / Total amount of Tier 1 capital
      - b. Return on assets = Net Income / Average total assets
      - c. Return on shareholders' equity = Net income / Average net shareholders' equity
      - d. Net income ratio = Net income / Net interest and non-interest income
      - e. Earnings per share = (Income attributable to owners of the parent company preferred stock dividend) / Weighted average number of shares issued
    - (3) Financial Structure
      - a. Ratio of liabilities to assets = Total liabilities / Total assets
    - b. Ratio of property and equipment to shareholders' equity = Net property and equipment / Net shareholders' equity (4) Growth Rate
      - a. Rate of asset growth = (Total assets for current year total assets for previous year) / Total assets for previous year
      - b. Rate of profit growth = (Before-tax profit or loss for current year before-tax profit or loss for previous year) / Beforetax profit for previous year
    - (5) Cash Flow
      - a. Cash flow ratio = Net cash flow from operating activities / (Call loans and overdrafts from banks + commercial paper
         + financial liabilities measured at fair value through profit or loss + bonds and bills sold under repurchase agreements
         + current portion of payables)
      - b. Cash flow adequacy ratio = Net cash flow from operating activities for the past five years / (Capital expenditures + cash dividends) for the past five years
      - c. Cash flow satisfied ratio = Net cash flow from operating activities / Net cash flow from investing activities
    - (6) Liquidity reserve ratio = Liquid assets specified by the Central Bank / Debt items for which liquidity reserves should be allocated
    - (7) Operating Scale
      - a. Market Share of Assets = Total assets / Total assets of the major financial institutions
      - b. Market Share of Net Worth = Net Worth / Total net worth of the major financial institutions
      - c. Market Share of Deposits = Deposits / Total deposits of the major financial institutions
      - d. Market Share of Loans = Loans / Total loans of the major financial institutions
  - To reasonably express average interest rate, excess interest paid on preferential deposits was added back into total interest expenditures for 2014, 2013 and 2012 in the amounts of NT\$10,663,770,000, NT\$10,820,906,000 and NT\$10,664,322,000, respectively.
  - 4. The Bank began compiling its financial statements in accordance with IFRS in 2013. Figures for 2012 are final audit accounts compiled by the CPA in accordance with domestic financial accounting standards and their interpretation fundamentals as stipulated by the National Audit Office, and were recompiled, following adjustment, in line with the International Financial Reporting Standards (IFRS). The "Rate of Return" for 2012 uses the Jan. 1, 2012 initial amount and 2012 Tier 1 Capital and asset or net value average. For 2013, the average amounts of the preceding items for 2012 and 2013 are used. For 2014, the average amounts of the preceding items for 2013 and 2014 are used.
  - 5. Result of not using IFRS in compilation of financial statement amounts in 2011.
  - 6. Net cash outflow produced by operating activities in 2013, making it impossible to calculate this ratio.
  - 7. Net cash flow adequacy ratios for 2012 were calculated using net cash flows from operating activities for the current year/ (capital expenditures + cash dividends); for 2013 were calculated using net cash flows from operating activities for past two years/(capital expenditures + cash dividends); for 2014 were calculated using net cash flows from operating activities for past three years/(capital expenditures + cash dividends).
  - 8. The Bank's authorized capital was increased to NT\$95 billion on October 15, 2014 and the Bank retroactively adjusts annual figures for earnings per share.

### Adequacy of Capital

Unit: NT\$1,000; % Year 2014 2013 Items Common Stocks Equity 173,517,616 169,355,190 Other Total Tier 1 of Non-Common Stocks Equity Self-Owned Capital Tier 2 Capital 50,204,345 34,157,947 Self-Owned Capital 223,721,961 203,513,137 Standardized Approach 1,836,910,103 1,768,858,574 Credit Risk Internal Rating Based Approach Securitization 4,374,030 **Basic Indicator Approach** 56,984,163 51,777,388 Operational Standardized Approach/ Total Risk-Weighted Risk Alternative Standardized Approach Assets Advanced Measurement Approach Standardized Approach 86,770,575 71,523,188 Market Risk Internal Model Approach Total Risk-Weighted Assets 1,980,664,841 1,896,533,180 Capital Adequacy Ratio 10.73% 11.30% 8.93% Ratio of Tier 1 Capital to Risk Assets 8.76% 8.93% Ratio of Common Stocks Equity to Risk Assets 8.76% Leverage Ratio (Note 4)

Notes: 1. Figures for 2014 are CPA approved.

 The definition of Self-Owned Capital, Risk-Weighted Assets and exposure measure hereby shall be in compliance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Methods for Calculation the Self-Owned Capital and Risk-Weighted Assets of Banks".

3. Formulae used in calculations:

- a. Self-Owned Capital = Common Stocks Equity + Other Total Tier 1 of Non-Common Stocks Equity + Tier 2 Capital
- b. Total Risk-Weighted Assets = Credit Risk-Weighted Assets + (Operational Risk +Market Risk) Capital Requirement ×12.5 c. Capital Adequacy Ratio = Self-Owned Capital / Total Risk-Weighted Assets
- d. Ratio of Tier 1 Capital to Risk Assets = (Common Stocks Equity + Other Total Tier 1 of Non-Common Stocks Equity) / Total Risk-Weighted Assets
- e. Ratio of Common Stocks Equity to Risk Assets = Common Stocks Equity / Total Risk-Weighted Assets
- f. Leverage Ratio = Net Tier 1 Capital / Exposure Measurement
- 4. The Bank will begin disclosing its leverage ratio in 2015.
- 5. The Bank excludes investments in subsidiaries from regulatory capital before calculating its "ratio of common stocks equity to risk assets," "ratio of Tier 1 capital to risk assets," and "capital adequacy ratio," therefore the Bank only needs to prepare an individual statement of Adequacy of Capital.

Financial Analysis under ROC GAAP Unit: NT\$1,000; %				
Items	Year	2012	2011	2010
	Ratio of Loans to Deposits	66.26	67.16	65.19
	Non-Performing Loan Ratio	0.52	0.44	0.62
	Ratio of Interest Cost to Annual Average Deposits	1.27	1.21	1.04
	Ratio of Interest Income to Annual Average Loans Outstanding	1.87	1.77	1.59
, , , ,	Total Assets Turnover (Times)	0.73	0.70	0.65
	Average Net Interest and Non-Interest Income per Employee	3,634	3,477	3,210
	Average Operating Revenue per Employee	-	-	-
	Average Profit per Employee (Note 5)	900	461	891
	Return on Tier 1 Capital	4.64	2.55	4.43
	Return on Assets	0.18	0.09	0.18
Profitability	Return on Shareholders' Equity	2.90	1.47	2.88
	Net Income Ratio	24.77	13.27	27.76
	Earnings per Share (NT\$) (Note 7)	0.76	0.39	0.75
Financial	Ratio of Liabilities to Assets	93.75	93.74	93.57
Structure	Ratio of Fixed Assets to Shareholders' Equity	38.48	39.72	30.45
0	Rate of Asset Growth	2.75	0.78	0.62
Growth Rate	Rate of Profit Growth (Note 6)	81.75	-43.16	-8.97
	Cash Flow Ratio (Note 4)	5.72	-	12.33
Cash Flow	Cash Flow Adequacy Ratio (Note 4)	174.77	388.64	580.70
	Cash Flow Satisfied Ratio (Note 4)	-38.43	-	4.60
Liquidity Reserve	Ratio	40.07	40.59	42.94
Loans to Parties w	vith Material Relationship with the Bank	20,181,252	19,419,003	19,516,445
Ratio of Loans to to Total Loans	Parties with Material Relationship with the Bank	0.88	0.86	0.91
	Market Share of Assets	10.31	10.36	10.94
Operating Casts	Market Share of Net Worth	10.03	10.67	11.46
Operating Scale	Market Share of Deposits	11.12	11.29	11.63
	Market Share of Loans	9.29	9.52	9.97

### Financial Analysis under ROC GAAP

Notes: 1. Figures for 2010-2012 are readjusted by the CPA in accordance with figures approved by the National Audit Office.

2. Formulae used in calculations:

(1) Operating ability

a. Ratio of loans to deposits = Annual average loans outstanding / Annual average deposits

b. Non-performing loan ratio = Non-performing loans / Total loans outstanding

c. Ratio of interest cost to annual average deposits = Total interest cost (Note 3) / Annual average deposits

- d. Ratio of interest income to annual average loans outstanding = Total interest income / Annual average amount of loans outstanding
- e. Total assets turnover (times) = Net interest and non-interest income / Average total assets
- f. Average net interest and non-interest income per employee = Net interest and non-interest income / Total number of employees
- g. Average profit per employee = Net income / Total number of employees
- (2) Profitability
  - a. Return on Tier 1 capital = Before-tax profit or loss / Total amount of Tier 1 capital
  - b. Return on assets = Net Income / Average total assets
  - c. Return on shareholders' equity = Net income / Average net shareholders' equity
  - d. Net income ratio = Net income / Net interest and non-interest income
  - e. Earnings per share = Income after income tax preferred stock dividend / Weighted average number of shares issued
- (3) Financial Structure
  - a. Ratio of liabilities to assets = Total liabilities / Total assets
  - b. Ratio of fixed assets to shareholders' equity = Net fixed assets / Net shareholders' equity
- (4) Growth Rate
  - a. Rate of asset growth = (Total assets for current year total assets for previous year) / Total assets for previous year
  - b. Rate of profit growth = (Before-tax profit or loss for current year before-tax profit or loss for previous year) / Beforetax profit for previous year
- (5) Cash Flow
  - a. Cash flow ratio = Net cash flow from operating activities / (Call loans and overdrafts from banks + commercial paper
     + financial liabilities measured at fair value through profit or loss + bonds and bills sold under repurchase agreements
     + current portion of payables )
  - b. Cash flow adequacy ratio = Net cash flow from operating activities for the past five years / (Capital expenditures + inventory increase + cash dividends) for the past five years
  - c. Cash flow satisfied ratio = Net cash flow from operating activities / Net cash flow from investing activities
- (6) Liquidity reserve ratio = Liquid assets specified by the Central Bank / Debt items for which liquidity reserves should be allocated
- (7) Operating Scale
  - a. Market Share of Assets = Total assets / Total assets of the major financial institutions
  - b. Market Share of Net Worth = Net worth / Total net worth of the major financial institutions
  - c. Market Share of Deposits = Deposits / Total deposits of the major financial institutions
  - d. Market Share of Loans = Loans / Total loans of the major financial institutions
- 3. Total interest costs were switched to "cost of other employee benefits" in line with the revision made by the National Audit Office.

 Net cash inflow produced by operating activities in 2012; net outflows were recorded in 2011 cash flow ratio and cash flow satisfied ratio because of operating activities.

- 5. Net income was higher in 2012 than in the previous year.
- 6. Before-tax profit was higher in 2012.
- 7. The Bank's authorized capital was increased to NT\$95 billion on October 15, 2014 and the Bank retroactively adjusts annual figures for earnings per share.

### Adequacy of Capital

				Ur	nit: NT\$1,000; %
Items		Year	2012	2011	2010
		Common Stocks	70,000,000	70,000,000	70,000,000
		Non-Cumulative Perpetual Preferred Stocks			
		Non-Cumulative Subordinated Debentures Without Maturity Dates			
		Advanced Receipts for Capital Stocks			
		Capital Surplus (Apart from Fixed Assets Appreciation Surplus)	105,682,871	106,077,872	105,581,440
		Legal Reserves	25,218,428	24,119,287	21,993,796
	Tier 1 Capital	Special Reserves	98,322	518,561	1,645,13
		Accumulated Profit or Loss	8,385,156	6,301,072	9,284,92
		Minority Interests			
		Other Items in Shareholders' Equity	-3,947,909	-5,799,208	-1,567,024
		Deducted: Goodwill			
		Deducted: Unamortized Loss for Sale of NPL			
		Deducted: Capital Deductions	29,544,165	28,336,290	30,416,62
		Total Tier 1 Capital	175,892,703	172,881,294	176,521,65
alf Ouward		Perpetual Cumulative Preferred Stocks			
self-Owned Capital		Cumulative Subordinated Debentures Without Maturity Dates			
		Fixed Asset Appreciation Surplus	27,383,086	26,581,673	14,640,01
		45% of Unrealized Gain of Available-for-Sale Financial Assets	8,961,329	8,373,213	13,486,622
		Convertible Bonds			
	Tier 2 Capital	Operating Reserve and Loan Provision	9,146,517	7,865,923	1,328,93
		Long-term Subordinated Debentures			
		Non-Perpetual Preferred Stocks			
		The Aggregate of Non-Cumulative Perpetual Preferred Stocks and Non-Cumulative Subordinated Debentures Without a Maturity Date Exceeding 15% of Total Tier 1 Capital			
		Deducted: Capital Deductions	29,544,164	28,336,288	29,455,572
		Total Tier 2 Capital	15,946,768	14,484,521	
		Short-term Subordinated Debentures			
	Tier 3 Capital	Non-Perpetual Preferred Stocks			
		Total Tier 3 Capital			
	Self-Owned Ca	apital	191,839,471	187,365,815	176,521,653

Items		Year	2012	2011	2010
		Standardized Approach	1,631,099,532	1,525,347,746	1,387,342,993
	Credit Risk	Internal Rating Based Approach			
		Securitization	3,646,593	2,125,603	2,722,945
		Basic Indicator Approach	49,219,638	47,184,300	46,779,788
Total Risk- Weighted Assets	Operational Risk	Standardized Approach/ Alternative Standardized Approach			
		Advanced Measurement Approach			
	Market Risk	Standardized Approach	72,726,088	71,441,638	49,679,588
		Internal Model Approach			
	Total Risk-Weighted Assets		1,756,691,851	1,646,099,287	1,486,525,314
Capital Adeq	uacy Ratio		10.92	11.38	11.87
Ratio of Tier 1 Capital to Risk Assets		Assets	10.01	10.50	11.87
Ratio of Tier 2 Capital to Risk Assets		0.91	0.88	-	
Ratio of Tier 3 Capital to Risk Assets					
Ratio of Com	mon Stock to To	tal Assets	1.73	1.77	1.79

Notes: 1. Figures for 2010-2012 are CPA approved.

- 2. The definition of Self-Owned Capital and Risk-Weighted Assets measure hereby shall be in compliance with the "Regulations Governing the Capital Adequacy of Banks" and "Methods for Calculation the Self-Owned Capital and Risk-Weighted Assets of Banks".
- 3. Formulae used in calculations:
  - a. Self-Owned Capital = Tier 1 Capital+Tier 2 Capital+Tier 3 Capital
  - b. Total Risk-Weighted Assets = Credit Risk-Weighted Assets+(Operational Risk+Market Risk) Capital Requirement ×12.5
  - c. Capital Adequacy Ratio = Self-Owned Capital / Total Risk-Weighted Assets
  - d. Ratio of Tier 1 Capital to Risk Assets = Tier 1 Capital / Total Risk-Weighted Assets
  - e. Ratio of Tier 2 Capital to Risk Assets = Tier 2 Capital / Total Risk-Weighted Assets
  - f. Ratio of Tier 3 Capital to Risk Assets = Tier 3 Capital / Total Risk-Weighted Assets
  - g. Ratio of Common Stock to Total Assets = Common Stock / Total Assets

# III. Financial Statements of Recent Years, and Independent Auditors' Report

Independent Auditors' Report

The Board of Directors Bank of Taiwan:

We have audited the consolidated financial statements of Bank of Taiwan and its subsidiary, which comprise the consolidated balance sheet as of December 31, 2014 and 2013, the related consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended. The management of the Bank are responsible for the preparation of these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit. As stated in note 15 to the consolidated financial statements, certain investments under the equity method in the consolidated financial statements of Bank of Taiwan and its subsidiary as of December 31, 2014 and 2013 amounting to NT\$30,577,743 thousand, constituting 0.69% of the total assets and NT\$28,817,655 thousand, constituting 0.68% of the total assets, respectively; and the related investment gains of NT\$2,790,937 thousand and NT\$2,135,643 thousand, constituting 29.59% and 24.14% of the income before income tax in 2014 and 2013, respectively, were accounted for using the equity method and based on the investees' financial statements audited by other auditors.

We conducted our audits in accordance with the "Regulations Governing the Audit of Financial Statements of Financial Institutions by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures on a test basis to obtain audit evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statement. We believe that our audits and the audit performed by the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the audit of the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial performance of Bank of Taiwan and its subsidiary as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended, in conformity with the "Regulations Governing the Preparation of Financial Reports by Publicly Banks", the International Financial Reporting Standards, the International Accounting Standards and IFRS interpretation endorsed by the Financial Supervisory Commission.

In accordance with the auditing regulations in Taiwan, the financial statements of Bank of Taiwan are required to be audited by the National Audit Office, known as the Ministry of Audit. The financial statement for the financial year ended 2013 have been audited and approved by the Ministry of Audit. The adjustments by that office are reflected in the financial statement. For further information, please see note 51 (2).

We have also audited the separate financial statements of Bank of Taiwan as of 2014 and 2013, and have issued the independent auditors' report with modified unqualified opinion.

Kpub

March 20, 2015

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

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

# BANK OF TAIWAN AND SUBSIDIARIES Consolidated Balance Sheets December 31, 2014 and 2013 (expressed in thousands of New Taiwan dollars)

	December 31, 2014		December 31, 201	3
	Amount	%	Amount	%
Assets				
Cash and Cash Equivalents (note 6 and 44)	\$ 155,902,597	4	119,265,293	3
Placement with Central Bank and Call Loans to Banks (note 7, 12, 41, 42 and 44)	582,914,021	13	585,444,072	14
Financial Assets Measured at Fair Value through Profit or Loss, Net (note 8, 41, 42 and 44)	208,646,968	5	166,714,218	4
Hedging Derivative Financial Assets (note 9, 41 and 42)	25,613	-	5,443	-
Bills and Bonds Purchased under Resell Agreements (note 10, 41 and 42)	1,956,563	-	6,173,451	-
Receivables, Net (note 11, 12, 41, 42 and 44)	62,570,189	1	82,279,036	2
Current Income Tax Assets	1,878,465	-	2,169,130	-
Loans and Discounts, Net (note 12, 41, 42 and 44)	2,298,237,964	52	2,240,652,458	53
Available-for-Sale Financial Assets, Net (note 13, 20, 41, 42 and 45)	797,692,802	18	765,521,333	18
Held-to-Maturity Financial Assets, Net (note 14, 41, 42 and 45)	77,372,697	2	73,044,728	2
Investments under Equity Method, Net (note 15)	36,990,117	1	34,792,041	1
Other Financial Assets, Net (note 12, 16, 20, 41 and 42)	68,466,496	2	70,317,802	1
Property and Equipment, Net (note 17 and 20)	97,108,785	2	97,502,611	2
Intangible Assets (note 18)	941,417	-	1,048,025	-
Deferred Tax Assets (note 30)	361,798	-	241,804	-
Other Assets (note 19, 20 and 44)	11,404,016	-	9,229,150	-
Total assets	\$ 4,402,470,508	100	4,254,400,595	

	December 31, 20 <sup>2</sup>	14	December 31, 201	3
	Amount	%	Amount	%
Liabilities and Stockholders' Equity				
Liabilities:				
Deposits of Central Bank and other banks (note 21, 41 and 44)	\$ 156,988,830	4	252,738,244	7
Financial Liabilities Measured at Fair Value through Profit or Loss (note 22, 41 and 44)	47,915,342	1	3,999,496	-
Hedging Derivative Financial Liabilities (note 9 and 41)	103,024	-	225,806	-
Bills and Bonds Sold under Repurchase Agreements (note 10 and 41)	38,018,153	1	19,036,703	-
Payables (note 23, 41 and 44)	41,039,673	1	44,758,616	1
Current Income Tax Liabilities	181,948	-	162,430	-
Deposits and Remittances (note 24, 41 and 44)	3,554,081,722	81	3,409,605,226	80
Financial bonds payable (note 25 and 41)	24,997,612	-	15,998,240	-
Other Financial Liabilities (note 26 and 41)	1,756,954	-	1,243,698	-
Provision (note 27 and 28)	257,654,781	6	232,766,904	5
Deferred Tax Liabilities (note 30)	18,348,772	-	18,299,657	1
Other Liabilities (note 29 and 44)	7,202,223		7,491,439	
Total liabilities	4,148,289,034	94	4,006,326,459	94
Equity attributable to shareholders of the parent:				
Capital stock (note 31)	95,000,000	2	70,000,000	2
Capital surplus	80,521,742	2	105,496,092	2
Retained earnings:				
Legal reserve	29,526,951	1	27,386,900	1
Special reserve (note 31)	17,502,398	-	16,489,571	-
Unappropriated retained earnings	8,139,902		7,176,585	
	55,169,251	1	51,053,056	1
Other equity (note 31)	23,490,481	1	21,524,988	1
Total equity	254,181,474	6	248,074,136	6
Total liabilities and stockholders' equity	<u>\$ 4,402,470,508</u>	<u>    100  </u>	4,254,400,595	<u>    100  </u>

### BANK OF TAIWAN AND SUBSIDIARIES Consolidated Statements of Comprehensive Income For the year ended December 31, 2014 and 2013 (expressed in thousands of New Taiwan dollars)

		2014		2013		Percentage
		Amount	%	Amount	%	Change
Revenue and income:						
Interest income (note 32)	\$	65,232,863	181	59,252,283	201	10
Less: Interest expense (note 32)	(;	36,453,488 <u>)</u>	<u>(101)</u>	(33,364,389)	(113)	9
Net interest income (note 32)		28,779,375	80	25,887,894	88	11
Non-interest income, net						
Service fees, net (note 33)		5,438,609	15	5,275,607	18	3
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss (note 34)	ı	15,914,831	44	14,147,606	48	12
Realized gain (loss) on available-for-sale financial assets (note 35)		1,062,198	3	1,007,390	3	5
Foreign exchange gain (loss)		6,250,104	17	2,585,863	9	142
Provision of impairment loss on assets (note 20)		(1,685)	-	(19,013)	-	91
Share of profit (loss) of associates and joint ventures accounted for using equity method (note 15)		3,042,845	8	1,926,100	7	58
Premiums loss (note 36)		(3,503,057)	(10)	(5,563,476)	(19)	37
Sales income (note 36)		450,651	1	430,636	1	5
Subsidized income from government (note 36)		12,946,954	36	15,696,251	53	(18)
Other miscellaneous income (note 36)		210,472	1	865,783	3	(76)
Provisions for policyholders' reserve premium (note 36 and 44)	(2	23,874,056)	(66)	(21,922,128)	(74)	(9)
Excess interest expenses (note 11, 36 and 44)	(	10,663,770)	(30)	(10,820,906)	(37)	1
Net Revenue		36,053,471	99	29,497,607	100	22
Bad debt expense and reserve for guarantees (note 12)		(7,284,809)	(20)	(2,625,044)	(9)	178
Expenses:						
Employee benefits expenses (note 37)	(	(11,723,709)	(33)	(11,562,624)	(39)	1
Depreciation and amortization expenses (note 38)		(1,207,656)	(3)	(1,282,422)	(4)	(6)
Other general and administrative expenses (note 39)		(6,403,944)	(18)	(5,179,966)	(18)	24
Total Expenses	(	19,335,309 <u>)</u>	(54)	(18,025,012)	(61)	7
Operating Income, Net		9,433,353	25	8,847,551	30	7
Net income before income tax		9,433,353	25	8,847,551	30	7
Income Tax Expenses (note 30)		(1,185,145)	(3)	(1,429,623)	(5)	17
Consolidated net income		8,248,208	22	7,417,928	25	11
Other comprehensive income (loss):						
Exchange differences arising on translation of foreign operations		391,039	1	6,932	-	5,541
Unrealized gains (losses) on available-for-sale financial assets		1,022,580	3	4,754,330	16	(78)
Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans		(450,839)	(1)	(330,269)	(1)	37
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method		477,061	1	(911,409)	(3)	(152)
Add: income tax (expense) benefit relating to components of other comprehensive income (loss)		(7,547)		38,135		(120)
Other comprehensive income (loss), net of tax for the year		1,432,294	4	3,557,719	12	(60)
Total comprehensive income (loss), net of tax for the year	\$	9,680,502	26	10,975,647	37	(12)
Basic earnings per share (In dollars) (note 40)	\$		0.87		0.78	

	щ	BANK OF Consolidated or the year en (expressed in	F TAIWAN AND ed Statements of ended Decembe in thousands of I	AND SUB nts of Char ember 31, ts of New T	BANK OF TAIWAN AND SUBSIDIARIES Consolidated Statements of Changes in Equity For the year ended December 31, 2014 and 2013 (expressed in thousands of New Taiwan dollars)					
				Retaine	Retained earnings			Other equity		
	Capital stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences arising on translation of foreign operations	Unrealized gain (loss) on available-for- sale financial assets	Total	Total
Balance at January 1, 2013	\$70,000,000	105,453,034	25,218,428	15,087,006	8,381,241	48,686,675	(363,405)	18,046,248	17,682,843	241,822,552
Legal reserve appropriated	I	'	2,168,472	'	(2,168,472)	1	1	'	1	•
Special reserve appropriated	I	'	'	1,445,648	(1,445,648)	1	'	'	1	1
Cash dividends	I	'	'	'	(4,767,121)	(4,767,121)	1	'	1	(4,767,121)
Reversal of special reserve-sale of land	I	'	'	(43,083)	43,083	'	'	'	1	•
Changes in capital surplus-associates and joint ventures accounted for using equity method	I	43,058		I	I	I	I	I	I	43,058
Consolidated net income	I	'	'	'	7,417,928	7,417,928	1	'	1	7,417,928
Other comprehensive income (loss) for the period	'	'	'	'	(284,426)	(284,426)	54,488	3,787,657	3,842,145	3,557,719
Balance at December 31, 2013	70,000,000	105,496,092	27,386,900	16,489,571	7,176,585	51,053,056	(308,917)	21,833,905	21,524,988	248,074,136
Legal reserve appropriated	I	'	2,140,051	'	(2,140,051)	1	'	'	1	
Special reserve appropriated	I	'	'	1,038,720	(1,038,720)	1	1	'	1	•
Cash dividends	I	'	I	1	(3,598,814)	(3,598,814)	ľ	'	ľ	(3,598,814)
Reversal of special reserve-sale of land	I	1	1	(25,893)	25,893	I	1	1	I	I
Changes in capital surplus-associates and joint ventures accounted for using equity method	I	25,650	1	I	I	I	I	I	I	25,650
Changes in capital surplus-profit to capital increment	25,000,000	(25,000,000)	1	I	I	I	I	I	I	I
Consolidated net income	I	'	1	I	8,248,208	8,248,208	I	1	I	8,248,208
Other comprehensive income (loss) for the period	"		"		(533,199)	(533,199)	582,615	1,382,878	1,965,493	1,432,294
Balance at December 31, 2014	\$ 95,000,000	80,521,742	29,526,951	17,502,398	8,139,902	55,169,251	273,698	23,216,783	23,490,481	254,181,474
Note: The directors and supervisors' compensations are \$5,163 and \$3,240 thousand dollars in 2014 and 2013, respectively. Both of them are recognized in the consolidated statements of comprehensive income.	33 and \$3,240 thous	and dollars in 201	14 and 2013, re	spectively. Both	of them are recogni:	zed in the conso	lidated statemen	its of comprehens	sive income.	

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### BANK OF TAIWAN AND SUBSIDIARIES Consolidated Statements of Cash Flows For the year ended December 31, 2014 and 2013 (expressed in thousands of New Taiwan dollars)

(expressed in modsands of New Talwart	2014	2013
Cash flows from (used in) operating activities :		
Net income before income tax	\$ 9,433,353	8,847,551
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation expense	868,569	872,277
Amortization expense	377,639	410,145
Provision for bad debt expense and guarantee liabilities	7,284,809	2,625,046
Interest expense	36,453,488	33,364,389
Interest income	(65,232,863)	(59,252,283)
Net change in other provisions	23,874,056	21,914,798
Impairment loss on inventory (reversal of impairment loss on inventory)	1,351	(6,899)
Share of profit of associates and joint ventures accounted for using equity method	(3,042,845)	(1,926,100)
Loss on disposal of property and equipment	111,559	149,395
Impairment loss on property and equipment (reversal of impairment loss on property and equipment)	(616)	19,013
Total adjustments to reconcile profit (loss)	695,147	(1,830,219)
Changes in operating assets and liabilities :		
Increase in placement with Central Bank and call loans to banks	(16,693,020)	(28,075,745)
Increase in financial assets measured at fair value through profit or loss	(60,521,919)	(14,328,674)
Increase in hedging financial assets	(20,170)	(1,900)
Decrease in bills and bonds purchased under resell agreements	-	4,980,621
Decrease in receivables	21,850,506	7,121,618
Increase in loans and discounts	(64,415,855)	(66,309,595)
Decrease (increase) in available-for-sale financial assets	3,081,652	(98,567,399)
Decrease (increase) in held-to-maturity financial assets	814,244	(34,308,521)
Decrease (increase) in other financial assets	1,846,780	(962,726)
(Increase) decrease in other assets	(1,808,072)	1,609,387
Total changes in operating assets	(115,865,854)	(228,842,934)
(Decrease) increase in deposits of Central Bank and other banks	(95,749,414)	39,363,779
Increase (decrease) in financial liabilities measured at fair value through profit or loss	43,915,846	(877,458)
Decrease in hedging financial liabilities	(122,782)	(75,584)
Increase in bills and bonds sold under repurchase agreements	18,981,450	7,038,305
(Decrease) increase in payables	(3,873,919)	4,055,674
Increase in deposits and remittances	144,476,496	114,708,320

	2014	2013
Increase in employee benefit obligations	475,361	668,149
Increase in other liabilities	89,628	367,112
Total changes in operating liabilities	108,192,666	165,248,297
Total changes in operating assets and liabilities	(7,673,188)	(63,594,637)
Total adjustments	(6,978,041)	(65,424,856)
Cash inflow (outflow) generated from operations	2,455,312	(56,577,305)
Interest received	61,643,103	57,839,959
Dividends received	2,981,900	2,171,366
Interest paid	(36,298,512)	(34,595,562)
Income taxes paid	(945,840)	(1,557,547)
Net cash flows from (used in) operating activities	29,835,963	(32,719,089)
Cash flows from (used in) investing activities :		
Acquisition of property and equipment	(584,279)	(533,849)
Increase in refundable deposits	(368,425)	(14,500)
Acquisition of intangible assets	(270,751)	(293,246)
Decrease in other financial assets	4,526	313,013
Net cash flows (used in) investing activities	(1,218,929)	(528,582)
Cash flows from (used in) financing activities :		
Proceeds from issuing financial bonds	8,999,372	15,998,441
Decrease in guarantee deposits received	(378,844)	(546,774)
Increase (decrease) in other financial liabilities	513,256	(6,954,315)
Cash dividends paid	(3,598,814)	(4,767,120)
Net cash flows from financing activities	5,534,970	3,730,232
Effect of exchange rate changes on cash and cash equivalents	390,799	76,920
Net increase (decrease) in cash and cash equivalents	34,542,803	(29,440,519)
Cash and cash equivalents at beginning of period	874,221,019	903,661,538
Cash and cash equivalents at end of period	<u>\$ 908,763,822</u>	874,221,019
Compose of cash and cash equivalents :		
Cash and cash equivalents reported in the statement of financial position	\$ 155,902,597	119,265,293
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	156,883,746	176,106,816
Investments qualifying for cash and cash equivalents under the definition of IAS 7	595,977,479	578,848,910
Cash and cash equivalents at end of period	<u>\$ 908,763,822</u>	874,221,019

#### BANK OF TAIWAN AND ITS SUBSIDIARY COMPANIES Notes to the Consolidated Financial Statements December 31, 2014 and 2013

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

#### (1) Organization and Business Scope

Bank of Taiwan (the Bank) was incorporated on May 20, 1946 and transformed into a corporate entity since July 1, 2003, as approved by the Ministry of Finance on April 24, 2003, and became a public company from September 16, 2004.

On November 18, 2005, the House of Administration (Executive Yuan) authorized the merger of the Bank and the Central Trust of China. The merger plan was approved by the Fair Trade Commission, the Executive Yuan, and the Ministry of Finance. On December 22, 2006, the Financial Supervisory Commission, Executive Yuan, reauthorized the merger and indicated the Central Trust of China was the dissolved party and the Bank was the surviving party. The merger was accomplished on July 1, 2007.

On January 1, 2008, the Ministry of Finance organized Taiwan Financial Holding Co., Ltd. in accordance with the Act of Taiwan Financial Holding Co., Ltd., and the Bank is its subsidiary.

On January 2, 2008, the Bank decreased its capital by \$8 billion and split off its part of business and assets to set up two other subsidiaries of Taiwan Financial Holding Co., Ltd. (Taiwan Financial Holdings): BankTaiwan Securities Co., Ltd. (BankTaiwan Securities) and BankTaiwan Life Insurance Co., Ltd. (BankTaiwan Life Insurance), whose capital was \$3 billion and \$5 billion, respectively.

The Bank is primarily involved in (a) all commercial banking operations allowed under the Banking Law; (b) foreign exchange operations allowed under the Foreign Exchange Regulation Act; (c) operations of offshore banking unit allowed under the Offshore Banking Act; (d) savings and trust operations; (e) overseas branch operations authorized by the respective foreign governments; and (f) other operations as authorized by the central competent authority in charge.

The Bank's Trust department is engaged in the planning, management and operation of trusts under the Banking Law and Trust Law, along with the investment of overseas securities and trust funds.

In accordance to the Bank's policy approved by the Government, the Bank's mission's is to perform all functions in providing stable financial environment, contribute to the economic infrastructure and develop manufacturing industries. The Bank manages public treasury and ensures the smooth settlement of national operations, which later translated into providing normal banking facilities and issuing banknotes as Central Bank of the Republic of China was later promulgated in July, 1961. The relationship between the Bank and the Central Bank remained closely attached. Among the financial institutions in Taiwan, the Bank has always maintained its importance in the financial industry.

The assets of the Bank have continuously increased through revaluations of its legal and special reserve over the period since the Government provided the capital for the establishment of the Bank. After the currency revolution in June 1949, the Government approved \$5 million as the Bank's capital in May 1950; \$100 million in May 1954; \$300 million in August 1963; \$600 million in September 1967; \$1 billion in May 1973; \$2 billion in September 1977; \$4 billion in September 1980; \$8 billion in November 1982; \$12 billion in May 1990; \$16 billion in April 1992; \$22 billion in December 1994; \$32 billion in August 1998; \$48 billion in September 2002; \$53 billion in July 2007; \$45 billion in January 2009; \$70 billion in November 2010 and \$95 billion in October 2014.

As the Bank is funded and owned by the government, the execution and compliance with government policies is of importance to the Bank. The economy of Taiwan has developed considerably from the 50s and the Bank has contributed by supporting the planning and implementation of many medium to long term infrastructure. Through the years, the Government has actively increased strategic and critical industrial development. The Bank has similarly increased its support for the fund needed for such infrastructure in compliance with the Government policy.

The Bank has its Head Office in Taipei, and the Bank has established domestic and worldwide branch offices for expansion of various banking services. As of December 31, 2014, in addition to the Department of Planning, Department of Corporate Finance, Department of Credit Management, Department of Loan Management, Department of Wealth Management, Department of Circulation, Department of Public Treasury, Department of Risk Management, Department of Business, Department of International Banking, Department of Trusts, Department of Electronic Banking, Department of Consumer Finance, Department of Treasury, Department of Real Estate Management, Department of Procurement, Department of Domestic Operations, Department of Government Employees Insurance, Department of Precious Metals, Department of Credit Analysis, Department of General Affairs, Secretariat Department of Human Resources, Department of Ethics, Department of Accounting, Department of Economic Research,

Department of Information Management, Department of Compliance, Board Secretariat, Department of Auditing Board of Directors. There were 163 domestic branches, 1 offshore banking unit, 8 overseas branches, 1 representative office (in Mumbai) and 4 preparatory offices (in Sydney, Hanoi, Guangzhou and Yangon).

The Bank invested \$20 million dollars to set up a subsidiary, BankTaiwan Insurance Brokers, which was approved on January 23, 2013 and officially set up on February 6, 2013.

The parent company of the Bank is Taiwan Financial Holding Co., Ltd.

The consolidated financial statements of December 31, 2014 include the accounts of the Bank and its subsidiary (hereby referred as the Bank and its subsidiary).

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

The consolidated financial statements were approved by the Audit Committee on March 19, 2015 and were authorized for issue by the Board of Directors on March 20, 2015.

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

# 1) The 2013 International Financial Reporting Standard endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect.

Since the FSC announced a full adoption of updated IFRS, the Bank and its subsidiary should adopt the 2013 IFRSs endorsed by the FSC starting from 2015 (except for IFRS 9 "Financial Instruments") to prepare its financial statements. Relevant accounting standards, interpretations and amendments are summarized below:

The new issuance, amendments, and revisions of standards and interpretations	Effective date per IASB
The amendment to IFRS 1 (Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters)	July 1, 2010
The amendment to IFRS 1 (Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters)	July 1, 2011
The amendment to IFRS 1 (Government Loans)	January 1, 2013
The amendment to IFRS 7 (Disclosure – Transfers of Financial Assets)	July 1, 2011
The amendment to IFRS 7 (Disclosures – Offsetting Financial Assets and Financial Liabilities)	January 1, 2013
IFRS 10 (Consolidated Financial Statement)	January 1, 2013 (Becomes effective for investment entity starting January 1, 2014)
IFRS 11 (Joint Arrangements)	January 1, 2013
IFRS 12 (Disclosure of Interest in other Entities)	January 1, 2013
IFRS 13 (Fair Value Measurement)	January 1, 2013
Amendment to IAS 1 (Presentation of Items of Other Comprehensive Income)	July 1, 2012
Amendment to IAS 12 (Deferred Tax: Recovery of Underlying Assets)	January 1, 2012
Amendment to IAS 19 (Employee Benefits)	January 1, 2013
Amendment to IAS 27 (Separate Financial Statements)	January 1, 2013
Amendment to IAS 32 (Offsetting Financial Assets and Financial Liabilities)	January 1, 2014
IFRIC 20 (Stripping Costs in the Production Phase of a Surface Mine)	January 1, 2013

Except for the following items, the adoption of 2013 IFRSs by the Bank and its subsidiary are not expected to have any material financial impacts to the consolidated financial statements.

1.IAS 19 "Employee Benefits"

The amendments to IAS 19 require the Bank and its subsidiary to calculate a "net interest" amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on planned assets used in current IAS 19. In addition, the amendments eliminate the accounting treatment of either the corridor approach or the immediate recognition of actuarial gains and losses to profit or loss when it incurs. However, they require to recognize all actuarial gains and losses immediately through other comprehensive income. The past service cost, on the other hand, will be expensed immediately when it incurs and will no longer be amortized over the average period before vesting on a straight-line basis. The Bank and its subsidiary shall recognize the termination benefits at the earlier of the time when the Bank and its subsidiary can no longer withdraw an offer of the termination benefits or

when the related restructuring costs are recognized, not only at the time when the relevant termination has a clear commitment and has recognized the termination benefits as liabilities or expenses. In addition, the amendments also require a broader disclosure in the defined benefit plans. The Bank and its subsidiary will recognize all of the past service cost which will cause an increase in their employee benefit obligations by \$90,331 thousand and a decrease in retained earnings by \$90,331 thousand. Due to the adoption of the 2013 IFRSs by the equity-accounted investee, there will be a decrease in investments under the equity method and retained earnings by \$792 thousand.

2. IAS 1 "Presentation of Financial Statements"

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

3.IFRS 13 "Fair Value Measurement"

IFRS 13 defines the fair value, establishes a framework for measuring fair value, and requires the disclosures of the fair value measurements. After an initial assessment, the Bank and its subsidiary are not expected to have any material financial impact but will increase the disclosures related to the fair value measurement according to the standard.

#### 2) New and Amended Standards and Interpretations not yet endorsed by the FSC

A summary of the new issuance, amendments, and revisions of standards and interpretations issued by IASB but not yet included in the 2013 IFRSs as accepted by the FSC:

The new issuance, amendments, and revisions of standards and interpretations	Effective date per IASB
IFRS 9 (Financial Instruments)	January 1, 2018
Amendments to IFRS 10 and IAS 28 (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 (Investment Entities: Applying the Consolidation Exception)	January 1, 2016
Amendment to IFRS 11 (Acquisition of an Interest in a Joint Operation)	January 1, 2016
IFRS 14 (Regulatory Deferral Accounts)	January 1, 2016
IFRS 15 (Revenue from Contracts with Customers)	January 1, 2017
Amendment to IAS 1 (Disclosure Initiative)	January 1, 2016
Amendment to IAS 16 and IAS 38 (Clarification of Acceptable Methods of Depreciation and Amortisation)	January 1, 2016
Amendment to IAS 16 and IAS 41 (Bearer Plant)	January 1, 2016
Amendment to IAS 19 (Defined Benefit Plans: Employee Contributions)	July 1, 2014
Amendment to IAS 27 ( Equity Method in Separate Financial Statements)	January 1, 2016
Amendment to IAS 36 (Recoverable Amount Disclosures for Non-Financial Assets)	January 1, 2014
Amendment to IAS 39 (Novations of derivatives and continuing hedge)	January 1, 2014
IFRIC 21 (Levies)	January 1, 2014

The Bank and its subsidiary are continuously assessing the possible impact on the financial position and financial performance as a result of the adoption of the abovementioned new, amended and revised standards and interpretations, and will disclose the relevant impact when the assessment is complete.

# (4) Significant accounting policies

#### 1) Statement of compliance

The Bank is a public company. The Bank set up its accounting policies and prepared financial statements according to the Regulations Governing the Preparation of Financial Reports by Public Banks, the International Financial Reporting Standards, the International Accounting Standards and the IFRS interpretation.

The Bank and its subsidiary are government owned enterprises, so its accounting practices mainly follow the Budget Law, Account Settlement Law and Uniform Regulations on Accounting Systems for Banks Governed by the Ministry of Finance (the MoF). The annual financial statements are audited by the Ministry of Audit (the MoA) to ensure that the Bank complies with the budget approved by the Legislative Yuan, the parliament of ROC Taiwan. The financial statements become final only after such an endorsement by the MoA.

The financial statements of 2013 were approved by the MoA, and the opening balances of retained earnings of 2014 are the same as the approved closing balances of 2013.

#### 2) Basis of consolidation

1. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Bank and its subsidiary. The financial statements of its subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

#### 2. List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Subsidiary	Principal activities	Shareholdings		Note
Name of myestor	Name of Subsidiary	Filincipal activities	December 31, 2014	December 31, 2013	NOLE
Bank of Taiwan	BankTaiwan Insurance Brokers (BTIB)	Life and Property insurance broker	100.00%	100.00%	

#### 3) Basis of preparation

1. Basis of measurement

Except for the following items, the consolidated financial statements are prepared on a historical cost basis:

- (a)Financial instruments measured at fair value through profit or loss (including derivative financial instruments)
- (b)Available-for-Sale financial assets measured at fair value
- (c) Derivative financial instruments designated as hedges are measured at fair value
- (d) The defined benefit assets are recognized as plan assets, plus unrecognized past service costs and unrecognized actuarial loss, less the unrecognized actuarial gain and the present value of the defined benefit obligation.
- 2. Functional and presentation currency

The functional currency of the Bank and its subsidiary entities are determined based on the primary economic environment in which the entities operate. The Bank's consolidated financial statements are presented in New Taiwan Dollar, which is the Bank's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand. The consolidated financial statements are presented in New Taiwan Dollars, the functional currency of the Bank. All financial information presented in New Taiwan Dollars is expressed in thousands of New Taiwan Dollars.

#### 4) Foreign currency

#### 1. Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation: (a) available-for-sale equity investment;

- (b)a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- (c) qualifying cash flow hedges to the extent the hedge is effective.

#### 2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Bank and its subsidiary's functional currency at the exchange rates of the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Bank and its subsidiary's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Bank and its subsidiary dispose of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Bank and its subsidiary dispose of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is control, the relevant proportion of the cumulative amount is realtributed to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

#### 5) Cash and cash equivalents

For consolidated balance sheets, Cash and cash equivalents include cash on hand, due from banks, demand deposits and highly liquid investments that are readily convertible into known amount of cash and which are subject to insignificant risk of change in value. The aforementioned time deposits which are held for short-term cash commitment rather than investment or other purposes are recognized as cash equivalents.

For consolidated statement of cash flows, cash and cash equivalents refer to cash and cash equivalents presented in consolidated statement of balance sheet, deposit in the central bank, call loans to banks, and investments of bonds and callable notes which are in accordance with the definition of cash and cash equivalents in the International Accounting Standards 7 accepted by FSC.

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#### 6) Financial instrument

The Bank and its subsidiary adopt the trade date accounting for financial assets. The financial assets and liabilities are recognized when the Bank and its subsidiary become a contracting party to the financial instrument agreement. Financial instruments are derecognized when the rights to receive cash flows from the financial assets have expired or where the Bank and its subsidiary have transferred substantially all risks and rewards of ownership.

1. Financial asset

The Bank and its subsidiary classify financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets, held-to-maturity financial assets, financial assets at cost and debt investment without active market.

(a) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. The Bank and its subsidiary designate financial assets, other than ones classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

- a)Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- b)Performance of the financial asset is evaluated on a fair value basis;

c) A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in statement of comprehensive income statement.

(b)Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise account receivables, other receivables, and investment in debt security with no active market. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less, any impairment losses other than insignificant interest on short-term receivables.

Interests are presented under interest revenue in statement of comprehensive income.

Credit maturing less than one year is called short-term loan; credit maturing more than one year but less than seven years is called medium-term loan; credit maturing more than seven years is called long-term loan. Loans with collateral, pledged assets and qualified guarantees to secure credit are secured loans. Non-performing loans refer to those loans for which interests and principal payments has been in arrears for three months or more, and those loans which the principal or interest has not yet been in arrears for more than three months, but with regards to which the creditor has sought payment from primary/subordinate debtors or has disposed of collateral. All non-performing loans shall be transferred to non-accrual loans within six months after the end of the payment period expect for the loans repaid in installments by agreements. Interest shall not be accrued to non-performing loans that are transferred to non-accrual loans account. However, loan collection shall continue as per the terms of the relevant agreement, and accrued interest shall continue to be posted to the interest column of the non-accrual loans account for each borrower, or a notation of such shall be made.

The write-off of non-performing loans and non-accrual loans shall be discussed by the related committee, reviewed by the general manager and approved by a resolution passed by the board of directors or the board of managing directors and the audit committee shall be notified of the write-off. The board of directors shall be notified if the write-off case is passed by the board of the managing directors. Collections after write-off shall be reversed from the allowance for bad debt.

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

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in other income and statement of comprehensive income.

Dividend income is recognized in profit or loss on the date that the Bank and its subsidiary's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in statement of comprehensive income.

Interest income from investment in bond security is recognized in profit or loss, and it is included in statement of comprehensive income.

(d)Held-to-maturity financial assets

Financial assets which the Bank and its subsidiary have the positive intent and the ability to hold debt securities to maturity, such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less, any impairment losses.

Interest income is recognized in profit or loss, and it is included in statement of comprehensive income. (e)Financial assets at cost

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives those are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost.

(f) Debts investment without active market

Debt investments without active market are the non-derivative instruments that have fixed or decidable price. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, debts investment without active market are measured at amortized cost using the effective interest method

(g) Impairment of financial assets

The financial assets which are not measured at fair value through profit or loss shall be assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Bank and its subsidiary on terms that the Bank and its subsidiary would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

Impairment losses and recoveries are recognized in profit or loss, and they are included in statement of comprehensive income.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Bank and its subsidiary uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

The Bank evaluates the categories and recognizes allowance for doubtful accounts according to the higher of the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans and the Regulation of Evaluating the Impairment Loss of Loans and Receivables.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

2. Financial liability and equity instrument

The liability and equity instrument issued by the Bank were classified as financial liability and equity based on the substance of the agreement and the definition of financial liability and equity instrument.

(a) Financial liabilities at fair value through profit or loss

This type of financial liabilities refers to the held-for-trading financial liabilities or the financial liabilities designated as fair value through profit or loss.

The held-for-trading financial liabilities are acquired or incur principally for the purpose of selling or repurchasing in a short term. Other than held-for-trading financial liabilities, those financial liabilities will be designated upon initial recognition as at fair value through profit or loss when one of the following situations takes place:

- a) Eliminate or significantly reduce the measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.
- b) The performance of the financial liabilities is evaluated on a fair value basis.
- c) Hybrid instrument contains embedded derivative.

These liabilities are recognized initially at fair value with transaction costs taken directly to income statement, and are subsequently re-measured at fair value. Gains and losses from changes in the fair value of such liabilities (including interest expenses) are reported in the account of profit or loss of financial assets and liabilities at fair value through profit or loss in the comprehensive income statement.

The Bank and its subsidiary issue financial guarantee contract and loan commitment and designate them as measured at fair value through profit or loss. Its profit or loss is presented in the account of profit or loss of financial assets and liabilities at fair value through profit or loss in the comprehensive income statement.

#### (b) Other financial liabilities

The financial liabilities not belong to the financial liabilities at fair value through profit or loss shall be measured at fair value, plus, direct attributable transaction costs upon initial recognition, and they are subsequently measured at amortized cost using effective interest method. The un-capitalized interest expenses are presented as interest expense in profit/ loss in the consolidated statement of comprehensive income.

#### (c) Financial guarantee contract

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a contract between the holder and debtor.

When the Bank and its subsidiary issue and not designate the financial guarantee contract as measured at fair value through profit and loss, it shall be assessed at fair value, less, the directly attributable transaction costs initially. After initial recognition, an issuer of such a contract shall measure it at the higher of:

- a) the amount determined in accordance with IAS 37 "Provision, Contingent Liabilities and Contingent Assets" and
- b) the amount initially recognized, less, when appropriate, cumulative amortization recognized in accordance with revenue accounting policy.

#### 3. Derivative financial instruments and hedge accounting

The Derivative financial instruments means forward swaps, FX swaps, interest rate swaps, cross currency swaps, options and other transactions related to foreign exchange, interest rate and capital market. The derivative financial instruments are initially recognized at fair value and the transaction costs are recognized through profit or loss. The sequential assessment is still assessed by fair value and the resulted gain or loss is recognized as profit or loss. However, for the derivate financial instrument designated as an effective hedging instrument, the recognition timing is decided by the nature of the hedging relationship. When the fair value of the derivate financial instrument is positive, it should be recorded as financial asset. When it is negative, it should be recorded as financial liability.

When the risk and characteristics of the embedded derivate are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss, the derivate is treated as a separate derivative.

The Bank and its subsidiary document at inception the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. The Bank and its subsidiary also document its assessments, both at hedge inception and on an ongoing basis, of whether the hedging instruments that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Both of the fair value changes in hedging instruments which are designated for value hedge and in conformity with the fair value hedging definition and the fair value changes in hedged assets or liabilities with respect to the hedged risk are immediately recognized in the account related to the hedged item in the comprehensive income.

Hedge accounting must be discontinued prospectively if the Bank and its subsidiary revoke the hedge designation or if the hedge instrument expires or is sold, terminated or exercised or if the hedge no longer meets the hedge accounting criteria.

Where hedge accounting is discontinued, adjustments to the carrying amount of a hedge financial asset for which the effective interest rate is used are amortized to profit or loss. The adjustment is based on a recalculated effective interest rate at the date amortization begins.

#### 7) Investments in associates

Associate refers to an entity in which the Bank and its subsidiary hold 20% of the voting power or less than 20% of the voting power but have significant influence. If the Bank and its subsidiary have rights on the finance and operating policy decisions but not control or joint control these decisions, it is presumed that the Bank and its subsidiary have significant influence.

The Bank and its subsidiary use equity method for investments in associates. Under the equity method, an equity investment is initially recorded at cost. In the subsequent period, the carrying amount of the investments is adjusted by the share of the profit or loss of the associate and the distributions received. Besides, the Bank and its subsidiary recognize the changes according to the holding shares.

If the Bank and its subsidiary dispose the investment and loss significant influence, the residual investments shall be remeasured at fair value of the disposal date. The difference between the fair value of the residual investment plus the disposal price and the original carrying amount of the investment at that date is recognized in income statement. The related other comprehensive income is reclassified as profit or loss.

The associate issues additional share capital, but the Bank and its subsidiary do not participate in the share issue on a pro-rata basis. It will lead to change in holding, but the Bank and its subsidiary still have significant influence. As a result, the Bank and its subsidiary shall adjust the APIC and investments in equity method accounts according to the changes in net assets of the associate.

Unrealized profits resulting from the transactions between the Bank and its subsidiary and an associate are eliminated to the extent of the Bank and its subsidiary's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Bank and its subsidiary's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Bank and its subsidiary has an obligation or has made payments on behalf of the investee.

#### 8) Property, plant and equipment

#### 1. Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment. The cost of the software is capitalized as part of the property and equipment if the purchase of the software is necessary for the property and equipment to be capable of operating.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

2. Reclassification to investment property

When there is a change in use, the Bank and its subsidiary treat the owner-occupied property as investment property; the property shall be reclassified to investment property at carrying amount from then on.

3. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Bank and its subsidiary. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

#### 4. Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on straight-line basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Buildings	8 to 55 years
Machinery and equipment	2 to 20 years
Transportation equipment	2 to 15 years
Miscellaneous equipment	2 to 25 years
Leasehold improvements	5 years

#### 9) Lease

#### 1. Operating Lease

A lease is classified as operating lease if it retains substantially all the risks and rewards of ownership. No matter the Bank and its subsidiary are lessors or lessees, the rent is calculated over the lease term on a straight-line basis and recorded as rent revenue or rent expense respectively.

#### 2. Financial Lease

- (a) The Bank and its subsidiary are lessors. The assets under financial lease will be recognized as lease payment receivables by the net investment value. The original cost which is cause by the operating lease agreement is included in the net lease investment. Lease investment is recognized as financial lease because of it has a steady rate of return, apportioning into each lease period.
- (b) The Bank and its subsidiary are lessees. They capitalize the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments made are allocated as a reduction of the obligation and interest expenses. Interest expenses are calculated by the opening balance of lease obligation using the interest rate implicit in the lease or the lessee's incremental borrowing rate of interest and recognized in the income statement. The attained property, plant and equipment are measured at cost.

#### 10) Intangible assets

#### 1.Computer Software

The Bank and its subsidiary measure the computer software at cost less accumulated amortization and accumulated loss.

#### 2. Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

#### 3. Amortization

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with all indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

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The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

Intangible asset is derecognized when disposed or expected that the usage or disposal will not generate economic benefit in the future. The resulted gain or loss is recognized in the income statement.

#### 11) Impairment loss of non-financial assets

For non-financial assets except for the deferred tax asset and asset caused by the employee benefit, the Bank and its subsidiary shall assess at the end of each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Bank and its subsidiary shall estimate the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the asset individually, they shall determine the recoverable amount of the asset belongs.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss which shall be recognized immediately in profit or loss.

The Bank and its subsidiary assess at the end of each reporting date whether there is any indication that an impairment loss recognized in prior years for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reverse if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount. The carrying amount of the asset shall be increased to its recoverable amount, but the increased carrying amount of an asset or an cash-generating unit other than goodwill attributable to a reversal of the impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset or the cash-generating unit in prior years.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units.

If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, the entity shall recognize the impairment loss, and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit.

Reversal of an impairment loss for goodwill is prohibited.

#### 12) Provision

- 1. The Bank and its subsidiary must recognize a provision if, and only if:
  - (a) There is a legal or constructive present obligation as a result of a past event, and
  - (b) Payment is probable, and
  - (c) The amount can be reliably estimated.
- 2. The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. In reaching its best estimate, the Bank and its subsidiary shall take into account the risks, uncertainties that surround the underlying events and the time value of the currency.
- 3. The Bank and its subsidiary evaluate the provision at every end of the reporting date, and adjust the carrying amount according to the best estimation.

#### 13) Other reserves

Provision for civil servants', teachers' and labor's insurance: The Bank recognizes the surplus of the insurance as provision and withdraws when there is a deficit according to the "Civil Servant and Teacher Insurance Act" and "Guidelines for Management and Employment of Public Servants and Teachers Insurance Reserve".

## 14) Revenue recognition

- 1. Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary operating activities of an entity when those inflows result in increases in equity, other than increase relating to contributions from equity participants.
- 2. The amount of revenue arising on a transaction is usually determined by agreement between the entity and the buyer or user of the asset. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity. Revenue shall be recognized when all of the following criteria have been satisfied:
  - (a) the seller has transferred to the buyer the significant risks and rewards of ownership.
  - (b) it is probable that the economic benefits associated with the transaction will flow to the seller,
  - (c) the costs incurred or to be incurred in respect of the transaction can be measured reliably,
  - (d) the seller retains neither continuing managerial involvement to degree usually associated with ownership nor effective control over the goods sold, and
  - (e) the amount of revenue can be measured reliably.
- 3.Except for the financial assets and liabilities at fair value through profit and loss, the interest revenue and interest expense caused by the interest-bearing financial assets or liabilities are calculated by effective interest method. For loans and receivables, the Bank and its subsidiary shall consider the materiality principle to decide to measure the interest by agreed interest rate or effective interest rate.
- 4. Service fee income
  - (a) The service fee income arising from offering loan service or other services shall be recognized in the accounting period in which the services are rendered.
  - (b) The service fee or expense arising from the loan service shall be amortized in the service period or taken into account for calculating the effective interest of loans and receivables in accordance with the materiality principle.
- 5. Dividend revenue: it shall be recognized if and only if the Bank and its subsidiary have right to receive the dividend revenue.

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- 6.According to the "Civil Servant and Teacher Insurance Act", if GESSI experiences a loss, the loss before May 31, 1999 would be covered by the Ministry of Finance; and the loss after that date would be covered by an adjustment of the insurance premium.
- 7. Revenue and expense that relate to the same transaction or other event are recognized simultaneously; this process is commonly referred to as the matching of revenue and expense.

#### 15) Employee benefit

#### 1. Short-term employee benefit

The payroll, annual bonus, paid annual leave, interest expense arising from preferential interest rate and non-monetary benefit are recognized in the accounting year in which the services are rendered by employees.

#### 2.Pension

(a) Employees' retirement, relief and severance are dealt with according to the "Regulations Governing the Pension and Severance Payment of Ministry-of-Finance-Operated and Government-Owned Financial Insurance Enterprise employees". According to Article 41.1 of the regulations, the length of service with the Bank is calculated in accordance with the formula for benefit payments set forth in the Labor Standards Law, and contributions have been made to a fund for future pension benefits after implementation of the Labor Standards Law.

The Bank contributes 3% of total monthly salaries of employees to a pension fund each month. Before implementation of the Labor Standards Law, a monthly contribution equaling 4% - 8.5% of salaries had been made by the Bank as prior service cost.

The Labor Pension Act of the R.O.C. ("the Act"), effective July 1, 2005, adopts a defined contribution pension plan. In accordance with the Act, employees of the Bank (who were hired before May 1, 1997) may elect to be subject to either the Act, and maintain their service years before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. Employees who are hired by the Bank after May 1, 1997 are required to be covered by the pension plan as defined by the Act. For employees subject to the Act, the Bank is required to make monthly cash contributions to the employees' individual pension accounts at the rate of not less than 6% of the employees' monthly wages.

All contributions made by the Bank are managed by "The Pension Fund Management and Operation Committee". The contributions are accumulated in the pension fund for making payments to the employees when retired. For cleaning and maintenance workers, service costs equivalent to 8% of total monthly salaries for those workers are accrued to the account based on plan benefit formulas according to Article 73 of the Labor Standards Law and the "Guidelines for Contributions to and Management of Labor Pension Fund" approved by the Executive Yuan. The workers' pension is deposited in an account for the purpose of paying pension benefits to the workers when retired.

In accordance with the new labor pension system, starting July 1, 2015, the Bank has contributed 6% of salaries to individual pension accounts managed by the Bureau of Labor Insurance.

- (b)For defined contribution plan, the employer has no further legal or constructive obligation to pay further contributions in accordance with the Labor Pension Act.
- (c) For the definite benefit plan, the independent actuary uses the projected unit credit method to calculate the present value of the defined benefit obligation and the current service cost. The present value of the defined benefit obligation is the projected future cash flow discounted by the market yields at the end of the reporting period on the bonds that have maturity dates approximating the terms of the obligation and that are denominated in the same currency in which the benefits are expected to be paid. The actuarial gains and losses are recognized in the other comprehensive income when they occur.
- (d) The oversea branches of the Bank abide by the foreign government's regulations.

- 3. Preferential interest deposits
  - (a) The Bank and its subsidiary provide their employees the preferential interest deposits, including that for current employees and retired employees. The difference between the preferential interest rate and the market rate are the employee benefit.
  - (b) In accordance with the Article 28 of the Regulations Governing the Preparation of Financial Reports by the Public Banks, if the preferential interest rate for retired employees exceeds the market rate, the Bank and its subsidiary shall calculate the excess interest using the actuarial method by adopting the IAS 19 when the employees retire. However the actuarial assumptions shall follow the government's related regulations. For the preferential interest deposits paid for current employees, the Bank and its subsidiary shall calculate the interest monthly on accrual basis. The different amount of the preferential interest rate and market interest rate is recognized under the preferential interest account in the comprehensive Income statement.
- 4. Other employee's retirement benefits
  - (a) Include three Chinese festival gifts, survivors benefit, and special benefits to retired employees who were paid pension in early times.
  - (b) It belongs to the definite benefit plan, and the independent actuary uses the projected unit credit method to calculate the present value of the defined benefit obligation and the current service cost. The present value of the defined benefit obligation is the projected future cash flow discounted by the market yields at the end of the reporting period on the bonds that have maturity dates approximating the terms of the obligation and that are denominated in the same currency in which the benefits are expected to be paid. The actuarial gains and losses are recognized in the other comprehensive income when they occur.

#### 16) Income tax

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

1. Current income tax

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

2. Deferred Tax

When measuring the deferred tax asset and deferred tax liability, the Bank and its subsidiary shall use the enacted tax rate for the periods in which deferred tax asset or deferred tax liability are expected to be settled or realized. Due to the temporary difference between the carrying amount of the asset or liability in the consolidated financial report and the tax basis, the deferred income tax is recognized. The main temporary differences are resulted from the valuation of part financial instruments (including derivatives), pension and the reserves of other retirement benefits. If the temporary differences are arising from goodwill or original recognition of other assets and liabilities (excluding the merger) and the transaction does not affect the taxable income and the accounting income, it will not be recognized as deferred tax asset or deferred tax liabilities.

The deferred tax liability shall be recognized for all taxable temporary differences. But the deferred tax asset can only be recognized when there is enough taxable income for deductable temporary differences. The temporary difference related to the investments in subsidiaries, branches and associates shall be recognized as deferred income liability. If the parent company can control the time to reverse the temporary difference and the temporary difference will probably not be reversed in the foreseeable future, the temporary difference is not recognized.

#### 17) Earnings per share

Basic earnings per share: The earnings per share is computed by dividing the net income or loss by the weighted average number of common stocks outstanding over the reporting term.

#### 18) Operating segments

An operating segment is a component of the Bank and its subsidiary that engages in business activities that can generate revenues and expenses (including the revenues and expenses arising from inter-company transactions). The segments' operating results are reviewed regularly by the Bank and its subsidiary's chief operating officer in order to decide the resource allocation and assess the segments' performance. Each segment has separate financial information.

#### (5) Significant accounting judgments, estimations, assumptions, and sources of estimation uncertainty

The preparation of the financial statements, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management continued to monitor the accounting assumptions, estimates and judgments. Management recognized the changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the next period.

#### 1) Impairment loss on loans

The Bank and its subsidiary review loan portfolios to assess impairment periodically. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers (e.g. payment delinquency or default), or economic conditions that correlate with defaults on assets. The management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly in order to decrease the difference between estimated loss and actual loss.

For the valuation of impairment loss of loans, please see note 12.

#### 2) Fair value of financial instruments

The fair value of non-active market or non-quoted financial instruments is determined using valuation techniques. Such fair value is based on observable data of similar financial instruments or valuation model. If there are no observable market parameters, the fair value of financial instruments is evaluated based on appropriate assumptions. If fair value is determined by the valuation model, the model is calibrated to ensure that all output data and the results reflect the actual market price. This valuation model use only observable data as much as possible. But for credit risk (both our own and the contracting parties credit risk), the managements shall estimate the relation and the variation.

For the sensitivity analysis of financial instruments, please see note 42.

#### 3) Income tax

The Bank and its subsidiary need to pay income tax for various countries. When estimating the globe income tax, the Bank relies on significant accounting estimations. Determine the final amount need to go through numerous transactions and calculations. The additional recognition of income tax liability which is related to the tax issue is based on deliberate evaluation of the affection by the issue. The difference between the amount of original estimation and the final amount will affect current income tax and deferred tax.

For the estimation of deferred tax items, please see note 30.

#### 4) Payments to defined contribution retirement benefit plans

The present value of retirement benefit obligation is based on several actuarial assumptions (including the decisions made by Financial Supervisory Commission, R.O.C.). Any changes on these assumptions will influence the fair value of the retirement benefit obligations. One of the assumptions used to determine net pension cost (income) is the discount rate. The Bank determined the appropriate discount rate at the end of each year, and used the rate to calculate the present value of future cash flows on estimated payment of retirement benefit obligation. To determine the appropriate discount rate, the Bank should consider the followings: (1) interest rate of high-quality corporate bonds or government bonds, (2) the currency used for the corporate bonds or government bonds should be inconsistent with the currency used for retirement benefit payments, (3) and the maturity period should be inconsistent with related pension liability periods. Other significant assumptions used on retirement benefit obligations are based on current market conditions.

The significant assumption about the other payments to defined contribution retirement benefit plans are decided according to the current market conditions. Please see note 28 to get further information.

#### (6) Cash and Cash Equivalents

	December 31, 2014	December 31, 2013
Cash on hand	\$ 12,048,866	11,037,948
Foreign currency on hand	10,613,947	7,496,928
Notes and checks for clearing	7,240,754	5,047,909
Placement with banks	125,954,966	95,193,896
Cash in transit	44,064	488,612
Total	<u>\$ 155,902,597</u>	119,265,293

	Dece	mber 31, 2014	December 31, 2013
Cash and cash equivalents in consolidated balance sheets	\$	155,902,597	119,265,293
Placement with the Central Bank of R.O.C. and other banks that meet the definition of cash and cash equivalents in IAS 7		156,883,746	176,106,816
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7		595,977,479	578,848,910
Total	\$	908,763,822	874,221,019

### (7) Placement with Central Bank and Call Loans to Banks

	December 31, 2014	December 31, 2013
Call loans to banks	\$ 118,420,159	146,102,729
Less: allowance for doubtful accounts - call loans to banks	(25,494)	(16,955)
Deposit reserve – account A and account B	105,503,877	95,381,868
Deposit reserve – foreign – currency deposits	395,975	424,306
Deposits in Central Bank – oversea branches	11,473,277	-
Deposits in Central Bank	347,146,227	343,552,124
Total	<u>\$ 582,914,021</u>	585,444,072

According to the Central Bank of the Republic of China Act and the Banking Act, the deposit reserves are determined monthly at prescribed rates based on the average balances of customers' New Taiwan Dollar denominated deposits. The account B deposit reserve is subject to withdrawal restrictions, but reserve for account A and foreign currency denominated deposit may be withdrawn anytime and are non interest earning. Additionally, as of December 31, 2014, and 2013, 60% of the reserve deposits collected on behalf of a government institution amounting to \$4,940,792 thousand dollars and \$5,584,031 thousand dollars, respectively, were deposited in the Central Bank and their use is restricted according to the regulations. In accordance to the definition of placement with Central Bank published by the Financial Examination Bureau of the FSC in March 2014, except for those deposit accounts in the Central Bank of the R.O.C., the placement with Central Bank also includes the oversea branches' deposits reserved based on the local regulations and the accounts with the Central Banks of other countries. Hence, the amount of the oversea branches (excluding the

accounts with the Central Banks of other countries. Hence, the amount of the oversea branches (excluding the Hong Kong Branch) placed with the Local Central Banks has been reclassified from the Call loans to banks to the Deposit reserve-oversea branches.

# (8) Financial Assets Measured at Fair Value through Profit or Loss, Net

	December 31, 2014	December 31, 2013
Financial assets held for trading	\$ 155,647,408	136,565,661
Add: Valuation adjustment	33,502,359	9,880,132
Subtotal	189,149,767	146,445,793
Financial assets designated as fair value through profit or loss	19,194,984	19,931,248
Add: Valuation adjustment	302,217	337,177
Subtotal	19,497,201	20,268,425
Total	<u>\$ 208,646,968</u>	166,714,218

(a) Financial assets measured at fair value through profit or loss were as follows:

- (b) For details of the valuation of financial assets measured at fair value through profit or loss, please see note 41, "The Fair Value and Fair Value Hierarchy of Financial Instruments".
- (c) Details of financial assets held for trading were as follows:

	December 31, 2014	December 31, 2013
Commercial papers	\$ 23,778,638	34,295,502
Government bonds	619,935	672,990
Corporate bonds	7,457	7,366
Financial bonds	10,198	9,826
Foreign exchange call options	10,365	62,480
Structured time deposits	985,292	1,671,209
Treasury bills	1,997,506	4,992,770
Negotiable certificates of deposits	-	1,820,278
Stocks and beneficiary certificates	126,012,149	90,662,116
Foreign government bonds	2,225,868	2,371,124
Add: Valuation adjustment		
Non derivative financial instruments	11,211,115	5,879,101
Foreign exchange call options	11,893	10,383
Cross currency swaps	397,589	9,400
Swaps	21,430,734	3,307,325
Interest rate swaps	48,782	66,593
Forward foreign exchange	391,012	590,261
Fixed-rate commercial papers	(3,130)	(5,294)
Asset swaps	14,125	21,159
Structured time deposit	239	1,204
Total	<u>\$ 189,149,767</u>	146,445,793

(d) Details of financial assets designated as fair value through profit or loss were as follows:

	December 31, 2014	December 31, 2013
Foreign government bonds, corporate bonds, financial bonds and others	\$ 19,194,984	19,931,248
Add: Valuation adjustment	302,217	337,177
Total	<u>\$ 19,497,201</u>	20,268,425

(e) Details of unexpired derivative financial instruments (Notional principal amount) were as follows:

	December 31, 2014	December 31, 2013
Foreign exchange call options	\$ 2,894,574	3,333,886
Swaps	663,396,635	422,785,572
Interest rate swaps	21,727,886	10,392,515
Foreign exchange forward transactions	15,302,755	57,076,615
Fixed-rate commercial paper	1,000,000	1,000,000
Structured time deposit	985,292	1,671,209
Asset swaps	633,400	1,786,800
Cross currency swaps	6,599,600	284,000
Total	<u>\$712,540,142</u>	498,330,597

# (9) Hedging Derivative Financial Instruments

The details of hedging derivatives financial assets were as follows:

	December 31, 2014	December 31, 2013
Fair value hedges :		
Interest rate swap	<u>\$ 25,613</u>	5,443

The details of hedging derivatives financial liabilities were as follows:

	December 31, 2014	December 31, 2013
Fair value hedges :		
Interest rate swap	\$ 99,315	217,229
Asset swap	3,709	8,577
Total	<u>\$ 103,024</u>	225,806

#### Fair value hedge

In order to decrease the fair value volatility caused by changes of market interest rate, the Bank uses interest rate swaps and asset swaps for some debt investments with fixed interest rate. In doing so, the risk exposure position will be calculated by floating interest rate and the interest rate risk will be hedge.

	Hedging Investments		
Hedged Item Designa	Designated Hedging	Fair Value	
	Instruments	December 31, 2014	December 31, 2013
USD subordinated bonds	interest rate swap	\$ (12,593)	(26,820)
USD financial bonds	"	(43,904)	(130,454)
USD corporate debts	"	(19,742)	(41,405)
USD government debts	"	2,537	(13,107)
USD corporate debts	assets swap	(3,709)	(8,577)

The net losses of above hedging instruments in 2014 and 2013 are \$49,365 thousand dollars and \$136,422 thousand dollars, respectively. The net losses of hedged items embedded in hedging instrument in 2014 and 2013 are \$146,704 thousand dollars and \$68,914 thousand dollars, respectively.

# (10) Bills and Bonds Purchased / Sold under Resell (Repurchase) Agreements

The details of bonds and bills purchased / sold under resell (repurchase) agreements were as follows:

	Decemi	oer 31, 2014	December 31, 2013
Bills and bonds purchased under resell agreements:			
Negotiable certificates of deposits	\$	-	2,301,508
Commercial papers		1,746,077	3,811,822
Government bonds		210,486	60,121
Total	\$	1.956.563	6.173.451

	December 31, 2014	December 31, 2013
Bills and bonds sold under repurchase agreements:		
Commercial papers	\$ 449,425	349,417
Government bonds	28,032,845	18,687,286
Corporate bonds	1,053,653	-
Financial bonds	8,044,877	-
Foreign government bonds	437,353	
Total	<u>\$ 38,018,153</u>	19,036,703

# (11) Receivables, Net

	December 31, 2014	December 31, 2013
Notes receivable	\$ 786	1,252
Accounts receivable	992,445	1,075,027
Long-term receivables - payment on behalf of the government	22,148,817	25,627,282
Accrued revenues	893,620	986,181
Interests receivable	16,822,797	13,233,037
Premiums receivable	258,923	212,742
Acceptance notes receivable	2,544,902	2,924,231
Non-recourse factoring	4,777,703	13,194,113
Others – replenishment of national treasury	11,826,581	17,478,404
Others – undelivered spot exchanges	7,150	2,176,345
Other - ATM temporary receipts, payments and interbank differences	1,753,987	1,632,809
Others – FX Swaps	50,899	2,124,901
Others	779,766	2,428,698
Subtotal	62,858,376	83,095,022
Less: allowance for doubtful accounts	288,187	815,986
	<u>\$ 62,570,189</u>	82,279,036

In accordance with Executive Yuan Tai-79-JEN-Cheng-SZU-tsu No. 14525, the Bank paid an excess preferential interest rate of 1.8005%, and excess preferential interest expenses were \$8,177,552 thousand and \$8,125,002 thousand in 2014 and 2013, respectively, due to executing the government premium savings policy.

As of the year ended December 31, 2014 and 2013, the Bank had paid the following premium savings interest expenses on behalf of the government:

	December 31, 2014	December 31, 2013
Long-term receivables	\$ 22,148,817	25,627,282
Short-term advances	53,150,559	54,369,103
Total	<u>\$ 75,299,376</u>	79,996,385

# (12) Loans and Discounts, Net

	December 31, 2014	December 31, 2013
Discounts and export / import negotiations	\$ 6,646,452	6,814,447
Overdrafts	39,498,991	44,915,167
Secured overdrafts	1,181,740	1,887,538
Short-term loans	269,649,975	274,175,162
Accounts receivable financing	472,703	370,777
Short-term secured loans	100,861,809	104,559,769
Accounts receivable secured financing	2,544	3,560
Medium-term loans	627,197,926	603,294,444
Medium-term secured loans	283,824,183	287,920,787
Long-term loans	187,028,177	178,717,832
Long-term secured loans	801,658,508	749,066,075
Non-performing loans	6,279,226	8,742,986
Subtotal	2,324,302,234	2,260,468,544
Less: allowance for doubtful accounts	26,064,270	19,816,086
	\$ 2,298,237,964	2,240,652,458

The movements of allowance for doubtful accounts of loans and receivables were as follows:

		2014	2013
Loans:			
Beginning balance	\$	19,816,086	17,865,982
Allowance for doubtful accounts		6,830,349	2,717,902
Write-off		(2,946,129)	(2,662,128)
Recovery from written-off		2,248,621	1,978,382
Effects of exchange rate changes and others		115,343	(84,052)
Ending balance	<u>\$</u>	26,064,270	19,816,086
Receivables(including other financial assets and so on):			
Beginning balance	\$	931,739	987,525
Reversal of doubtful accounts		(82,833)	(75,331)
Write-off		(525,345)	(14,955)
Recovery from written-off		17,529	20,085
Effects of exchange rate changes and others		29,088	14,415
Ending balance	<u>\$</u>	370,178	931,739
Total	\$	26,434,448	20,747,825

Details of allowance for doubtful accounts were as follows:

	December 31, 2014	December 31, 2013
Call loans to banks	\$ 25,494	16,955
Receivables	288,187	815,986
Loans and discounts	26,064,270	19,816,086
Other financial assets	56,497	98,798
Total	<u>\$ 26,434,448</u>	20,747,825

Details of bad debt expenses and reserves for guarantee liabilities were as follows:

	2014	2013
Bad debts	\$ 6,747,516	2,642,571
Reserves for guarantee liabilities	537,293	(17,527)
Total	\$ 7,284,809	2,625,044

As of December 31, 2014 and 2013, the amounts of loans and receivables on which the interests stopped to accrue were \$6,310,953 and \$8,812,797, respectively, which were booked under loans and discounts – non-performing loans and other financial assets-overdue receivables. As of December 31, 2014 and 2013, the non accrued interests were \$517,921 and \$1,359,114, respectively.

For the date as above, the Bank and its subsidiary did not write off any loan without legal proceedings having been initiated.

# (13) Available-for-sale Financial Assets, Net

	December 31, 2014	December 31, 2013
Negotiable certificates of deposits	\$ 658,400,000	625,200,000
Government bonds	29,037,809	29,269,582
Foreign government bonds, corporate bonds, financial bonds and negotiable certificates of deposits	38,863,890	43,094,836
Financial bonds	1,521,204	2,017,495
Corporate bonds	22,109,886	20,517,320
Financial asset securitization investments	995,505	995,505
TSEC and OTC stocks and certificates	23,402,461	21,919,127
Add: Adjustment valuation	24,516,164	23,652,119
Less: accumulated impairment	(1,154,117)	(1,144,651)
Total	\$ 797,692,802	765,521,333

Please see note 41, "Fair Value And Fair Value Hierarchy of the Financial Instruments", for valuation of available-for-sale financial assets.

# (14) Held-to-maturity Financial Assets, Net

	December 31, 2014	December 31, 2013
Domestic:		
Financial bonds	\$ 11,422,573	6,406,850
Corporate bonds	8,527,671	7,770,770
Negotiable certificates of deposits	3,405,511	9,260,435
Commercial papers	8,990,254	14,432,630
Government bonds	14,244,765	8,015,510
	46,590,774	45,886,195
Foreign:		
Corporate bonds and financial institution bonds	20,941,060	18,825,135
Financial bonds	7,940,683	6,993,548
Negotiable certificates of deposits	1,900,180	1,339,850
	30,781,923	27,158,533
Total	<u>\$ 77,372,697</u>	73,044,728

# (15) Investments under Equity Method, Net

	December 31, 2014		Decemb	per 31, 2013
	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)	Amount
Hua Nan Financial Holdings Co., Ltd.	21.23	\$ 30,558,945	21.23	28,800,466
Taiwan Life Insurance Co., Ltd.	17.77	2,840,938	17.96	2,311,109
Kaohsiung Ammonium Sulfate Co., Ltd.	91.86	2,193,752	91.86	2,328,632
Tang Eng Iron Works Co., Ltd.	21.37	1,377,684	21.37	1,334,645
Tai Yi Real Estate Management Co., Ltd.	30.00	18,798	30.00	17,189
Total		\$ 36,990,117		34,792,041

# 1) Details of the Bank's share of other comprehensive income (loss) of associates and joint venture under equity method were as follows:

	2014	2013
Hua Nan Financial Holdings Co., Ltd.	\$ 316,632	65,714
Taiwan Life Insurance Co., Ltd.	192,334	(991,370)
Tang Eng Iron Works Co., Ltd.	(31,905)	14,247
Total	<u>\$ 477,061</u>	(911,409)

#### 2) The initial costs of the Bank's investments under the equity method were as follows:

Name of Investee	December 31, 2014	December 31, 2013
Hua Nan Financial Holdings Co., Ltd.	\$ 6,863,133	6,863,133
Taiwan Life Insurance Co., Ltd.	712,409	712,409
Kaohsiung Ammonium Sulfate Co., Ltd.	1,377,872	1,377,872
Tang Eng Iron Works Co., Ltd.	1,451,074	1,451,074
Tai Yi Real Estate Management Co., Ltd.	3,793	3,793
Total	<u>\$ 10,408,281</u>	10,408,281

# 3) The share of profit (loss) of associates and joint ventures accounted for using equity method were as follows:

Name of Investee	2014	2013
Hua Nan Financial Holdings Co., Ltd.	\$ 2,787,779	2,133,923
Taiwan Life Insurance Co., Ltd.	311,844	61,873
Kaohsiung Ammonium Sulfate Co., Ltd.	(134,880)	(64,853)
Tang Eng Iron Works Co., Ltd.	74,944	(206,563)
Tai Yi Real Estate Management Co., Ltd.	3,158	1,720
Total	\$ 3,042,845	1,926,100

	December 31, 2014	December 31, 2013
Total assets:		
Hua Nan Financial Holdings Co., Ltd.	\$ 2,259,950,882	2,164,728,571
Taiwan Life Insurance Co., Ltd.	508,321,739	449,732,462
Kaohsiung Ammonium Sulfate Co., Ltd.	3,449,340	3,491,444
Tang Eng Iron Works Co., Ltd.	25,267,432	27,712,833
Tai Yi Real Estate Management Co., Ltd.	102,061	98,783
Total liabilities:		
Hua Nan Financial Holdings Co., Ltd.	2,116,007,105	2,029,067,821
Taiwan Life Insurance Co., Ltd.	492,334,469	436,864,370
Kaohsiung Ammonium Sulfate Co., Ltd.	1,061,193	956,465
Tang Eng Iron Works Co., Ltd.	18,059,450	20,706,907
Tai Yi Real Estate Management Co., Ltd.	39,399	41,487

The financial information of associates was summarized as follows (no adjustment made for the Bank and its subsidiaries' proportionate share):

	2014	2013
Revenue:		
Hua Nan Financial Holdings Co., Ltd.	\$ 38,817,038	35,522,079
Taiwan Life Insurance Co., Ltd.	88,919,402	56,289,187
Kaohsiung Ammonium Sulfate Co., Ltd.	5,713	6,626
Tang Eng Iron Works Co., Ltd.	20,760,477	18,535,991
Tai Yi Real Estate Management Co., Ltd.	70,841	52,695
Net income (loss) for the period:		
Hua Nan Financial Holdings Co., Ltd.	13,131,021	10,051,262
Taiwan Life Insurance Co., Ltd.	1,813,584	477,304
Kaohsiung Ammonium Sulfate Co., Ltd.	(146,833)	(70,600)
Tang Eng Iron Works Co., Ltd.	370,900	(950,941)
Tai Yi Real Estate Management Co., Ltd.	10,527	5,734

1. The investment gains from the investees audited by other auditors were \$2,790,937 and \$2,135,643 in 2014 and 2013, respectively.

- 2. The investment losses from the investees amounting to \$134,880 and \$64,853 in 2014 and 2013, respectively, were based on their unaudited financial statements.
- 3. Since Kaohsiung Ammonium Sulfate Co., Ltd. was in the process of liquidation and the liquidators and supervisors were appointed by the Ministry of Economic Affairs, the Bank and its subsidiary did not have control on it.
- 4. Taiwan Life Insurance Co., Ltd. had issued private equity funds and unsecured subordinated mandatory convertible bonds, which were due on March 28, June 27, September 2, October 1, October 8, and November 6, 2013, and March 6, 2014. The investees were obligated to convert their bonds into shares. The Bank and its subsidiary did not hold any unsecured subordinated mandatory convertible bond; hence, the percentage of ownership was decreased from 18.94% to 17.77%.

# (16) Other Financial Assets, Net

	December 31, 2014	December 31, 2013
Short-term advances	\$ 56,675,763	58,010,235
Less: allowance for doubtful accounts - short-term advances	(33,467)	(36,513)
Debt investments without quoted price in active markets	1,015,013	1,536,129
Financial assets carried at cost	10,786,413	10,779,313
Less: cumulative impairment - financial assets carried at cost	(15,000)	(12,426)
Remittances purchased	10,448	13,622
Less: allowance for doubtful accounts - remittances purchased	(105)	(138)
Overdue receivables	31,726	69,811
Less: allowance for doubtful accounts - overdue receivables	(22,925)	(62,147)
Others	18,630	19,916
Total	<u>\$ 68,466,496</u>	70,317,802

- 1) Please see note 41, "Fair Value And Fair Value Hierarchy of the Financial Instruments", for details of the valuation of hedging derivative financial assets and debt investments without quoted price in active markets for December 31, 2014, and 2013.
- 2) Concerning for the payment of excess preferential interest on behalf of the government, booked under "short-term advances" for December 31, 2014, and 2013, please refer to note 11 for further information.

# (17) Property and Equipment, Net

Changes in the cost, depreciation, and impairment of the properties and equipments of the Bank and its subsidiary for the year ended 2014 and 2013 were as follows:

	Land and Land improvements	Buildings	Machineries and equipments	Transport equipments	Miscellaneous equipments	Leasehold improvements	Constructions in progress and prepayments for equipments	Total
Cost:								
Balance at January 1, 2014	\$86,562,506	14,662,152	6,276,260	1,070,087	994,110	658,653	229,748	110,453,516
Additions	173	2,437	251,744	19,531	31,390	1,626	277,378	584,279
Disposals	(95,451)	-	(183,934)	(37,463)	(34,148)	(685)	-	(351,681)
Reclassification	-	18,162	143,355	4,994	5,484	24,205	(196,200)	-
Effect of change in exchange rates			318	390	846	2,483		4,037
Balance at December 31, 2014	\$86,467,228	14,682,751	6,487,743	1,057,539	997,682	686,282	310,926	110,690,151
Balance at January 1, 2013	\$86,686,694	14,676,285	6,019,377	1,070,210	1,003,207	654,720	347,548	110,458,041
Additions	53,542	5,579	179,398	31,501	26,835	1,542	240,543	538,940
Disposals	(177,730)	(51,686)	(223,482)	(32,660)	(38,629)	(13,668)	-	(537,855)
Reclassification	-	31,974	302,718	1,679	3,681	18,291	(358,343)	-
Effect of change in exchange rates	<u> </u>		(1,751)	(643)	(984)	(2,232)	<u> </u>	(5,610)
Balance at December 31, 2013	<u>\$86,562,506</u>	14,662,152	6,276,260	1,070,087	994,110	658,653	229,748	110,453,516
Accumulated depreciation:								
Balance at January 1, 2014	\$ 13,699	5,962,884	4,622,047	877,387	802,478	580,875	-	12,859,370
Depreciation	362	294,772	457,585	43,907	36,547	35,396	-	868,569
Disposal	-	-	(170,895)	(36,842)	(31,700)	(685)	-	(240,122)

	Land and Land improvements	Buildings	Machineries and equipments	Transport equipments	Miscellaneous equipments	Leasehold improvements	Constructions in progress and prepayments for equipments	Total
Effect of change in exchange rates			286	224	832	1,288	<u> </u>	2,630
Balance at December 31, 2014	<u>\$ 14,061</u>	6,257,656	4,909,023	884,676	808,157	616,874	<u> </u>	13,490,447
Balance at January 1, 2013	\$ 13,337	5,706,244	4,359,264	861,640	800,176	558,491	-	12,299,152
Depreciation	362	306,769	476,812	47,960	38,813	38,869	-	909,585
Disposal	-	(50,129)	(212,195)	(31,788)	(35,690)	(13,668)	-	(343,470)
Effect of change in exchange rates			(1,834)	(425)	(821)	(2,817)		(5,897)
Balance at December 31, 2013	<u>\$ 13,699</u>	5,962,884	4,622,047	877,387	802,478	580,875	<u> </u>	12,859,370
Accumulated impairment:								
Balance at January 1, 2014	\$ 91,535	-	-	-	-	-	-	91,535
Reversal of impairment loss	(616)							(616)
Balance at December 31, 2014	<u>\$ 90,919</u>						<u> </u>	90,919
Balance at January 1, 2013	\$ 72,522	-	-	-	-	-	-	72,522
Impairment loss	19,013							19,013
Balance at December 31, 2014	<u>\$ 91,535</u>							91,535
Carrying amounts:								
December 31, 2014	<u>\$ 86,362,248</u>	8,425,095	1,578,720	172,863	189,525	69,408	310,926	97,108,785
January 1, 2013	<u>\$ 86,600,835</u>	8,970,041	1,660,113	208,570	203,031	96,229	347,548	98,086,367
December 31, 2013	<u>\$ 86,457,272</u>	8,699,268	1,654,213	192,700	191,632	77,778	229,748	97,502,611

The Bank and its subsidiary conducted revaluations of land and buildings for many times over the past years, and the latest time was in December, 2011. As of December 31, 2014, and 2013, the total revaluation increments for land were \$81,907,570 and \$82,013,151, respectively. The total revaluation increments for Buildings were \$34,307.

As of December 31, 2014, the Bank and its subsidiary's properties and equipments neither served as guarantees or collaterals, nor they were pledged.

# (18) Intangible Assets

Changes in costs, amortization, and impairment loss of the intangible assets of the Bank and its subsidiary for the year ended 2014 and 2013 were as follows:

	Computer software
Costs:	
Balance at January 1, 2014	\$ 2,374,902
Additions	271,031
Balance at December 31, 2014	\$ 2,645,933
Balance at January 1, 2013	\$ 2,080,836
Additions	294,066
Balance at December 31, 2013	\$ 2,374,902
Amortization:	
Balance at January 1, 2014	\$ 1,326,877
Amortization for the year	377,639
Balance at December 31, 2014	<u>\$1,704,516</u>
Balance at January 1, 2013	\$ 916,731
Amortization for the year	410,146
Balance at December 31, 2013	<u>\$1,326,877</u>
Carrying amounts:	
December 31, 2014	<u>\$ 941,417</u>
January 1, 2013	<u>\$ 1,164,105</u>
December 31, 2013	<u>\$1,048,025</u>

# (19) Other Assets

	December 31, 2014	December 31, 2013
Foreclosed collaterals and residuals taken over, net	\$ 1,076,959	1,241,449
Advance payments	8,772,943	6,384,472
Operating guarantee deposits and settlement funds	10,000	10,000
Refundable deposits	504,979	136,554
Temporary Payments and Suspense Accounts	188,832	649,641
Inventories	849,303	806,222
Others	1,000	812
Total	<u>\$ 11,404,016</u>	9,229,150

#### 1) Foreclosed collaterals and residuals taken over, net

	Decembe	r 31, 2014	December 31, 2013
Foreclosed collaterals and residuals taken over	\$	1,076,959	1,241,449

#### 2) Advance payments

	December 31, 2014	December 31, 2013
Prepaid expenses	\$ 378,930	686,020
Prepaid interests	1,446	303
Prepaid stock dividends and bonus	3,649,926	3,598,815
Other prepayments	4,742,641	2,099,334
Total	<u>\$ 8,772,943</u>	6,384,472

## 3) Inventories

	December 31, 2014	December 31, 2013
Inventories	\$ 866,675	824,945
Less: allowance for inventory valuation	17,372	18,723
Total	<u>\$ 849,303</u>	806,222

The effects on the cost of goods sold derived from the inventory write-off or reversal for the year ended 2014 and 2013 were as follows:

	2014		2013
Cost of goods sold	\$	1,351	(6,899)

## (20) Impairment

For the year ended 2014 and 2013, the movements of the accumulated impairment were as follows:

	2014	2013
Beginning balance	\$ 1,248,612	1,242,365
Impairment loss recognized for the current period	46,421	22,823
Reversal of impairment loss for the current period	(44,736)	(3,810)
Write-off	-	(16,497)
Effect of foreign exchange rate changes	9,739	3,731
Ending balance	\$ 1,260,036	1,248,612

Details of accumulated impairment were as follows:

	December 31, 2014	December 31, 2013
Available-for-sale financial assets	\$ 1,154,117	1,144,651
Other financial assets	15,000	12,426
Property and Equipment	90,919	91,535
Total	<u>\$ 1,260,036</u>	1,248,612

# (21) Deposits of Central Bank and other banks

	December 31, 2014	December 31, 2013
Deposits from Central Bank	\$ 11,041,140	10,618,857
Deposits from banks – others	37,780,561	30,707,975
Postal deposits transferred	1,263,357	1,673,695
Bank overdrafts	2,066,604	2,725,028
Call loans from bank	104,837,168	207,012,689
Total	<u>\$ 156,988,830</u>	252,738,244

# (22) Financial Liabilities Measured at Fair Value through Profit or Loss

# 1) Details of financial liabilities measured at fair value through profit or loss were as follows:

	Dece	ember 31, 2014	December 31, 2013	
Financial liabilities held for trading	\$	14,846	67,076	
Add: Valuation adjustment		16,160,553	3,932,420	
Subtotal		16,175,399	3,999,496	
Financial liabilities designated as fair value through profit or loss		32,303,400	-	
Add: Valuation adjustment		(563,457)		
Subtotal		31,739,943		
Total	\$	47,915,342	3,999,496	

# 2) For valuation of financial liabilities measured at fair value through profit or loss, please refer to note 41 "Fair Value And Fair Value Hierarchy of the Financial Instruments".

#### 3) Financial liabilities held for trading

	December 31, 2014	December 31, 2013	
Foreign exchange options premium	\$ 14,846	67,076	
Add: Valuation adjustment			
Foreign exchange options premium	9,456	5,773	
Swaps	14,733,442	3,250,504	
Interest rate swaps	278,764	474,589	
Forward foreign exchanges	560,263	201,554	
Asset swaps	578,495	-	
Credit default swaps	133		
Total	<u>\$ 16,175,399</u>	3,999,496	

#### 4) The details of the financial liabilities designated as fair value through profit or loss were as follows:

	December 31, 2014	December 31, 2013
Financial bonds	\$ 32,303,400	-
Add: Valuation adjustment	(563,457)	
Total	<u>\$ 31,739,943</u>	

The Bank was approved by the FSC to issue USD \$1.5 billion of 2014-2 Senior Unsecured Financial Bonds on October 23, 2014. As of December 31, 2014, there were \$480 million dollars of the authorized amount yet to be utilized.

The details of the financial bonds were as follow:

	Conditions			Bond			
Name of bond	Designing	N 4 - 4 · · · · · · · ·			Туре	Amo	unt
	Beginning date	Maturity date	Coupon rate	Face value		December 31, 2014	December 31, 2013
2014-2 Senior unsecured financial bonds-A	2014/11/26	2034/11/26	0%	USD \$100 million	Senior unsecured financial bond	\$ 3,167,000	-
2014-2 Senior unsecured financial bonds-B	2014/11/26	2044/11/26	0%	USD \$480 million	Senior unsecured financial bond	15,201,600	-
2014-2 Senior unsecured financial bonds-C	2014/12/01	2044/12/01	0%	USD \$440 million	Senior unsecured financial bond	13,934,800	-
				Valuation adjustment		(563,457)	
						<u>\$ 31,739,943</u>	

The Bank have embedded call options to the above bonds. The Call options may be exercised 2 years after the issuing date. If the call options are not exercised prior to the bonds maturity date, the Bank will pay the principal and interests accrued in full upon maturity.

#### 5) Unmatured derivative financial instruments (stated at notional amount)

	December 31, 2014	December 31, 2013	
Foreign exchange options premium	\$ 3,283,323	3,330,976	
Swaps	545,836,898	407,155,130	
Interest rate swaps	23,921,204	29,305,358	
Forward foreign exchanges	13,981,671	11,056,676	
Asset swaps	31,477,085	-	
Credit default swaps	192,700		
Total	\$ 618,692,881	450,848,140	

## (23) Payables

	December 31, 2014	December 31, 2013
Accounts payable	\$ 7,723,199	5,612,401
Receipts under custody	1,015,478	1,665,089
Accrued expenses	2,487,611	2,596,035
Other tax payables	564,650	246,277
Interests payable	11,765,747	11,610,771
Banker's acceptances payable	2,552,753	2,931,435
Payables to representative organizations	634,982	311,888
Construction payables	7,949	2,187
Accounts payables – non-recourse factoring	338,219	403,796
Other payables – undelivered spot exchange	24	2,177,539
Other payables – collection bills	2,459,106	2,481,515
Other payables – payments awaiting transfer	5,476,557	5,216,002
Other payables – ATM temporary receipts, payments and inter branch differences	1,715,625	1,638,436
Other payables – foreign exchange awaiting transfer	320,889	411,355
Other payables – amounts awaiting settlement	3,045,600	6,581,445
Other payables – overdue accounts	424,423	425,070
Other payables – others	506,861	447,375
Total	<u>\$ 41,039,673</u>	44,758,616

# (24) Deposits and Remittances

	December 31, 2014	December 31, 2013
Cheques deposits	\$ 34,679,592	32,035,415
Government deposits	227,835,069	201,810,162
Demand deposits	338,415,763	322,486,540
Time deposits	588,825,757	500,792,178
Remittances	2,901,582	617,218
Savings account deposits:		
Demand savings deposits	699,193,320	703,153,584
Staff accounts	23,964,049	23,686,085
Club saving deposits	1,012,102	1,074,974
Non-drawing time savings deposits	358,167,407	406,070,125
Interest withdrawal on principal deposited	818,933,212	759,703,496
Preferential Interest deposits	460,153,869	458,175,449
Total	<u>\$ 3,554,081,722</u>	3,409,605,226

## (25) Financial Bonds Payable

		C	Condition		Bond	
Name of bond	Decipaina	Moturity		Туре	Amo	unt
Name of bond	Beginning date	Maturity date	Interest rate		December 31, 2014	December 31, 2013
2013-1 TWD subordinated unsecured financial bonds	2013/12/2	2023/12/2	The Bank listed annual fixed deposit interest rate of time deposits plus 0.15%.	Subordinated unsecured financial bond	\$ 16,000,000	16,000,000
2014-1 TWD subordinated unsecured financial bonds-A	2014/6/25	2024/6/25	TAIBOR 3M plus 0.30%	Subordinated unsecured financial bond	5,500,000	
2014-1 TWD subordinated unsecured financial bonds-B	2014/6/27	2024/6/27	1.70%	Subordinated unsecured financial bond	2,000,000	
2014-1 TWD subordinated unsecured financial bonds-C	2014/6/27	2024/6/27	The Bank listed annual fixed deposit interest rate of time deposits plus 0.15%	Subordinated unsecured financial bond	1,500,000	-
			Unamortized discount amount		(2,388)	(1,760)
Total					\$ 24,997,612	15,998,240

## (26) Other Financial Liabilities

	December 31, 2014	December 31, 2013
Appropriated loan funds	\$ 99,410	212,398
Principal from structured products	1,657,544	1,031,300
Total	\$ 1,756,954	1,243,698

## (27) Provision

	December 31, 2014	December 31, 2013
Employee benefit obligations	\$ 16,041,209	15,565,848
Guarantee reserve	1,144,965	606,505
Reserve for government employees insurance	240,468,607	216,594,551
Total	<u>\$ 257,654,781</u>	232,766,904

## (28) Employee benefit obligations

	December 31, 2014	December 31, 2013
Recognized in Consolidated Balance Sheet:		
- Defined benefit plans	\$ 8,059,808	7,657,890
<ul> <li>Employees preferential interest deposits</li> </ul>	7,746,881	7,650,766
- Three Chinese festival bonus	234,520	233,404
Total	<u>\$ 16,041,209</u>	15,542,060

## 1) Defined benefit plans

	December 31, 2014	December 31, 2013
Present value of the defined benefit obligations	\$ 15,060,304	14,507,378
Fair value of plan assets	(6,910,165)	(6,742,326)
Deficit in the plan	8,150,139	7,765,052
Unamortized past service cost	(90,331)	(107,162)
Recognized liabilities for defined benefit obligations	\$ 8,059,808	7,657,890

In accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, with regard to the utilization of the Fund, its minimum earnings in the annual distributions

on the final financial statement shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

Regard to the utilization of the Labor Retirement Fund, like the plan funded and yields provides from Bank of Taiwan and the information of asset allocation of the fund, please see Council of Labor Affair's Website.

1. Composition of plan assets

The Bank and its subsidiary allocate pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Bank and its subsidiary labor pension reserve account balance amounted to \$1,067,750 thousand at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

#### 2. Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Bank and its subsidiary in 2014 and 2013 were as follows:

	2014	2013
Defined benefit obligation on January 1	\$ 14,507,378	13,895,584
Benefits paid by the plan	(717,780)	(489,010)
Current service costs and interest costs	883,334	842,479
Actuarial profit or loss	387,372	258,325
Defined benefit obligation on December 31	<u>\$ 15,060,304</u>	14,507,378

#### 3. Movement in fair value of defined benefit plan assets

The movements in fair value of the defined benefit plan assets for the Bank and its subsidiary in 2014 and 2013 were as follows:

	2014	2013
Fair value of plan assets on January 1	\$ 6,742,326	6,380,952
Contributions made	724,524	790,110
Benefits paid by the plan	(650,477)	(509,391)
Expected returns on plan assets	140,457	103,861
Actuarial profit or loss	(46,665)	(23,206)
Fair value of plan assets on December 31	\$ 6,910,165	6,742,326

#### 4. Expenses recognized in profit or loss

Expenses recognized in the income statement of the Bank and its subsidiary in 2014 and 2013 were as follows:

	2014		2013
Current service costs	\$	584,712	624,094
Interest costs		298,622	218,385
Past service costs		16,831	16,831
Expected return on plan assets		(140,457)	(103,861)
Defined benefit obligation on December 31	\$	759,708	755,449

#### 5. Actuarial gains and losses recognized in other comprehensive income

The Bank and its subsidiary actuarial gains and losses recognized in other comprehensive income in 2014 and 2013 were as follows:

	2014	2013
Cumulative amount on January 1	\$ (667,717)	(386,186)
Recognized during the period	(434,037)	(281,531)
Cumulative amount on December 31	<u>\$ (1,101,754)</u>	(667,717)

#### 6. Actuarial assumptions

The mainly actuarial assumptions used were as follows:

	2014	2013
Discount rate	2.16%	2.15%
Expected return rate on plan assets	2.16%	2.15%
Rate of salary increase	2.00%	2.00%

The expected long-term rate of return on plan assets are based on the return of the entire investment portfolio rather than the sum of the returns of each asset class. This rate of return is based on empirical data and will not be adjusted.

The Bank and its subsidiary expect to contribute \$843,433 to the defined benefit plans in one year after the reporting date, December 31, 2014.

#### 7. Experience adjustments of historical information

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Present value of the defined benefit obligations	\$ 15,294,824	14,507,378	13,895,587	13,494,572
Fair value of plan assets	(6,910,165)	(6,742,326)	(6,380,952)	(6,265,722)
Net liability(asset) of defined benefit obligations	<u>\$ 8,384,659</u>	7,765,052	7,514,635	7,228,850
Experience adjustments arising on the present value of the defined benefit obligations	<u>\$ 387,372</u>	1,112,852	364,435	
Experience adjustments arising on the fair value of plan assets	<u>\$ 46,665</u>	23,206	21,754	

# 2) The Bank and its subsidiary preferential interest rate for retired employees exceeds the market interest rate, the Bank and its subsidiary adopt the IAS 19 to calculate the present value of the excess preferential interests.

#### 1. The defined benefit obligations of the Bank and its subsidiary were reconciled as follows:

	December 31, 2014	December 31, 2013	
Present value of the defined benefit obligations	\$ 7,746,881	7,650,766	
Fair value of plan assets			
Deficit in the plan	7,746,881	7,650,766	
Unamortized past service cost			
Recognized liability(asset) for defined benefit obligations	<u>\$ 7,746,881</u>	7,650,766	

#### 2. Actuarial assumptions

	2014	2013
Discount rate of employee preferential deposit	4.00%	4.00%
Expected rate of return on funds deposited	2.00%	2.00%
Lapse rate of account balance	1.00%	1.00%
Probability of preferential deposit system changing (cancellation)	50.00%	50.00%

## 3) Three Chinese festival bonus

#### 1. The defined benefit obligations of the three Chinese festival bonus were as follows:

	December 31, 2014	December 31, 2013
Present value of the defined benefit obligations	\$ 234,520	233,404
Fair value of the plan assets	-	
Recognized defined benefit obligations	\$ 234,520	233,404

The expenses recognized in the income statement were \$4,790 and \$3,161 thousand dollars in 2014 and 2013, respectively. The actuarial gains (losses) recognized as the other comprehensive income were \$16,802 and \$46,473 thousand dollars in 2014 and 2013, respectively.

#### 2. Actuarial assumptions

The main actuarial assumptions used were as follows:

	2014	2013
Discount rate	2.16%	2.15%
Expected rate of return on plan assets	2.16%	2.15%

## 4) Defined contribution plans

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

The Bank and its subsidiary's pension costs under the defined contribution method were \$1,408 thousand and \$1,330 thousand dollars for 2014 and 2013, respectively. Payments were made to the Bureau of the Labor Insurance.

## (29) Other Liabilities

	December 31, 2014	December 31, 2013
Advance collections	\$ 2,265,707	2,030,029
Guarantee deposits received	3,619,667	3,998,511
Temporary receipt awaiting transfer	43,807	188,315
Other liabilities	8,239	8,239
Compensation arising from land revaluation	1,264,803	1,266,345
Total	\$ 7,202,223	7,491,439

## (30) Income Tax Expenses

## 1) Income Tax expenses (benefits)

The income tax expenses for 2014 and 2013 were as follow:

	2014		2013	
Current income tax expense	\$	1,248,477	1,379,799	
Deferred tax expense (benefit)		(63,332)	49,824	
Income tax expenses	<u>\$</u>	1,185,145	1,429,623	

Income tax (expenses) benefits recognized directly in other comprehensive income were as follows:

	2014		2013
Unrealized gain (loss) on available-for-sale financial assets	\$	(7,547)	38,135

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Reconciliations of income tax expenses (benefits) and profit before tax for 2014 and 2013 were as follows:

	2014	2013
Profit before tax	<u>\$ 1,603,670</u>	1,504,084
Tax-exempt income	(57,391)	46,360
Income tax expenses of overseas branches	564,603	552,777
Income basic tax	88,841	7,892
Share of profit (loss) of associates and joint ventures accounted for using equity method	(1,076,611)	(1,052,101)
Others	62,033	370,611
Total	<u>\$ 1,185,145</u>	1,429,623

## Recognized Deferred Tax Assets and Liabilities

Changes in the deferred tax assets and liabilities for 2014 and 2013 were as follows:

Deferred Tax Assets:

	Fair	Value Gains	Others	Total
Balance at January 1, 2014	\$	237,929	3,875	241,804
Recognized in profit or loss		65,150	95,472	160,622
Recognized in other comprehensive income		(40,628)		(40,628)
Balance at 31 December, 2014	\$	262,451	99,347	361,798
Balance at 1 January, 2013	\$	206,935	124,160	331,095
Recognized in profit or loss		(51,650)	(120,285)	(171,935)
Recognized in other comprehensive income		82,644		82,644
Balance at 31 December, 2013	\$	237,929	3,875	241,804

#### Deferred Tax Liabilities:

	Land Value crement Tax	Fair Value Gains	Others	Total
Balance at January 1, 2014	\$ 18,155,012	144,645	-	18,299,657
Recognized in profit or loss	(11,812)	13,709	95,393	97,290
Recognized in other comprehensive income	 	(48,175)		(48,175)
Balance at 31 December, 2014	\$ 18,143,200	110,179	95,393	18,348,772
Balance at 1 January, 2013	\$ 18,201,296	33,399	124,160	18,358,855
Recognized in profit or loss	(46,284)	320	(124,160)	(170,124)
Recognized in other comprehensive income	 	110,926		110,926
Balance at 31 December, 2013	\$ 18,155,012	144,645		18,299,657

# 2) The Bank and its subsidiary's income tax returns have been audited by the MoA up until 2013 and examined by the National Tax Administration up until 2009.

#### 3) Information related to the unappropriated earnings and deduction tax account were summarized below:

	Decembe	r 31, 2014	December 31, 2013
Unappropriated earnings of 1998 and after	\$	8,139,902	7,176,585
Balance of deductible tax account	\$	710,355	548,795

After the Bank's filing of the income tax return, the imputed tax creditable ratio for appropriating the net income for 2014 and 2013 were 7.64% and 7.79% (actual). The integrated income tax is calculated according to the Tai Cai Shui No.10204562810 (October 17, 2013).

## (31) Equity

#### 1) Capital stock

As of December 31, 2014 and 2013, the Bank's authorized and issued shares of common stock were 9,500,000 thousand shares and 7,000,000 thousand shares, respectively. The above mentioned common stock had a par value of \$10.

The Bank and its subsidiary attained approval of the Board of Directors and the Competent Authority. The Bank transferred the capital surplus by \$25 billion dollars to share capital in respect of 2.5 billion shares on October 15, 2014. The Bank had completed its registration in accordance with the law.

#### 2) Capital surplus

According to the ROC Company Act prior to the new amendment on January 4, 2012, capital surplus can only be used to increase share capital by the realized capital surplus after making good the deficit. Capital surplus cannot be used for distribution of cash dividends. According to the new amendment of the ROC Company Act, the Bank can declare dividend with capital surplus. The aforementioned realized capital surplus includes the income derived from the issuance of new shares at a premium and the income from endowments received by the Bank. The share capital capitalized in any one year may not exceed a certain percentage for the Bank's increasing share capital under the Regulations Governing the Offering and Issuance of Securities by Securities Issuers. The Bank may only increase its capital reserve out of the share capital from cash premium on capital stock once a year. The additional capital reserve from the share capital may not be increased during the same fiscal year as the additional share capital from cash premium on capital stock.

#### 3) Legal reserve

In accordance with the Company Act prior to the new amendment on January 4, 2012, the Bank shall set aside 30 percent of the net income after tax as legal reserve until such legal reserve amounts have reach the authorized capital. The legal reserve can only be used to make good the deficit but not use to distribute any cash dividends. According to the amendment of the ROC Company Act, the distribution of the legal reserve by issuing new shares or by cash is allowed only with the approval granted through the shareholder's meeting when the Bank does not have any deficit, and only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

#### 4) Other equity (net of tax)

	Exchange differences arising on translation of foreign operations	Unrealized gain (loss) on available-for-sale financial assets	Total
Balance at January 1, 2014	\$ (308,917)	21,833,905	21,524,988
Exchange differences arising on translation of foreign operations	582,615	-	582,615
Unrealized gain (loss) on available-for-sale financial assets		1,382,878	1,382,878
Balance at December 31, 2014	<u>\$ 273,698</u>	23,216,783	23,490,481
Balance at January 1, 2013	\$ (363,405)	18,046,248	17,682,843
Exchange differences arising on translation of foreign operations	54,488	-	54,488
Unrealized gain (loss) on available-for-sale financial assets		3,787,657	3,787,657
Balance at December 31, 2013	\$ (308,917)	21,833,905	21,524,988

#### 5) Appropriation of earnings

The articles of incorporation of the Bank and its subsidiary stipulate that net income should be distributed in the following order:

- 1.to settle all outstanding tax payable;
- 2.to offset prior years losses;
- 3.to appropriate 30% as legal reserve;
- 4.special reserve

to appropriate 20~40% as special reserve; In accordance with the Order No. 1010012865 issued by the FSC on April 6, 2012, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded in the shareholders equity which the Bank and its subsidiary elect to transfer to retained earnings by application of the exemption under IFRSs No. 1, the Bank and its subsidiary shall set aside an equal amount of special reserve. When the Bank and its subsidiary subsequently use, dispose of, or reclassify the relevant assets, it may reverse to distributable earnings a proportional amount of the special reserve originally set aside. Due to the disposal of lands, the special reserves were reversed by \$25,893 thousand and \$43,083 thousand dollars in 2014 and 2013, respectively.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholder's equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholder's equity pertaining to prior due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholder's equity shall qualify for additional distributions.

5.to appropriate dividends.

The remaining balance would be appropriated, combining accumulated retained earnings, in accordance with related laws and regulations.

According to the Banking Law, before the legal reserve balance amounts to the authorized capital, cash dividend distributions cannot exceed 15% of the authorized capital.

## (32) Net interest income

	2014	2013
Interest income:		
Loans and discounts	\$ 44,033,225	42,026,577
Placement with Central Bank and call loans to banks	10,441,240	6,759,743
Securities investment	9,701,598	9,340,088
Credit cards	32,524	35,663
Bonds purchased under resell agreements	13,192	30,539
Others	1,011,084	1,059,673
	65,232,863	59,252,283
Interest expense:		
Deposits from customers	32,726,729	31,101,979
Deposits of Central Banks and other banks	3,167,445	2,075,545
Bonds sold under repurchased agreements	226,976	97,132
Financial bonds	327,108	19,788
Structured deposits	5,230	64,596
Others		5,349
	36,453,488	33,364,389
Total	<u>\$ 28,779,375</u>	25,887,894

## (33) Service fees, net

	2014	2013
Service fees revenue:		
Trust services	\$ 890,149	823,598
Custody services	132,300	130,498
Foreign exchange business	318,826	290,368
Credit business	890,098	983,651
Credit card services	139,149	162,597
Deposit, remittance and other services	3,650,253	3,484,895
Subtotal	6,020,775	5,875,607
Service fees expense:		
Trust services	89,190	90,110
Custody services	12,891	12,361
Credit card services	102,357	126,877
Deposit, remittance and other services	377,728	370,652
Subtotal	582,166	600,000
Total	\$ 5,438,609	5,275,607

The Bank and its subsidiary provide custody, trust, investment management and advisory services to third parties, therefore, the Bank and its subsidiary plan, manage and make trading decisions about these financial instruments. Trust funds or portfolios, entrusted with management and application, prepare financial statements for internal management purposes and will not include in the financial statements of the Bank and its subsidiary.

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

	2014	2013
Gain on financial assets or liabilities measured at fair value through profit or loss:		
Dividend income	\$ 2,995,469	2,247,502
Net interest income	840,253	957,784
Net gain on disposal	6,101,140	4,351,628
	9,936,862	7,556,914
Gain on financial assets or liabilities measured at fair value through profit or loss – evaluation:		
Net gain on valuation	5,977,969	6,590,692
Total	<u>\$ 15,914,831</u>	14,147,606

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

	2014	2013
Dividend income	\$ 1,260,429	1,000,955
Gain on disposal	 283,592	219,773
Subtotal	 1,544,021	1,220,728
Loss on disposal	481,823	213,338
Total	\$ 1,062,198	1,007,390

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

	2014	2013
Premiums income	\$ 20,948,956	20,863,143
Sales revenue	140,485,498	133,856,424
Subsidized income from government	12,946,954	15,696,251
Benefits and claims	(24,452,013)	(26,426,619)
Cost of goods sold	(140,034,847)	(133,425,788)
Provisions for policy holders' reserve premium	(23,874,056)	(21,922,128)
Excess preferential interest expenses	(10,663,770)	(10,820,906)
Others	210,472	865,783
Total	<u>\$ (24,432,806)</u>	(21,313,840)

## (37) Employee benefits expenses

	2014	2013
Salaries	\$ 10,194,310	10,106,307
Labor and health insurances	544,850	495,832
Pensions	782,029	800,787
Others	202,520	159,698
Total	<u>\$ 11,723,709</u>	11,562,624

## (38) Depreciation and amortization expenses

	2014	2013
Depreciation expenses	\$ 830,017	872,276
Amortization expenses	377,639	410,146
Total	<u>\$ 1,207,656</u>	1,282,422

## (39) Other general and administrative expenses

	2014	2013
Taxes	\$ 2,828,823	1,766,522
Rental expenses	691,253	665,543
Insurance expenses	837,189	810,767
Postage and phone / fax expenses	206,928	207,199
Utilities	231,256	222,332
Supplies expenses	165,896	175,971
Repair and maintenance expenses	399,413	391,580
Marketing expenses	295,561	303,130
Professional service fees	388,489	298,683
Cashes transferring expenses	62,158	52,130
Others	296,978	286,109
Total	<u>\$ 6,403,944</u>	5,179,966

## (40) Earnings per Share

The basic earnings per share of the Bank and its subsidiary was calculated as follows:

		Unit:	thousand dollars /	thousand shares
	20	14	2013	
	Before-Tax	After-Tax	Before-Tax	After-Tax
Consolidated net income	<u>\$ 9,433,353</u>	8,248,208	8,847,551	7,417,928
Weighted average outstanding shares	9,500,000	9,500,000	9,500,000	9,500,000
Basic earnings per share (In dollars)	<u>\$ 0.99</u>	0.87	0.93	0.78

## (41) The Fair Value and Fair Value Hierarchy of the Financial Instruments

## 1) The fair value of financial instruments

## December 31, 2014

December 31, 2014	U	nit: In Thousand of NTD
Item	Book value	Fair value
Financial Assets		
Cash and cash equivalents	\$ 155,902,597	155,902,597
Placement with Central Bank and call loans to banks	582,914,021	582,914,021
Financial assets measured at fair value through profit or loss	208,646,968	208,646,968
Hedging financial assets	25,613	25,613
Bonds and bills purchased under resell agreements	1,956,563	1,956,563
Receivables	62,570,189	62,570,189
Loans and discounts	2,298,237,964	2,298,237,964
Available-for-sale financial assets	797,692,802	797,692,802
Held-to-maturity financial assets	77,372,697	78,035,392
Other financial assets – Debt investments without quoted price in active markets	1,015,013	1,015,013
Other financial assets – Financial assets carried at cost	10,771,413	10,771,413
Other financial assets – Others	56,680,070	56,680,070
Financial Liabilities		
Deposits of Central Bank and other banks	156,988,830	156,988,830
Financial liabilities measured at fair value through profit or loss	47,915,342	47,915,342
Hedging financial liabilities	103,024	103,024
Bills and bonds sold under repurchase agreements	38,018,153	38,018,153
Payables	41,039,673	41,039,673
Deposits and remittances	3,554,081,722	3,554,081,722
Financial Bonds Payable	24,997,612	24,997,612
Other financial liabilities	1,756,954	1,756,954

## December 31, 2013

Book value	Fair value
\$ 119,265,293	119,265,293
585,444,072	585,444,072
166,714,218	166,714,218
765,521,333	765,521,333
5,443	5,443
6,173,451	6,173,451
82,279,036	82,279,036
2,240,652,458	2,240,652,458
73,044,728	73,675,942
1,536,129	1,536,129
10,766,887	10,766,887
58,014,786	58,014,786
252,738,244	252,738,244
3,999,496	3,999,496
225,806	225,806
19,036,703	19,036,703
44,758,616	44,758,616
3,409,605,226	3,409,605,226
15,998,240	15,998,240
1,243,698	1,243,698
\$	585,444,072 166,714,218 765,521,333 5,443 6,173,451 82,279,036 2,240,652,458 73,044,728 1,536,129 10,766,887 58,014,786 252,738,244 3,999,496 225,806 19,036,703 44,758,616 3,409,605,226 15,998,240

#### 2) The financial instruments not measured at fair value

The methods and assumptions to estimate the financial instruments not measured at fair value are as follows.

- 1.Financial instruments that have short term to maturity or of which the agreed prices are close to carrying amounts are recognized using their carrying amounts at reporting date. These financial instruments include cash and cash equivalents, placement with Central Bank and call loans to banks, bills and bonds purchased under resell agreements, receivables, limited assets, deposits of Central Bank and other banks, loans to the Central Bank and other banks, bills and bonds sold under repurchase agreements, payables and guarantee deposits received.
- 2. The discounts and loans (including non-performing loans): The Bank and its subsidiary use the floating interest rate to be the interest rate of loans. The floating interest rate can also reflect the market interest rate. So it is reasonable to use the carrying amount and the recoverability to estimate the fair value. The mid-term and long-term loans using with fixed interest rate should use the discounted present value of expected future cash flow to estimate their fair value. However, if the loans with fixed interest rate are minor, it is reasonable to use the carrying amount and their recoverability to estimate their fair value.
- 3. Held-to-maturity financial assets: The quoted price in an active market shall be used to estimate the fair value. Otherwise, the quoted price of the counterparty or the valuation methods will be used instead.
  - (a)New Taiwan Dollar Government Bonds: The "Government Bonds Fair Value" offered by the Taipei Exchange is used to evaluate the bonds.
  - (b)New Taiwan Dollar Corporate Bonds and Financial Bonds: The present value is decided by the present value discounted at the yield offered by the Taipei Exchange or the fair value offered by the Taipei Exchange.
- 4. Deposits and Remittances: The Bank and its subsidiary consider the characteristic of bank industries to decide the fair value. The deposits with market interest rate are those almost with due within one year and their carrying amounts are reasonable basis for estimating the fair value. The long-term deposits with fixed interest rate are measured using the discounted present value of expected future cash flow. Because the term to maturity is less than three years, it is reasonable to use the carrying amount to estimate the fair value.
- 5. Financial Bonds Payable: It refers to the convertible corporate bonds and financial bonds issued by the Bank and its subsidiary. Their coupon rates are almost equal to the market interest rate, so it is reasonable to using the discounted present values of the expected future cash flow to estimate their fair values. The present values are almost equal to the carrying amounts.
- 6.Other Financial Assets Bonds Investments with Non-active Market: If there are related transactions or quoted price from market makers, the latest strike price or quoted price should be used to measure the fair value. Otherwise, use the valuation methods to estimate the discounted present value of cash flow.
- 7.Other Financial Assets Financial Assets Carried at Cost: Because there is no quoted price in the active market and the interval of estimated fair values is significant or it is not reasonable to evaluate the probability of each estimated fair value within the interval, therefore, the fair value cannot be measured reliably. Hence, the Bank and its subsidiary can not disclose the fair value.

#### 3) Financial instruments measured at fair value

Fair value is the amount at which the asset could be bought or sold in a current transaction between both parties, or transferred to an equivalent party.

Financial instruments are recognized by using the fair values (usually the purchased price) originally. In sequential measurements, all financial instruments are measured at fair value except for some that are

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measured at amortized cost. The best evidence of fair value is the quoted price in active market. If the financial instruments are not in the active market, the Bank and its subsidiary use the valuation techniques, information of Bloomberg or the quoted price of counterparty to measure the fair value.

If the financial instruments have quoted prices in an active market, then use the quoted prices should be used as the fair values. The strike prices in main stock exchanges and the announced price of popular government bonds in the Taipei Exchange are the measurement basis for the fair value of equity instruments and debt instruments with quoted prices in an active market.

A financial instrument is regarded as being quoted in an active market if the Bank and its subsidiary can attain the quote prices from stock exchanges, brokers, underwriters, industries associations, service organizations and the authorities timely and regularly, and the prices are used as the representative. If the above conditions are not attained, the market is regarded as non-active. In general, the wide bid-ask spread, the increasing bid-ask spread or the decreasing volume of trade are the indicators of a non-active market.

Except those with quoted price in an active market, the fair values of the other financial instruments are attained by valuation techniques or quoted prices from countered parties. The fair value calculated using valuation techniques can refer to the present fair values of financial instruments with similar conditions and characteristics, the discounted cash flow method or other valuation techniques, including the modular valuation method of which the calculated values are computed using attainable market information (such as yield curve offered by the Taipei Exchange and the commercial paper fixing rates of Reuters.)

When evaluating the financial instruments that are not standardized and complex, such as bond investments with non-active market, interest rate swaps, FX swaps and options, the Bank and its subsidiary adopt the valuation technique widely accepted by market participants. The parameters used by the valuation model are usually observable market information.

Aiming at the financial instruments with high complexity, the Bank and its subsidiary use the valuation methods widely used by other banks and the self-developed valuation models to measure the fair value. These valuation models usually apply to derivatives, debt instruments of embedded derivatives or securitized products. Parts of the parameters used are not included in the observable market information. The Bank and its subsidiary should make the proper estimate according to some assumptions.

#### 4) The Fair Value Hierarchy

#### The Three-level Definition

(a)Level 1

It refers to the quoted price of similar financial instruments in an active market. An active market indicates the market that is in conformity with all the following conditions. The products in the market have homophily; it is easy to find a willing party; the price information is attainable for the public. The equity investments, beneficiary certificates, popular Taiwan government bonds and derivatives with quoted price in an active market are classified as level 1.

(b)Level 2

The observable prices include direct (such as prices) or non-direct (such as those inferred from the prices) observable input parameters attained from an active market except the quoted prices in an active market. The non-popular government bonds, corporate bonds, financial bonds, convertible bonds, most of the derivatives and the financial bonds issued by the Bank and its subsidiary belongs to level 2.

(c) Level 3

The input parameters used are not based on observable market information. Part of the derivatives and equity investments with non-active market belongs to level 3.

The Fair Value Hierarchy of the Financial Instruments:

	December 31, 2014						
Financial instruments measured at fair value	Total	Level 1	Level 2	Level 3			
Non-derivative financial instruments							
Assets:							
Financial assets measured at fair value through profit or loss	\$ 185,360,067	140,802,360	44,557,707	-			
Financial assets held for trading	165,862,866	139,536,970	26,325,896				
Investment in stocks	74,683,461	74,683,461	-	-			
Investment in bonds	3,047,927	2,495,113	552,814	-			
Others	88,131,478	62,358,396	25,773,082	-			
Financial assets designated as fair value through profit or loss	19,497,201	1,265,390	18,231,811	-			
Available-for-sale financial assets	797,692,802	50,720,593	746,972,209				
Investments in stocks	45,200,564	45,200,564	-	-			
Investment in bonds	89,848,129	3,265,349	86,582,780	-			
Others	662,644,109	2,254,680	660,389,429	-			
Liabilities:							
Financial liabilities measured at fair value through profit or loss	31,739,943	-	31,739,943	-			
Financial liabilities designated as fair value through profit or loss	31,739,943	-	31,739,943	-			
Derivative financial instruments							
Assets:							
Financial assets measured at fair value through profit or loss	23,286,901	-	23,286,901	-			
Hedging derivatives financial assets	25,613	-	25,613	-			
Liabilities:							
Financial liabilities measured at fair value through profit or loss	16,175,399	9,112	16,166,287	-			
Hedging derivatives financial liabilities	103,024	-	103,024	-			

		December	r 31, 2013	
Financial instruments measured at fair value	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 160,979,498	100,830,044	59,852,398	297,056
Financial assets held for trading	140,711,073	98,990,260	41,720,813	
Investment in stocks	54,301,549	54,301,549	-	-
Investment in bonds	3,319,365	2,699,988	619,377	-
Others	83,090,159	41,988,723	41,101,436	-
Financial assets designated as fair value through profit or loss	20,268,425	1,839,784	18,131,585	297,056
Available-for-sale financial assets	765,521,333	49,180,396	716,340,937	
Investment in stocks	43,866,637	43,866,637	-	-
Investment in bonds	92,623,633	4,455,616	88,168,017	-
Others	629,031,063	858,143	628,172,920	-
Derivative financial instruments				
Assets:				
Financial assets measured at fair value through profit or loss	5,734,720	-	5,734,720	-
Hedging financial assets	5,443	-	5,443	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss	3,999,496	34,966	3,964,530	-
Hedging derivatives financial liabilities	225,806	-	225,806	-

#### Unit: In Thousand of NTD December 31, 2014 Evaluation Decrease Increase of gains and Effect of Sale. Transferred from level 3 Transferred profit or loss of rate change to level 3 discount or settle a Financial assets measured at fair value through profit or loss Financial assets designated as fair 297,056 744 18,900 316,700 value through profit or loss Total 297,056 744 18,900 316,700 \$

#### Reconciliation for fair value measurements in Level 3 of the fair value hierarchy was as follows:

December 31, 2013										
			Incre	ease	Dec	rease				
Account	Balance at January 1, 2013	Evaluation of gains and losses profit or loss or the amount of equity	Buy, issue or discount	Transferred to level 3	Sale, disposal or settle at premium	Transferred from level 3	Effect of exchange rate change	Balance at December 31, 2013		
Financial assets measured at fair value through profit or loss										
Financial assets designated as fair value through profit or loss	\$ 1,146,388	14,268	29,800	-	893,400	-	-	297,056		
Available-for-sale financial assets	202,900	1,525	825,927		208,778	821,574				
Total	<u>\$ 1,349,288</u>	15,793	855,727		1,102,178	821,574		297,056		

### 5) The sensitivity analysis for the financial assets measured at fair value classified to Level 3.

The fair value measurement of the Bank and its subsidiary are believed to be reasonable. However, if different valuation models or parameters are used, the valuation results will be different. The financial instruments classified in the third level, if there were  $\pm 1\%$  changes of the parameters, the impact on the income or the other comprehensive income are as follows.

	Effect on Pro	ofit and Loss	Effect on Other Comprehensive Income		
	Favorable	Unfavorable	Favorable	Unfavorable	
December 31, 2013					
Assets					
Financial assets at fair value through profit or loss					
Financial assets designated as fair value through profit or loss	\$ 6	(6)	-	-	
Available-for-sale financial assets	-	-	1	(1)	

The favorable or unfavorable changes refer to the volatility of fair value which is calculated using different observable input parameters. No influence exists on December 31, 2014.

If the fair value is affected by more than one parameter, the above table only reflects the influence owing to a single parameter. The Bank and its subsidiary do not consider the correlation and variance.

## (42) Financial Risk Management

#### 1) Overview

The Bank and its subsidiary's activities have expose to various risks from financial instruments, which included credit risk, market risk, operational risk, interest rate risk, liquidity risk, national risk, legal risk and so forth. The principle of risk management is as follow:

- 1. Monitor the BIS Capital Adequacy Ratio in response to operation scale, credit risk, market risk, operational risk and the operating trades in the future.
- 2. Establish a systematic risk measure and control mechanism to measure, monitor and control every risk.
- 3. Manage every business risk considering the risk capacity, capital reserve, nature of debts and performance.

- 4. Establish a valuation method for the quality and classification of assets, control the intensity of exposure and significant exposure, check periodically and recognize allowance for loss.
- 5. Establish information system protection mechanism and emergency plan for bank operation, transactions, and information. Build an independent and effective risk management mechanism and strengthen the risk management of business through appropriate policies, procedures, and systems.

#### 2) Risk management structure

The risk management structure of the Bank and its subsidiary is composed of the Board of Directors, risk management committee, risk management department and every operational unit.

- 1. The Board of Director is the final decision maker for risk management and is responsible for the result of risk. The Board of Director should decide the entire risk management policies in view of operational strategies and business environment to monitor the risk management mechanism which understand the risk status and maintain the appropriate Capital Adequacy Ratio in response to all risk.
- 2. Risk management committee under the Board of Directors is responsible for executing risk management policies and coordinating interdepartmental management of risk.
- 3.Risk management department is responsible to monitor, trace the execution status of risk management policies and submit reports to the board of directors or risk management committee. If a significant risk exposure is discovered, the risk management department has to make appropriate procedures and report them to the board of directors.
- 4. Every department should identify, evaluate, and control the risks of new products or business, set related risk management regulations as a guideline, and monitor the risk management to ensure the risk control of entire company.
- 5.All operational units shall comply with the regulations for risk management.

#### 3) Credit Risk

1. Causes and definition of credit risk

Credit risk refers to the default risk resulted from the borrowers, issuers and contracting parties who fail to meet their contractual obligations due to their credit deterioration or other factors (such as the argument between the borrower and their counter party). The credit risk is derived from the assets, liabilities or off-balance sheet items. The assets and liabilities indicate loans, placement with banks, call loans to banks, security investments and so on. Off-balance sheet items are guarantees, acceptances, L/C, loan committees and so on.

2. Identification and measurement of credit risk

To ensure the credit risk is in a tolerable range, the Bank and its subsidiary set the credit risk management policies which identified that the credit risk includes all the transactions and business related to the assets, liabilities and off-balance sheet items. Before executing present or new businesses, the Bank and its subsidiary shall identify the credit risk, understand the risk exposure through appropriate evaluation and assess the possibilities of default.

Except that the local financial supervisory institutions have their own regulations, the overseas business units of the Bank and its subsidiary shall conduct the credit ability of the loans and discounts and recognized impairment in accordance with the "Operational Manual of Evaluating the Impairment of Loans and Receivables". The followings are the content of the mechanism of credit assets categories and post-loan management and internal credit rating.

(a)Credit assets categories and post-loan management

The Bank and its subsidiary set the "Operational Manual of Evaluating the Impairment of Loans and Receivables" and classify the credit assets into five categories. Except for the normal credit assets that are classified at the first category, the other bad credit rating assets are classified as the second category- requiring attention, the third category- collectable, the forth category- hard to collect and

the fifth category- impossible to collect by assessing the collaterals and overdue days. In order to reinforce the post-loan management, the Bank and its subsidiary set the "Credit Review and Follow up Evaluations Provision", the "Review of the Credit Conducted by Managers Provision" and "Warning Mechanism Provision" and evaluate and monitor the quality of credit assets regularly. Also, the Bank and its subsidiary keep retrial according to rating of credit cases and check significant credit case periodically to enhance the management of abnormal credit for the intention of warning and interim monitor.

(b) Internal credit rating

When conducting credit review, the Bank and its subsidiary will obtain necessary collateral to mitigate risk arising from financial loss due to the environment, economic changes, risk factors of business development strategies and policies. In order to balance the credit risk and earnings target, they strengthen the market competitiveness of products, strive for customer identification and broaden the business. The following are the credit process of corporate finance and consumer finance.

a) Corporate Finance

The Bank has established a credit policy under which each new customer is analyzed individually for creditworthiness before the interest rate is offered. The Banks review includes external rating, when available, and in some cases, the information that is publicly available. The corporate credit rating score classify companies into two types, the large-scale enterprise and the medium-scale enterprise. Then they measure their scale, financial and business status, business management and industry characteristic. There are eight credit ratings, all in all.

b) Consumer Finance

The Bank and its subsidiary use the credit application scorecard and behavior scorecard, both of which have five grades to consider the credit risk evaluation and differential interest rate. Unsecured consumer loans are graded based on seven scoring items and classified into five ratings. The Bank and its subsidiary will reject those below the lowest scores; the others are reviewed in accordance with related provisions.

## 3. Management of maximum exposure to credit risk and excessive risk concentration

- (a) In accordance with the Banking Law, there is a credit limitation management for the Bank and its subsidiary's person in charge, employees, and any interested party. In respect to credit intensity, the Bank and its subsidiary provide credit and investment quota rules for the same enterprise, and industry. The Bank and its subsidiary also limit and manage the credit amount for enterprises, groups and every industry.
- (b) The Bank and its subsidiary's Treasury Department, OBU, and foreign branches provide different credit amount according to external credit evaluation and rankings when having a transaction in the currency market or capital market, foreign exchange, new financial instruments transactions and negotiable security transactions.
- (c) To diversify the risk for countries, the Bank and its subsidiary allocate different credit amount according to the ranking of the countries in Euromoney to the Financing Department, OBU, and foreign branches. The covered businesses are loan assets, transaction assets, and off balance sheet positions.

4. Policies of credit risk deduction

Considering both credit control and business expansion, the Bank and its subsidiary shall request collaterals or guarantees to decrease the credit risk. The permitted collaterals and guarantees included mortgages on real estate or properties (i.e., land, building, machinery, car, ship, aircraft, etc.), pledges of securities or other rights (i.e., certificates of deposit; various bonds, stocks, or other securities), guarantees provided by the government agencies, banks, or credit guarantee institutions authorized by the government, and any other guarantees or collaterals approved by the Bank and its subsidiary.

5. The maximum credit exposure to the credit risk of financial assets (without considering the allowance for bad debt, collaterals and guarantees)

#### (a) Assets in the Financial Statements

			U	nit: In Million of NTD
	Decembe	er 31, 2014	Decembe	er 31, 2013
Item	Book Value	Maximum credit exposure (Note 1)	Book Value	Maximum credit exposure (Note 2)
Cash and cash equivalents	\$ 126,259	96,311	86,974	62,903
Placement with Central Bank and call loans to banks	582,940	129,894	585,461	146,103
Financial assets measured at fair value through profit or loss	69,832	67,301	67,424	61,832
Available-for-sale financial assets	797,691	110,148	765,519	110,741
Hedging derivatives financial assets	26	26	5	5
Bonds and bills purchased under resell agreements	1,957	1,957	6,173	6,173
Receivables	51,481	27,940	86,203	58,437
Loans and discounts	2,324,302	2,197,992	2,260,469	2,141,316
Held-to-maturity financial assets	27,527	17,168	15,376	12,623
Other financial assets	74,802	27,432	70,418	23,183
Total	\$ 4,056,817	2,676,169	3,944,022	2,623,316

Note 1: December 31, 2014

(1) The amount of non-performing loans which included the department of loan management was \$6,279 million.

- (2) Apart from cash, the maximum exposure to credit risk of other assets shall exclude the debts (including tax receivables, placement with Central Bank and deposits in Central Bank) from the government and the Central Bank. Explanations were as follows:
  - 1) Cash and cash equivalents exclude cash and notes and checks for clearing (\$29,948 million).
  - Placement with Central Bank and call loans to banks exclude placement with Central Bank and deposits in Central Bank (\$453,046 million).
  - Financial assets measured at fair value through profit or loss exclude treasury bonds (\$1,996 million) and government bonds (\$535 million).
  - Available-for-sale financial assets exclude government bonds (\$29,217 million) and negotiable certificate of deposits (\$658,326 million).
  - 5) Receivables exclude tax receivables (\$1,392 million) and long-term receivables (\$22,149 million).
  - 6) Loans and discounts exclude loans to government (\$126,310 million).
  - 7) Held-to-maturity financial assets exclude government bonds (\$10,359 million).
  - 8) Other financial assets exclude short-term advances to government (\$47,370 million).
- (3) The book value of hedging derivatives is the principal of the hedging instruments (IRS); and the amount of greatest credit exposure is the adjusted amount of hedging derivatives at fair value.
- (4) This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.
- Note 2: December 31, 2013
  - (1) The amount of non-performing loans which included the department of loan management was \$8,743 million.
  - (2) Apart from cash, the maximum exposure to credit risk of other assets shall exclude the debts (including tax receivables, placement with Central Bank and deposits in Central Bank) from the government and the Central Bank. Explanations were as follows:
    - 1) Cash and cash equivalents excludes cash and notes and checks for clearing (\$24,071 million).
    - Placement with Central Bank and call loans to banks excludes placement with Central Bank and deposits in Central Bank (\$439,358 million).
    - Financial assets measured at fair value through profit or loss exclude government bonds (\$602 million) and treasury bonds (\$4,989 million).
    - Available-for-sale financial assets exclude government bonds (\$29,508 million) and negotiable certificate of deposits (\$625,270 million).
    - 5) Receivables exclude tax receivables (\$2,139 million) and long-term receivables (\$25,627 million).
    - 6) Loans and discounts exclude loans to government (\$119,153 million).
    - 7) Held-to-maturity financial assets exclude government bonds (\$2,754 million).
    - 8) Other financial assets exclude short-term advances to government (\$47,235 million).
  - (3) The book value of hedging derivatives is the principal of the hedging instruments (IRS); and the amount of greatest credit exposure is the adjusted amount of hedging derivatives at fair value.
  - (4) This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

#### (b)Off-Balance Sheet Items

				L L				
		December	r 31, 2014	Decembe	December 31, 2013			
ltem		Book Value	Maximum credit exposure (Note 1)	Book Value	Maximum credit exposure (Note 2)			
Irrevocable loan commitment (with credit agreement)	\$	453,152	22,612	483,971	93,801			
Letter of credit receivables		29,146	28,308	32,738	32,362			
Deposits receivables	_	83,522	83,522	83,280	83,276			
Total	\$	565,820	134,442	599,989	209,439			

Note 1: December 31, 2014

- (1) While measuring the maximum exposure to credit risk, the Bank and its subsidiary only consider the items that are positive at the reporting date, the off-balance commitments and guarantee contracts and exclude the position to the government.
  - 1) Irrevocable loan commitment with credit agreement excludes \$430,540 million.
  - 2) Letter of credit receivables exclude \$838 million.
- (2) This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers. Note 2: December 31, 2013
  - (1) While measuring the maximum exposure to credit risk, the Bank and its subsidiary only consider the items that are positive at the reporting date, the off-balance commitments and guarantee contracts and exclude the position to the government.
    - 1) Irrevocable loan commitment with credit agreement excludes \$390,170 million.
    - 2) Letter of credit receivables exclude \$376 million.
    - 3) Acceptance receivable excludes \$4 million.
  - (2) This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

#### 6.Concentration of credit risk

When the transaction of financial instruments is concentrated in a single industry or region, the ability to oblige the contract would be impacted by similar factors, thereby, causing concentration of credit risk.

The credit risk of the Bank and its subsidiary is derived from credit, placement with banks, call loans to banks, security investments and so on. Disclosures of concentration of credit risk by industries, regions and collaterals were as follows:

(a) Industry

Unit: In Million of NTD;								
Inductry type	Decembe	December 31, 2014 December 31, 2013						
Industry type	Book Value(Note 1)	%	Book Value(Note 2)	%				
Finance and insurance	\$ 1,097,493	31.71%	1,058,076	31.48%				
Individuals	827,607	23.91%	785,104	23.36%				
Manufacturing	390,431	11.28%	426,103	12.68%				
Government Agencies	403,944	11.67%	367,730	10.94%				
Electricity and gas supply	117,160	3.39%	144,634	4.30%				
Shipping, warehousing and communications	126,265	3.65%	124,170	3.69%				
Others	497,826	14.39%	455,341	13.55%				
Total	<u>\$ 3,460,726</u>	100.00%	3,361,158	100.00%				

Note 1: December 31, 2014

- (1) The carrying amounts include loans (\$2,324,302 million), call loans to banks, overdraft of banks and placement with banks (\$214,731 million), security investments (\$921,693 million) and so on. Loans refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and nonperforming loans (\$6.279 million). Security investments include bonds and stocks. Bonds are measured at fair value. However, the bonds classified as held-to-maturity financial assets or bond investments in non-active market are carried at cost. Equity investments are measure at fair value but those classified as cost of long-term equity investments under the equity method and financial assets carried at cost are measured at cost.
- (2) This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

#### Note 2: December 31, 2013

- (1) The carrying amounts include loans (\$2,260,469 million), call loans to banks, overdraft of banks and placement with banks (\$209,006 million), security investments (\$891,683 million) and so on. Loans refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and nonperforming loans (\$8,743 million). Security investments include bonds and stocks. Bonds are measured at fair value. However, the bonds classified as held-to-maturity financial assets or bond investments in non-active market are carried at cost. Equity investments are measure at fair value but those classified as cost of long-term equity investments under the equity method and financial assets carried at cost are measured at cost.
- (2) This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

#### (b)Region

				Unit: I	n Million of NTD; %	
	December 31, 2014			December 31, 2013		
Areas type	Book Value (Note 1)		%	Book Value (Note 2)	%	
Domestic	\$	3,080,445	89.01%	3,007,243	89.47%	
Foreign		380,281	10.99%	353,915	10.53%	
Total	\$	3,460,726	100.00%	3,361,158	100.00%	

#### Note 1: December 31, 2014

- (1) The carrying amounts include loans (\$2,324,302 million), call loans to banks, overdraft of banks and placement with banks (\$214,731 million), security investments (\$921,693 million) and so on. Loans refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and nonperforming loans (\$6,279 million). Security investments include bonds and stocks. Bonds are measured at fair value. However, the bonds classified as held-to-maturity financial assets or bond investments in non-active market are carried at cost. Equity investments are measure at fair value but those classified as cost of long-term equity investments under the equity method and financial assets carried at cost are measured at cost.
- (2) This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

#### Note 2: December 31, 2013

- (1) The carrying amounts include loans (\$2,260,469 million), call loans to banks, overdraft of banks and placement with banks (\$209,006 million), security investments (\$891,683 million) and so on. Loans refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and nonperforming loans (\$8,743 million). Security investments include bonds and stocks. Bonds are measured at fair value. However, the bonds classified as held-to-maturity financial assets or bond investments in non-active market are carried at cost. Equity investments are measure at fair value but those classified as cost of long-term equity investments under the equity method and financial assets carried at cost are measured at cost.
- (2) This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

#### (c) Collateral

Unit: In Million of NTD; %

			•		
	December	<sup>-</sup> 31, 2014	December 31, 2013		
Type of collateral	Book Value(Note 1)	%	Book Value(Note 1)	%	
Non-secured	\$ 1,011,065	43.50%	995,040	44.02%	
Secured	1,313,237	56.50%	1,265,429	55.98%	
Guarantee	164,527	7.08%	165,852	7.34%	
Securities	97,631	4.20%	104,255	4.61%	
Real estate	967,901	41.64%	915,951	40.52%	
Chattel	82,895	3.57%	79,041	3.50%	
Valuables	283	0.01%	330	0.01%	
Total	<u>\$ 2,324,302</u>	100.00%	2,260,469	100.00%	

Note 1: The carrying amounts only contain loans which refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and non-performing loans (\$6,279 million at December 31, 2014; \$8,743 million at December 31, 2013).

Note 2: This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

#### NPL but not impai December 31, 2014 Total (A)+(B)+(C) Net (A)+(B)+(C)-(D) Impairment Amount(C) No objective Good Medium Weak Non-evaluate Subtotal(A) objective Account receivables Credit card 156,611 93,939 111,819 490,966 504 853,839 26,495 12,268 892,602 3,633 4,599 884,370 business Others 1,032,090 5,304,400 2,082,512 1,344,716 652.646 10,416,364 185,991 10,602,355 88.779 78,725 10,434,851 Loans and 227,360,664 1,168,514,290 458,759,655 296,229,628 143,772,428 2,294,636,665 29,665,569 2,324,302,234 9,810,913 16,253,357 2,298,237,964 Discounts Performing loans Impairment loss(D) NPL but Total (A)+(B)+(C) December 31, 2013 Impairment Amount(C) not impair amount(B) Good Weak Subtotal(A) (A)+(B)+(C)-(D) Non-evaluate objectiv Account receivables Credit card 136.076 862.819 892.312 82.960 104.677 538.468 638 27.169 6.751 896.739 3.595 832 business Others 824,418 4,250,300 1,644,828 1,318,754 557,091 8,595,391 284,199 8,879,590 111,212 161,494 8,606,884 Loans and 213,073,655 1,098,504,465 425,111,425 340,836,311 143,981,970 2,221,507,826 38,960,718 2,260,468,544 8,294,687 11,521,399 2.240.652.458

#### a) Credit Quality Analysis for Loans and Discounts and Receivables

Discounts

#### b) Credit Quality Analysis for Non-Overdue and Performing Discounts and Loans by Sector

Unit: In Thousand of NTD

Unit: In Thousand of NTD

December 31, 2014		Performing loans								
	Very good	Good	Medium	Weak	Non-evaluate	Total				
Government agencies	126,310,471	231,728,326	-	-	-	358,038,797				
Financial, investment, and insurance industries	11,550,000	12,942,443	23,291,330	2,025,006	206,289	50,015,068				
Corporate and business	85,333,668	115,397,430	365,813,377	266,035,922	21,774,952	854,355,349				
Individuals	-	782,888,924	6,377,570	-	29,946,898	819,213,392				
Others	4,166,525	25,557,167	63,277,378	28,168,700	91,844,289	213,014,059				
Total	227,360,664	1,168,514,290	458,759,655	296,229,628	143,772,428	2,294,636,665				

December 31, 2013	Performing loans								
December 31, 2013	Very good	Good	Medium	Weak	Non-evaluate	Total			
Government agencies	119,152,825	205,285,759	-	-	-	324,438,584			
Financial, investment, and insurance industries	11,740,000	9,125,920	25,096,598	5,356,268	337,394	51,656,180			
Corporate and business	79,084,248	121,692,224	345,635,947	311,516,989	21,198,461	879,127,869			
Individuals	-	739,591,313	6,795,765	-	29,997,043	776,384,121			
Others	3,096,582	22,809,249	47,583,115	23,963,054	92,449,072	189,901,072			
Total	213,073,655	1,098,504,465	425,111,425	340,836,311	143,981,970	2,221,507,826			

### (d) Credit Quality Analysis for Security Investments

									U	nit: In Tho	usand of NTD
	Performing loans						NPL but	Impairment	Total	With objective	Net
Item	Very good	Good	Medium	Weak	Non-evaluate	Subtotal(A)	not impair amount(B)	Amount(C)	(A)+(B)+(C)	evidence (D)	Net (A)+(B)+(C)-(D)
Available-for-sale Financial Assets											
Bond investment	58,836,806	20,556,843	9,626,896	-	827,584	89,848,129	-	1,154,117	91,002,246	1,154,117	89,848,129
Stock investment	1,042,982	13,777,469	29,245,137	-	908,748	44,974,336		-	44,974,336	-	44,974,336
Others	658,326,820	178,174	1,923,493	-	2,441,850	662,870,337		-	662,870,337	-	662,870,337
Held-to-maturity Financial Assets											
Bond investment	53,961,320	2,726,381	4,899,918	1,387,154	101,980	63,076,753		-	63,076,753	-	63,076,753
Others	12,395,764	316,700	475,050	1,108,430	-	14,295,944		-	14,295,944	-	14,295,944
Other financial assets											
Stock investment	-	-	-	-	10,758,726	10,758,726		27,687	10,786,413	15,000	10,771,413
Bond investment	1,015,013	-	-	-	-	1,015,013		-	1,015,013	-	1,015,013

#### December 31, 2014

#### December 31, 2013

#### Unit: In Thousand of NTD Performing loans Impairment Amount(C) Total (A)+(B)+(C) objective evidence Net (A)+(B)+(C)-(D) not impair amount(B) Good Medium Weak Subtotal(A) Non-evaluate Available-for-sale Financial Assets 1,144,651 Bond investment 59,378,225 22,473,020 9,519,261 -1,253,127 92,623,633 1,144,651 93,768,284 92,623,633 Stock investment 8,541,478 22,921,179 11,697,098 706,882 43,866,637 -43,866,637 43,866,637 858,142 629,031,063 - 629,031,063 629,031,063 Others 626,244,894 1,187,099 740,928 Held-to-maturity Financial Assets 39,234,936 1,986,672 5,511,650 1,180,295 98,260 48,011,813 48,011,813 48,011,813 Bond investment --24,288,415 25,032,915 25,032,915 25,032,915 Others 297,800 446,700 -\_ Other financial assets 10,766,887 Stock investment 10,751,626 10,751,626 27,687 10,779,313 12,426 \_ 1,238,329 297,800 1,536,129 1,536,129 1,536,129 Bond investment

#### 7. Aging Analysis of Overdue but Not Impaired Financial Assets

#### Unit: In Thousand of NTD

ltom	December 31, 2014					
Item	Overdue less than 1 month Overdue 1 to 3 months Total					
Accounts Receivable						
- Credit Card Business	\$ 2,463	3,528	5,991			

#### Unit: In Thousand of NTD

ltom	December 31, 2013				
ltem	Overdue less than 1 month Overdue 1 to 3 months Total				
Accounts Receivable					
– Credit Card Business	\$ 4,031	3,083	7,114		

Allowance for Loans and Receivables

#### Loans

December 31, 2014						
Item		Total Loans	Allowance for doubtful accounts			
There is objective evidence of impairment on individual asset	Individual assessment of impairment	17,444,146	4,282,588			
	Collective assessment of impairment	12,221,423	5,528,325			
There is no objective evidence of impairment on individual asset	Collective assessment of impairment	2,294,636,665	16,253,357			
Subtotal		2,324,302,234	26,064,270			

Receivables (including other financial assets)

December 31, 2014						
Item		Total Loans	Allowance for doubtful accounts			
There is objective evidence of impairment on individual asset	Individual assessment of impairment	252,376	174,772			
	Collective assessment of impairment	167,030	86,887			
There is no objective evidence of impairment on individual asset	Collective assessment of impairment	237,577,066	108,519			
Subtotal		237,996,472	370,178			
Total			26,434,448			

### Loans

December 31, 2013					
Item		Total Loans	Allowance for doubtful accounts		
There is objective evidence of impairment on individual asset	Individual assessment of impairment	26,226,653	3,746,466		
	Collective assessment of impairment	12,734,065	4,548,221		
There is no objective evidence of impairment on individual asset	Collective assessment of impairment	2,221,507,826	11,521,399		
Subtotal		2,260,468,544	19,816,086		

### Receivables (including other financial assets)

December 31, 2013						
Item		Total Loans	Allowance for doubtful accounts			
There is objective evidence of impairment on individual asset	Individual assessment of impairment	765,591	622,364			
	Collective assessment of impairment	189,985	109,609			
There is no objective evidence of impairment on individual asset	Collective assessment of impairment	286,335,842	199,766			
Subtotal		287,291,418	931,739			
Total			20,747,825			

- 8. Disclosures Requested by the Regulations Governing the Preparation of Financial Reports by Public Banks
  - (a) Asset Quality of Overdue Loans and Receivables

	December 31, 2014							
Type / Item			Amount of overdue loans (Note 1)	Total amount of loans	Ratio (%) (Note 2)	Allowance for doubtful debt	Coverage ratio(%) (Note 3)	
Entorpriso	Secured		2,909,662	587,106,404	0.50%	9,004,821	309.48%	
Enterprise	Non secu	ired	870,004	973,869,570	0.09%	8,988,137	1,033.11%	
	House m	ortgage (Note 4)	1,838,618	517,234,676	0.36%	4,891,391	266.04%	
	Cash card		-	-	-	-	-	
Consumer finance	Micro cre	dit (Note 5)	22,325	5,830,031	0.38%	90,330	404.61%	
iniarioo	Others	Secured	1,317,729	208,896,043	0.63%	1,965,367	149.15%	
	(Note 6)	Non secured	253,205	31,365,511	0.81%	1,124,224	444.00%	
Total			7,211,543	2,324,302,235	0.31%	26,064,270	361.42%	
		Overdue receivables	Account receivable	Ratio (%)	Allowance for bad debt	Cover ratio		
Credit card I	Credit card business		2,058	982,600	0.21%	11,740	570.46%	
Non-recours	e factoring	(Note 7)	-	4,777,703	-	47,777	-	

	December 31, 2013							
	Type / I	tem	Amount of overdue loans (Note 1)	Total amount of loans	Ratio (%) (Note 2)	Allowance for doubtful debt	Coverage ratio(%) (Note 3)	
Entorpriso	Secured		5,602,450	585,195,174	0.96%	7,555,467	134.86%	
Enterprise	Non secu	ired	875,316	952,598,065	0.09%	6,483,815	740.74%	
	House mortgage (Note 4) Cash card		2,003,414	482,187,068	0.42%	3,383,529	168.89%	
			-	-	-	-	-	
Consumer	Micro cre	dit (Note 5)	39,137	6,170,904	0.63%	83,635	213.70%	
	Others	Secured	1,246,139	198,045,853	0.63%	1,251,443	100.43%	
	(Note 6)	Non secured	240,896	36,271,480	0.66%	1,058,197	439.28%	
Total			10,007,352	2,260,468,544	0.44%	19,816,086	198.02%	
		Overdue receivables	Account receivable	Ratio (%)	Allowance for doubtful debt	Cover ratio		
Credit card	Credit card business		4,859	1,037,065	0.47%	14,679	302.10%	
Non-recours	e factoring	(Note 7)	-	13,194,113	-	133,796	-	

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

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

Note 3: Coverage ratio of loans: Allowance for possible losses for loans÷Nonperforming loans. Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables÷Nonperforming credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: Based on the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts, and exclude credit cards and cash cards.

Note 6: Other consumer banking loans refer to secured or unsecured loans that exclude housing mortgages, cash cards, credit cards and small-scale credit loans.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494),non-recourse factoring are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

## (b) Non-Performing Loans and Overdue Receivables Exempted from Reporting

			Unit: In	Thousand of NTD	
	December	<sup>.</sup> 31, 2014	December 31, 2013		
	Excluded NPL	Excluded overdue receivables	Excluded NPL	Excluded overdue receivables	
As a result of debt consultation and loans agreement	1,388	-	2,272	-	
As a result of debt solvency and restart plan	63,399	22,034	79,898	21,374	
Total	64,787	22,034	82,170	21,374	

## (c) Concentration of Credit Risk

Unit: In Million of NTD; %								
	December 31, 2014							
Rank	Group Name	Credit Extensions Balance	% of Net Asset Value					
1	A Company – railway transportation	71,250	28.06%					
2	B Company – petroleum and coal products manufacturing	49,357	19.44%					
3	C Company – iron smelting industry	31,400	12.37%					
4	D Company – air transportation	26,244	10.34%					
5	E Company – real estate development	17,507	6.89%					
6	F Company – LCD and its component manufacturing industry	15,814	6.23%					
7	G Company – real estate development	14,606	5.75%					
8	H Company – retailing	12,106	4.77%					
9	I Company – real estate leasing industry	12,021	4.73%					
10	J Company – real estate leasing industry	11,749	4.63%					

	December 31, 2013							
Rank	Group Name	Credit Extensions Balance	% of Net Asset Value					
1	A Company – railway transportation	72,358	29.36%					
2	B Company – petroleum and coal products manufacturing	51,503	22.18%					
3	C Company – iron smelting industry	34,076	16.07%					
4	D Company – air transportation	23,187	8.69%					
5	E Company – LCD and its component manufacturing industry	18,118	7.90%					
6	F Company – LCD and its component manufacturing industry	16,964	6.02%					
7	G Company – real estate development	16,570	5.29%					
8	H Company – petroleum and coal products manufacturing	15,949	4.92%					
9	I Company – overseas transportation	13,885	4.05%					
10	J Company – LCD and its component manufacturing industry	13,441	3.83%					

#### (d) Average Amounts and Current Average Interest Rates on Interest-bearing Assets and Liabilities

Unit: In Thousand of NTD; 9						
	Decembe	r 31, 2014	December	r 31, 2013		
	Average	Average interest rate (%)	Average	Average interest rate (%)		
Interest earnings assets						
Call loans and placement with banks	\$ 137,923,999	4.30	205,198,715	1.12		
Placement with Central Bank	462,737,139	0.90	368,493,457	1.14		
Financial assets	806,539,814	1.16	778,442,778	1.14		
Negotiation, discounts and total loans	2,335,987,982	1.88	2,219,992,364	1.89		
Interest bearing liabilities						
Deposit of Central Bank	13,043,141	-	12,892,812	-		
Deposits and call loans from banks	300,108,502	0.81	222,818,213	0.62		
Demand deposits	326,446,304	0.14	312,632,355	0.14		
Demand savings	722,802,793	0.73	714,168,872	0.76		
Time savings	1,628,630,007	1.87	1,642,580,790	1.86		
Time deposits	538,520,450	1.35	492,891,652	1.12		
Government deposits	214,753,786	0.34	201,493,112	0.34		
Structured products	1,701,807	1.21	8,150,051	0.79		
Financial bonds	20,454,842	1.50	1,314,931	1.50		

Lipite in Thousand of NITD: 0/

#### 4) Liquidity Risk

#### 1. Causes and definition of liquidity risk

The definition for liquidity risk is the Bank and its subsidiary encounter difficulty in meeting the obligations with its financial liabilities and causes the losses, for example, a saving account cancels its saving ahead of time, the ways or conditions to call loans to banks drop, creditors' credit become worsen and cause an exceptional condition, financial instruments cannot be financed and etc. The situation mentioned above may reduce the cash flow for lending, trading, and investing activities. In some extreme situation, the poor liquidity position may decrease the level of balance sheet, sale assets, or the possibility of not fulfilling the contractual loan balance. Liquidity risk is containing in the inherent risk of bank operation, and could be affected by a separate industry or whole market's incident, which are included but not only as: credit event, consolidation or merger and acquisition, system shock, and natural disaster.

- 2. Management policies of liquidity risk
  - (a) To optimize the structure of assets and liabilities, the Bank and its subsidiary set up an Assets and Liabilities Management Committee of which the chairperson is the general manager and the vice chairpersons are the vice general managers to decide the direction of assets and liabilities management, to manage the liquidity portion and interest rate risk, and to review the structure of deposits and loans and so on.
  - (b) To enforce the management of liquidity and interest rate risk and maintain suitable liquidity for higher effectiveness of capital and good operations, the Bank and its subsidiary set up policies for liquidity and interest rate risk. Assets and Liabilities Management Committee discusses the liquid position and risk management every month and reports to the Board of Directors periodically.
  - (c) Management of liquidity risk
    - a) Maintain liquidity reserve ratio: According to "Liquidity Guidelines for Financial Institutions" published by the Central Bank, the Bank and its subsidiary have to maintain the liquidity reserve ratio of deposit balances greater than 15%.
    - b) Management of loan and deposit ratio: Set the loan and deposit ratio of NTD between 65% and 87% as a risk indicator.
    - c) Short term gap analysis: Calculate 1~10 day and 11~30 day gaps which should be greater than zero.

- d) Foreign currency gap management: Make sure the ratio of accumulated capital liquidity gap to each currency assets of the major foreign currencies of the Bank and its subsidiary measured for every month and every term under one year between ±50% and ±40%.
- e) Fund management: Utilize the Assets and Liabilities Management Information System to analyze the gaps of assets and liabilities and the change of the structure. Allocate appropriate fund and adjust the fund structure according to financial status. For NTD fund management, the bank maintains appropriate cash and cashable securities on hand, draw up notice about NTD fund management and request every unit to notify on significant cash transactions, analyze the gaps for maturity amount of purchased bills, bonds and call loans to control the fund trend and decrease the liquidity risk. For foreign currencies, manage the financial gap of actual amount received on due date and payment in a year by using the maturity method.
- f) Establish "Bank of Taiwan operational crisis management plan" to prevent and response quickly to the crisis.

#### 3. Maturity date analysis of non derivative financial liabilities

These tables represent the cash outflow analysis of non derivative financial liabilities according to the unexpired term of the contracts. The disclosed amounts are presented on the basis of contract cash flows, so some disclosed items do not correspond to the accounts in the financial statements.

December 31, 2014	0~30days	31~90days	91days~1year	Over one year	Total
Cash and cash equivalents	29,947,631	-	-	-	29,947,631
Placement with Central Bank and call loans to banks	10,519,993	259,536,958	154,009,378	284,828,152	708,894,481
Financial assets measured at fair value through profit or loss, net	26,619,609	8,983,456	3,922,968	169,120,935	208,646,968
Bonds and bills purchased under resell agreements	1,956,563	-	-	-	1,956,563
Available-for-sale financial assets, net	569,068,604	55,194,394	62,130,911	111,298,893	797,692,802
Held-to-maturity financial assets, net	1,346,733	5,735,462	3,482,523	66,807,979	77,372,697
Hedging derivatives financial assets	25,613	-	-	-	25,613
Financial assets carried at cost	-	-	-	10,771,413	10,771,413
Debt investments without quoted price in active markets	-	-	-	1,015,013	1,015,013
Investments under equity method, net	-	-	-	36,808,701	36,808,701
Receivables, net	21,495,107	1,195,263	983,114	17,036,075	40,709,559
Loans and discounts, net	181,781,299	245,783,798	369,874,946	1,513,936,513	2,311,376,556
Non-performing loans	-	-	-	6,310,952	6,310,952
Total assets	842,761,152	576,429,331	594,403,840	2,217,934,626	4,231,528,949
Deposits of Central Bank and other banks	46,225,819	41,407,130	27,612,866	41,743,015	156,988,830
Payables	18,812,901	18,410	726,117	21,499,894	41,057,322
Financial liabilities measured at fair value through profit or loss	84,575	6,325	22,765	47,801,677	47,915,342
Bonds and bills sold under repurchase agreements	18,816,086	18,014,255	1,187,812	-	38,018,153
Hedging derivatives financial liabilities	103,024	-	-	-	103,024
Other financial liabilities	1,566,710	9,376	-	180,868	1,756,954
Deposits and remittances	377,592,971	385,682,260	1,163,261,851	1,627,544,640	3,554,081,722
Total liabilities	463,202,086	445,137,756	1,192,811,411	1,738,770,094	3,839,921,347

December 31, 2013	0~30days	31~90days	91days~1year	Over one year	Total
Cash and cash equivalents	24,071,397	-	-	-	24,071,397
Placement with Central Bank and call loans to banks	46,303,400	256,834,452	176,593,750	200,906,366	680,637,968
Financial assets measured at fair value through profit or loss, net	29,103,324	11,889,240	1,891,283	123,830,371	166,714,218
Bonds and bills purchased under resell agreements	6,173,451	-	-	-	6,173,451
Available-for-sale financial assets, net	538,863,357	72,151,111	43,016,951	111,489,914	765,521,333
Held-to-maturity financial assets, net	3,028,658	4,458,451	1,772,046	63,785,573	73,044,728
Hedging derivatives financial assets	5,443	-	-	-	5,443
Financial assets carried at cost	-	-	297,800	10,469,087	10,766,887
Debt investments without quoted price in active markets	-	-	-	1,536,129	1,536,129
Investments under equity method, net	-	-	-	34,792,041	34,792,041
Receivables, net	18,590,736	1,099,258	542,290	37,235,453	57,467,737
Loans and discounts, net	163,301,678	204,827,328	401,781,358	1,475,001,443	2,244,911,807
Non-performing loans	89,280	-	-	8,723,517	8,812,797
Total assets	829,530,724	551,259,840	625,895,478	2,067,769,894	4,074,455,936
Deposits of Central Bank and other banks	129,004,745	69,604,499	23,205,716	30,923,284	252,738,244
Payables	2,308,073	22,032	191,522	42,291,757	44,813,384
Financial liabilities measured at fair value through profit or loss	298,138	12,436	-	3,688,922	3,999,496
Bonds and bills sold under repurchase agreements	7,559,338	10,139,305	1,338,060	-	19,036,703
Hedging derivatives financial liabilities	225,806	-	-	-	225,806
Other financial liabilities	844,480	5,820	-	393,398	1,243,698
Deposits and remittances	278,132,901	360,538,416	1,092,957,454	1,677,983,268	3,409,612,039
Total liabilities	418,373,481	440,322,508	1,117,692,752	1,755,280,629	3,731,669,370

## 4. Maturity analysis of derivatives

December 31, 2014 Derivative financial instruments	1.Overdue less than 1 month	2.Overdue 1 to 3 months	3.Overdue 3 to 6 months	4.Overdue 6 months to 1 year	5.Overdue 1 to 5 years	6.Overdue more than 5 years	Total	
Financial assets and liabilities measured at fair value through profit or loss, Derivative instruments (Foreign exchange)								
Foreign exchange outflow	13,459,995	8,415,236	3,019,136	598,602	923,473	-	26,416,442	
Foreign exchange inflow	13,457,093	8,415,085	3,019,136	598,602	923,473	-	26,413,389	
Financial assets and liabiliti	ies measured a	at fair value th	rough profit or	loss, Derivativ	e instruments	(Interest)		
Interest outflow	661,292,842	309,724,144	159,989,232	56,812,069	3,274,691	15,552,846	1,206,645,824	
Interest inflow	675,926,059	319,052,755	171,324,138	67,170,483	8,639,606	-	1,242,113,041	

### Unit: In Thousand of NTD

Unit: In Thousand of NTD

December 31, 2013 Derivative financial instruments	1.Overdue less than 1 month	2.Overdue 1 to 3 months	3.Overdue 3 to 6 months	4.Overdue 6 months to 1 year	5.Overdue 1 to 5 years	6.Overdue more than 5 years	Total	
Financial assets and liabilities measured at fair value through profit or loss, Derivative instruments (Foreign exchange)								
Foreign exchange outflow	15,677,870	22,562,838	17,503,414	7,367,359	934,200	-	64,045,681	
Foreign exchange inflow	15,674,033	22,562,826	17,503,414	7,367,359	934,200	-	64,041,832	
Financial assets and liabiliti	es measured a	at fair value th	rough profit or	loss, Derivativ	e instruments	(Interest)		
Interest outflow	464,112,648	237,100,965	70,001,818	34,905,452	2,418,302	-	808,539,185	
Interest inflow	487,129,464	251,354,922	73,466,910	40,557,600	2,324,255	-	854,833,151	

#### 5. Loans and Discounts and Receivables

If the off-balance credit items of the Bank and its subsidiary are classified as "Under One Year", "One to Five Years" and "Above Five Years", the maturity analysis of both off-balance items and lease agreements and capital expenditures are disclosed together.

Unit: In Thousand of NT								
December 31, 2014	0-30 days	31-90 days	91-180days	181 days- 1 year	Over 1 year	Total		
Irrevocable loan commitment	134,332	141,284,296	1,683,967	291,469,577	18,416,632	452,988,804		
Irrevocable credit card commitment	-	-	-	-	162,817	162,817		
Unused letter of credit	10,564,271	2,233,385	4,764,923	8,697,743	2,885,282	29,145,604		
Guarantee receivables	59,987,734	1,618,619	2,659,328	9,277,132	9,978,899	83,521,712		
Total	70,686,337	145,136,300	9,108,218	309,444,452	31,443,630	565,818,937		

#### Unit: In Thousand of NTD

Linit: In Thousand of NTD

December 31, 2013	0-30 days	31-90 days	91-180days	181 days- 1 year	Over 1 year	Total
Irrevocable loan commitment	30,758,896	4,118,989	5,517,038	222,411,089	220,983,396	483,789,408
Irrevocable credit card commitment	-	-	-	-	181,155	181,155
Unused letter of credit	12,101,424	1,883,702	4,756,040	11,070,019	2,926,396	32,737,581
Guarantee receivables	59,546,656	2,682,266	4,270,037	6,726,054	10,054,518	83,279,531
Total	102,406,976	8,684,957	14,543,115	240,207,162	234,145,465	599,987,675

### 6. Maturity Analysis of Lease Agreements and Capital Expenditures

The lease agreements of the Bank and its subsidiary refer to operational lease. Maturity analysis of lease agreements and capital expenditures were as follows:

December 31, 2014	Less than1 year	1-5 years	Over 5 years	Total
Lease agreements				
Operating lease payments (Lessee)	(347,515)	(668,851)	(423)	(1,016,789)
Operating lease income(Lessor)	164,302	145,843	-	310,145
Total	(183,213)	(523,008)	(423)	(706,644)
December 31, 2013	Less than1 year	1-5 years	Over 5 years	Total
Lease agreements				
Operating lease payments (Lessee)	(339,419)	(601,210)	(2,218)	(942,847)
Operating lease income(Lessor)	163,768	194,544	-	358,312
Total	(175,651)	(406,666)	(2,218)	(584,535)

Disclosures requested by the "Regulations Governing the Preparation of Financial Reports by Public Banks"

#### 7. Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

#### December 31, 2014

						Unit. In The		
		Amount for each remaining period to maturity						
	Total	Less than 10 days	11~30 days	31~90 days	91~180 days	181~365 days	Over 1 year	
Major matured capital inflow	\$ 3,572,506,059	426,125,463	693,008,423	544,620,366	305,014,773	307,220,542	1,296,516,492	
Major matured capital outflow	3,922,205,574	228,893,076	316,359,654	546,930,570	511,736,873	905,129,168	1,413,156,233	
Capital gap	(349,699,515)	197,232,387	376,648,769	(2,310,204)	(206,722,100)	(597,908,626)	(116,639,741)	

#### December 31, 2013

		Amount for each remaining period to maturity							
	Total	Less than 10 days	11~30 days	31~90 days	91~180 days	181~365 days	Over 1 year		
Major matured capital inflow	\$ 4,117,733,506	562,463,838	493,559,719	466,852,869	320,938,660	415,868,601	1,858,049,819		
Major matured capital outflow	4,415,453,288	249,116,920	340,534,164	470,392,572	443,306,072	911,257,389	2,000,846,171		
Capital gap	(297,719,782)	313,346,918	153,025,555	(3,539,703)	(122,367,412)	(495,388,788)	(142,796,352)		

#### Maturity Analysis of Assets and Liabilities (United State Dollars)

#### December 31, 2014

#### Unit: In Thousand of USD

Unit: In Thousand of USD

Unit: In Thousand of NTD

		Amount for each remaining period to maturity						
	Total	Less than 30 days	31~90 days	91~180 days	181~365 days	Over 1 year		
Major matured capital inflow	\$ 45,203,458	16,092,595	10,230,926	5,266,681	2,692,906	10,920,350		
Major matured capital outflow	45,203,458	22,283,601	8,984,827	3,516,780	1,934,638	8,483,612		
Capital gap	-	(6,191,006)	1,246,099	1,749,901	758,268	2,436,738		

#### December 31, 2013

		Amount for each remaining period to maturity						
	Total	Less than 30 days	31~90 days	91~180 days	181~365 days	Over 1 year		
Major matured capital inflow	\$ 39,266,625	16,050,485	10,035,536	3,997,457	1,794,465	7,388,682		
Major matured capital outflow	39,266,625	20,234,639	10,487,811	2,500,952	1,815,095	4,228,128		
Capital gap	-	(4,184,154)	(452,275)	1,496,505	(20,630)	3,160,554		

#### 5) Market risk

#### 1. Causes and definition of market risk

Market risk means the changes in market price that lead to the fair value and future cash flow volatility risk of the held financial instruments, even if it is not included in the financial statements. The risk factors usually refer to interest rate, exchange rate, equity investment and price. When the factors change, the Bank and its subsidiary's net operating income and the value of investment portfolio will have volatility risk.

The main market risks of the Bank and its subsidiary are interest rate risk, exchange rate risk and equity investment risk. The main position of interest rate risk includes transactions with conditions, bonds, securities investments, interest rate swaps and so on. The main position of exchange risks includes forward exchange, foreign exchange swaps, FX options and so on. The main position of equity investment risk includes stocks, funds, stock market index futures and so on.

#### 2. Management policies of market risk

The Bank and its subsidiary set up market risk management regulations and policies according to the risk management strategies approved by the Board of Directors, the Basel Accord and government regulations. In order to identify, assess, measure and monitor various risks of investments, they also decide the quota of investments and stop-loss point for financial instruments by types and characteristics in accordance with whole management target and offer reports to the Board of Directors, risk management committee and high-level managers.

#### 3. Procedure of market risk management

#### (a) Identification

The identification procedures are as follows. First, use the business analysis or product analysis to identity the market risk factors of financial instruments. Second, measure the market risk of all financial instruments according to the risk factors changes of the important exposure. Finally, identify the market risk factors of every constitution of structured products and use the factors as the measurement basis. The above risk factors include interest rate, exchange rate and price of equity security.

(b)Measurement

The Bank and its subsidiary's market risk exposure can be classified into trading book and banking book. The financial instruments belong to trading book that are measured at market value every day. They also belong to banking book that are measured at market value at least once a month. The quoted price, if any, from external market is used as the valuation basis. Otherwise, the prices offered by the counterparties. The Bank and its subsidiary use a consistent measurement standard and adopt the quoted price in the active market first. If the quoted price comes from non active market, the Bank and its subsidiary should indicate the source of the price and pay attention to the reasonability.

(c) Monitor and Report

The Bank and its subsidiary conduct various risks monitoring for ordinary trading activities. The monitor includes the control of market risk position and profit and loss, the control of exposure and quota of investments, the control of concentration, the sensitivity analysis and the stress testing. They report to the risk management committee or the Board of Directors to let the directors understand the market risk control status. The Bank and its subsidiary also have communication mechanism. Each operating units put forward transaction information to management departments periodically in order to ensure accuracy and effectiveness, and communicate the events when trading amount excesses the quota, important events and abnormal conditions.

4. Management policies of trading book risk

The trading book refers to the financial instruments held for trading or hedging. The positions held for trading mean the positions that are held to earn profit from the buy-sell spread. The positions not belonging to trading book are regarded as banking book.

(a) Policy and Procedure

The Bank formulates "Taiwan Bank Trading Book Management Provision" as important guideline for all trading units.

(b) Valuation Policy

The financial instruments belong to trading book that are measured at market value every day. They also belong to banking book that are measured at market value at least once a month. There are two valuation methods, market price valuation and modular valuation. While adopting market price valuation method, the Bank and its subsidiary use quoted price in an active market as the valuation basis. If the financial instrument does not have any quoted price in an active market, the Bank and its subsidiary will measure it using the quoted price from the counterparties. While adopting modular valuation method, all parameters need to be evaluated every day. The Bank and its subsidiary use a consistent measurement standard and adopt quoted price in active market first. If the quoted price comes from non active market, the Bank and its subsidiary should indicate the source of the price and pay attention to the reasonability.

- (c) Measurement Method
  - a) The Bank and its subsidiary conduct stress testing to calculate the influence of every risk factor. The simulated situations are ±15% changes of equity security price, ±100 bps changes of market interest rate and ±3% changes of foreign exchange.
  - b) Check the market price every month.
  - c) Prepare the risk monitor report to chief director and put it on the Bank's website as reference.
- 5. Interest rate risk management for trading book
  - (a) Definition of Interest Rate Risk

The interest rate risk means the changes of interest rate that lead to the fair value changes or loss. The main products include securities related to interest rate and derivatives.

(b) Procedures of Interest Rate Risk Management

The Bank and its subsidiary set quota and stop-loss points for short-term securities, bonds and derivatives related to interest rate. Each trading units measure the market price for the position of trading book every day and submit monthly reports to risk management department and quarterly reports to the risk management committee and the Board of Directors.

#### (c) Measurement Method

The Bank and its subsidiary also use the PV01 and Duration to monitor the influence of interest risk.

6. Interest rate risk management for banking book

The main management purpose is to strengthen the interest rate risk management, increase the effectiveness of capital usage and improve the business.

#### (a)Strategy

The interest rate risk management increases the Bank and its subsidiary's flexibility in order to measure, manage and hedge the interest rate risk. The Bank and its subsidiary formulate "Liquidity and Interest Rate Management Strategies" to reinforce the management and maintain proper liquidity and adjust the interest rate sensitivity gap for the steady long-term profitability and business growth.

(b) Management Procedure

In order to adapt the economic financial environment changes and to fulfill the capital requirement, the Bank and its subsidiary conduct different pricing management strategies, such as adopting variable or fixed interest rate, and use financial futures, foreign exchange swaps, interest rate swaps to manage the interest rate sensitivity gap. To adjust the interest rate sensitivity gap properly, the risk management department monitors the ratio of interest rate sensitivity assets to interest rate sensitivity liabilities, the ratio of NTD capital gap to equity and the interest rate sensitivity gap of foreign exchange, and report monthly to the risk management committee and board of directors.

#### (c) Measurement Method

The Bank and its subsidiary use the "Assets and Liabilities Management Information System" to identify interest rate sensitivity assets and liabilities and analyses the maturity gap and changes of maturity structure as the basis of interest rate risk management and pricing strategies. They also make proper financial transfer and adjust the capital structure to lower the liquidity risk and increase the profit.

#### 7. Exchange rate risk management

#### (a) Definition of Exchange Rate Risk

The exchange rate risk refers to the profit or loss resulted from two different currencies transferred at different times. The Bank and its subsidiary's exchange rate risk is derived from exchange, forward exchange, FX swaps, cross currency swaps, and foreign exchange options. Because the Bank squares customer's position every day, the exchange rate does not have any significant risk.

(b) Management Procedures and Measurement Method of Exchange Rate Risk

To control the exchange rate risk, the Bank and its subsidiary set different quotas and stop-loss point for employees with different levels and have annual total loss quota to control the loss in a tolerable range.

The Bank conduct stress testing. The simulated situations are  $\pm 3\%$  changes of exchange rate for every currency. The relevant statements are disclosed at sensitivity analysis.

8. Equity security risk management

#### (a) Definition of Equity Security Risk

The market risk of holding equity securities includes the respective risk arising from the market price changes of respective equity security and general market risk resulting from the whole market price changes.

(b) The Intention of Equity Security Price Risk Management

The intention is to avoid loss and worse financial status due to violent fluctuations of equity security price and increase the effectiveness of capital usage and improve the business.

(c) Procedure of Equity Security Price Risk Management

The Bank and its subsidiary set different investment quotas by industries, enterprises and groups. They use the  $\beta$  value to measure the influence of systematic risk monthly and monitor the risk value of

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equity securities and unrealized profit/loss ratio every day. The stop-loss point mechanism is approved by the security investment committee and executed by the risk management department.

- 9. Market risk valuation technique
  - (a) Interest Rate Risk Sensitivity

The Bank and its subsidiary assume that other factors did not change and the yield curve of the whole world moves upward by 100 bps at December 31, 2014 and 2013. Under this assumption, the income after tax will decrease \$170 million and \$251 million, respectively, and the other comprehensive income will decrease \$3,170 million and \$3,030 million, respectively. If the yield curve moves downward by 100 bps, the income after tax will increase \$377 million and \$73 million, respectively, and the other comprehensive income will increase \$3,377 million and \$3,288 million, respectively.

(b) Exchange Rate Risk Sensitivity

The Bank and its subsidiary assume that other factors did not change and the foreign currency to New Taiwan Dollars exchange rate appreciates by 3% at December 31, 2014 and 2013. Under this assumption, the income after tax will increase \$1,889 million and \$1,806 million, respectively, and the other comprehensive income will increase \$1,474 million and \$1,628 million, respectively.

If the exchange rate depreciates by 3%, the income after tax will decrease \$1,889 million and \$1,806 million, respectively, and the other comprehensive income will decrease \$1,474 million and \$1,628 million, respectively.

(c) Equity Security Price Risk Sensitivity

The Bank and its subsidiary assume that other factors did not change and the market prices of the equity securities increase by 15% at December 31, 2014 and 2013. Under this assumption, the income after tax will increase \$8,202 million and \$8,068 million, respectively, and the other comprehensive income will increase \$7,112 million and \$6,708 million, respectively.

If the market prices decrease by 15 %, the income after tax will decrease \$8,202 million and \$8,068 million, respectively, and the other comprehensive income will decrease \$7,112 million and \$6,708 million, respectively.

December 31, 2014								
Main risk	Banga of changes	Amount Influence						
IVIAIIT TISK	Range of changes	Equity	Gain or loss					
Interest rate risk	Interest rate curve rise 100BPS	(3,170)	(170)					
Interest rate risk	Interest rate curve fall 100BPS	3,377	377					
Exchange rate risk	Other foreign currency / NTD rise 3 $\%$	1,474	1,889					
Exchange rate risk	Other foreign currency / NTD fall 3 %	(1,474)	(1,889)					
Price of equity stock risk	Price of equity stock rise 15 %	7,112	8,202					
Price of equity stock risk	Price of equity stock fall 15 %	(7,112)	(8,202)					

(d) Sensitivity Analysis is as Follows:

Unit: In Million of NTD

Unit: In Million of NTD

December 31, 2013					
Main risk	Range of changes	Amount I	Amount Influence		
Widili IISK		Equity	Gain or loss		
Interest rate risk	Interest rate curve rise 100BPS	(3,030)	251		
Interest rate risk	Interest rate curve fall 100BPS	3,288	73		
Exchange rate risk	Other foreign currency / NTD rise 3 $\%$	1,628	1,806		
Exchange rate risk	Other foreign currency / NTD fall 3 $\%$	(1,628)	(1,806)		
Price of equity stock risk	Price of equity stock rise 15 %	6,708	8,068		
Price of equity stock risk	Price of equity stock fall 15 %	(6,708)	(8,068)		

## 10. Interest rate sensitivity assets and liabilities analysis (New Taiwan Dollars)

#### Unit: In Thousand of NTD

December 31, 2014						
Item	1~90 days	91~180 days	181 days to one year	Over one year	Total	
Interest rate sensitive assets	\$ 1,676,007,564	1,301,960,369	107,615,600	194,841,761	3,280,425,294	
Interest rate sensitive liabilities	241,892,229	2,625,338,957	304,231,113	74,877,647	3,246,339,946	
Interest rate sensitive gap	1,434,115,335	(1,323,378,588)	(196,615,513)	119,964,114	34,085,348	
Net worth						
Ratio of interest rate sensitive assets to liabilities (%) 101						
Ratio of interest rate sensitive	gap to net worth (%	6)			13.53	

#### Unit: In Thousand of NTD

December 31, 2013						
Item	1~90 days	91~180 days	181 days to one year	Over one year	Total	
Interest rate sensitive assets	\$ 1,720,985,490	1,274,789,722	85,152,756	144,984,927	3,225,912,895	
Interest rate sensitive liabilities	294,861,239	2,528,756,573	268,908,052	80,452,128	3,172,977,992	
Interest rate sensitive gap	1,426,124,251	(1,253,966,851)	(183,755,296)	64,532,799	52,934,903	
Net worth 245,780,410						
Ratio of interest rate sensitive assets to liabilities (%) 101.67						
Ratio of interest rate sensitive gap to net worth (%) 21.54						
Note 1: The above amount included only new Taiwan dollar amounts held by the Bank, and excluded contingent assets and contingent liabilities.						

Note 2: Interest rate sensitivity assets and liabilities are interest-earning assets and interesting-bearing liabilities with revenues and costs affected by interest rate changes.

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

Note 4: Ratio of interest-rate-sensitivity assets to liabilities=Interest-rate-sensitivity assets/Interest-rate-sensitivity liabilities (in New Taiwan Dollars).

#### Assets and liabilities interest rate sensitivity analysis (United State Dollars)

#### Unit: In Thousand of USD

December 31, 2014						
Item		1~90 days	91~180 days	181 days to one year	Over one year	Total
Interest rate sensitive assets	\$	25,410,086	5,370,211	3,000,170	2,098,376	35,878,843
Interest rate sensitive liabilities		25,125,789	5,866,968	1,856,361	2,291,247	35,140,365
Interest rate sensitive gap		284,297	(496,757)	1,143,809	(192,871)	738,478
Net worth						53,682
Ratio of interest rate sensitive assets to liabilities (%) 102						102.10
Ratio of interest rate sensitive	gap	to net worth (	%)			1,375.65

#### Unit: In Thousand of USD

December 31, 2013						
Item		1~90 days	91~180 days	181 days to one year	Over one year	Total
Interest rate sensitive assets	\$	22,206,078	3,734,942	2,091,701	1,942,820	29,975,541
Interest rate sensitive liabilities		22,323,037	4,958,929	1,805,861	565,034	29,652,861
Interest rate sensitive gap		(116,959)	(1,223,987)	285,840	1,377,786	322,680
Net worth						52,754
Ratio of interest rate sensitive assets to liabilities (%)						101.09
Ratio of interest rate sensitive gap to net worth (%)						611.67

Note 1: The above amount included only U.S. dollar amounts held by the Bank, and excluded contingent assets and contingent liabilities.

- Note 2: Interest rate sensitivity assets and liabilities are interest-earning assets and interest-bearing liabilities with revenues and costs affected by interest rate changes.
- Note 3: Interest rate sensitivity gap=Interest-rate-sensitivity assets-Interest-rate-sensitivity liabilities.
- Note 4: Ratio of interest-rate-sensitivity assets to liabilities=Interest-rate-sensitivity assets/Interest-rate-sensitivity liabilities (in U.S. dollars).

Net Position of Main Foreign Currencies

December 31, 2014						
Amount in original	Amount in New Taiwan Dollars					
USD	801,710	25,390,156				
CNY	569,685	2,904,824				
GBP	18,398	907,757				
JPY	2,973,933	789,877				
SGD	15,118	362,832				

#### Unit: In Thousand of stated currencies

Unit: In Thousand of stated currencies

December 31, 2013					
Amount in original	Amount in New Taiwan Dollars				
USD	719,263	21,419,652			
CNY	371,977	1,827,523			
GBP	18,440	906,142			
JPY	2,994,716	850,499			
AUD	19,772	525,639			

Note 1: The major foreign currencies were the top 5 currencies by position expressed in New Taiwan Dollars after exchange rate conversion.

Note 2: The net position represented the absolute value of each currency.

#### 11. Exchange rate risk concentration information

All held foreign financial assets and liabilities are classified by currencies and represented using the carrying amounts. The following tables display the information at December 31, 2014 and 2013, respectively.

Unit: In Thousand of NTD						
December 31, 2014						
Assets	USD to NTD	Other currencies to NTD	Total NTD			
Cash and cash equivalents	\$ 16,638,731	96,384,842	113,023,573			
Placement with Central Bank and call loans to banks	80,601,722	25,367,195	105,968,917			
Financial assets measured at fair value through profit or loss	53,268,748	25,866,858	79,135,606			
Available-for-sale financial assets	9,658,455	39,531,628	49,190,083			
Hedging derivatives financial assets	-	25,613	25,613			
Receivables, net	7,113,220	2,453,653	9,566,873			
Current income tax assets	230,230	161,323	391,553			
Loans and Discounts, net	150,374,959	101,256,631	251,631,590			
Held-to-maturity financial assets, net	7,676,709	24,915,360	32,592,069			
Other financial assets, net	9,843	1,035,605	1,045,448			
Property and equipment, net	29,970	18,195	48,165			
Intangible assets, net	3,988	845	4,833			
Deferred income tax assets, net	123,396	50,892	174,288			
Other assets, net	383,484	46,495	429,979			
Total assets	\$ 326,113,455	317,115,135	643,228,590			

Liabilities	USD to NTD	Other currencies to NTD	Total NTD
Deposits of Central Bank and other banks	\$ 6,811,372	90,258,661	97,070,033
Financial liabilities measured at fair value through profit or loss	366,186	32,460,624	32,826,810
Hedging derivatives financial liabilities	-	103,024	103,024
Bills and bonds sold under repurchase agreement	127,714	9,408,169	9,535,883
Payables	2,621,332	2,097,922	4,719,254
Current income tax liabilities	18,374	4,423	22,797
Deposits and remittances	320,185,522	223,149,117	543,334,639
Other financial liabilities	12,668	1,644,876	1,657,544
Provisions	13,492	10,069	23,561
Deferred income tax liabilities	-	62,751	62,751
Other liabilities	81,507,109	27,029,751	108,536,860
Total liabilities	<u>\$ 411,663,769</u>	386,229,387	797,893,156

### Unit: In Thousand of NTD

December 31, 2013						
Assets	USD to NTD	Other currencies to NTD	Total NTD			
Cash and cash equivalents	\$ 13,881,090	63,008,457	76,889,547			
Placement with Central Bank and call loans to banks	105,659,440	18,885,639	124,545,079			
Financial assets measured at fair value through profit or loss	37,866,138	23,321,512	61,187,650			
Available-for-sale financial assets	9,895,037	38,556,948	48,451,985			
Hedging derivatives financial assets	-	5,443	5,443			
Receivables, net	17,061,423	4,998,330	22,059,753			
Current income tax assets	94,709	134,885	229,594			
Loans and Discounts, net	141,926,698	87,777,670	229,704,368			
Held-to-maturity financial assets, net	7,591,407	21,311,241	28,902,648			
Other financial assets, net	1,550,425	21,784	1,572,209			
Property and equipment, net	26,672	19,365	46,037			
Intangible assets	1,111	664	1,775			
Deferred income tax assets, net	162,124	92,943	255,067			
Other assets, net	147,056	4,359,176	4,506,232			
Total assets	\$ 335,863,330	262,494,057	598,357,387			

Liabilities	USD to NTD	Other currencies to NTD	Total NTD
Deposits of Central Bank and other banks	\$ 98,759,061	77,516,849	176,275,910
Financial liabilities measured at fair value through profit or loss	286,782	310,574	597,356
Hedging derivatives financial liabilities	-	225,806	225,806
Payables	3,026,641	3,107,635	6,134,276
Current income tax liabilities	-	5,894	5,894
Deposits and remittances	284,070,269	163,891,898	447,962,167
Other financial liabilities	102,515	928,785	1,031,300
Provisions	6,435	9,207	15,642
Deferred income tax liabilities	-	110,927	110,927
Other liabilities	58,538,458	36,093,134	94,631,592
Total liabilities	<u>\$ 444,790,161</u>	282,200,709	726,990,870

#### (43) Capital management

#### 1) The Target and Procedure of capital management

The Target of capital management is to achieve the authority's requirements for the BIS Capital Adequacy Ratio and to improve the efficiency of capital usage through capital management procedures.

The Bank and its subsidiary consider the short-term and long-term capital demand, operating plans and the lowest requirement to the BIS ratio to draft the capital plan. The Bank and its subsidiary conduct the stress testing, the simulation analysis periodically, consider the external conditions and other factors, such as potential risks, environment changes of the financial market and other events that will affect the risk tolerable ability to ensure the Bank can maintain sufficient capital while unfavorable events and significant changes to the market occur.

#### 2) The definition and regulations of capital

The Competent authority of the Bank and its subsidiary is the Financial Supervisory Commission (the FSC). The Bank and its subsidiary follow the "Regulations Governing the Capital Adequacy and Capital Category of Banks" issued by the FSC.

The term "Ratio of Regulatory Capital to Risk-weighted Assets" shall mean Common Equity Tier 1 Ratio, Tier 1 Capital Ratio, and Total Capital Adequacy Ratio. Except computing the Bank and its subsidiary's own ratios, it also calculates the ratios using the consolidated financial information according to the IAS 27. All mentioned ratios should be in conformity with article 5 of the regulations.

#### 3) Regulatory Capital

The term "Regulatory Capital" shall mean the net Tier 1 Capital and the net Tier 2 Capital according to the Regulations Governing the Capital Adequacy and Capital Category of Banks."

- 1. The term "Net Tier 1 Capital" shall mean the aggregate amount of net Common Equity Tier 1 and net additional Tier 1 Capital.
  - (a) The common equity Tier 1 capital consists of the common equity that reduces intangible assets, the deferred tax assets due to losses from the previous year, the insufficiency of operation reserves and loan loss provisions, the revaluation surplus of real estate, unamortized losses on sales of non-performing loans, and the statutory adjustment items calculated in accordance with other rules for calculation methods. The common equity tier 1 capital shall mean the sum of the common stock and additional paid-in capital in excess of par- common stock, the capital collected in advance, the capital reserves, the statutory surplus reserves, the special reserves, the accumulated profit or loss, the non-controlling interests and the other items of interest.
  - (b) The range of additional Tier 1 capital shall mean the total amount of the following items reduces the total amount of the deductible items in accordance with the rules for calculation methods.
    - a. Non-cumulative perpetual preferred stock and its capital stock premium.
    - b. Non-cumulative perpetual subordinated debts.
    - c. The non-cumulative perpetual preferred stock and its capital stock premium, and the non-cumulative perpetual subordinated debts which are issued by banks' subsidiaries, and are not directly or indirectly held by banks.
- The range of Tier 2 capital shall mean the total amount of the following items reduces the total amount of the deductible items in accordance with the rules for calculation methods.
  - (a) Cumulative perpetual preferred stock and its capital stock premium.
  - (b)Cumulative perpetual subordinated debts.
  - (c) Convertible subordinated debts
  - (d)Long-term subordinated debts
  - (e)Non-perpetual preferred stock and its capital stock premium
  - (f) When the real estate was adopted by the International Financial Reporting Standards for the first time and used the fair value or the re-estimated value as the deemed cost. The difference in amount between the deemed cost and the book value was recognized in retained earnings, the 45% of unrealized gain on available-for-sale financial assets, as well as operational reserves and loan-loss provisions.

(g) The cumulative perpetual preferred stock and its capital stock premium, cumulative perpetual subordinated debts, convertible subordinated debts, long-term subordinated debts, and the non-perpetual preferred stock and its capital stock premiums which are issued by banks' subsidiaries, and are not directly or indirectly held by banks.

When a bank reports its capital adequacy ratio according to the regulations, the competent authority shall examine its capital category in accordance with the provisions of these regulations on the calculation of capital adequacy ratio.

When a bank's capital is graded as inadequate capital, significantly inadequate capital or seriously inadequate capital by the competent authority's examination, the competent authority shall take prompt corrective actions in pursuant to Sections 1 to 3, Paragraph 1, Article 44-2 of the Act.

The government regulations are formulated in accordance with the Basel Accord. The followings are the content of the Basel Accord and the implementation of the Bank and its subsidiary.

1. The First Pillar

The first pillar contains the capital requirements for credit risks, market risks and operation risks.

- (a) Credit risks refer to the default risk resulted from the counterparties. The credit risk is derived from the assets, liabilities or off-balance sheet items. There are two measurement methods, the Standardized Approach and the Internal Ratings-Based Approach (the IRB). The Bank and its subsidiary use the Standardized Approach.
- (b) Market risks refer to the loss due to the changes of the market price, such as the changes of the market interest rate, the exchange rate, the stock price and the product price. There are two measurement methods, the Standardized Approach and the Internal Model Approach. The Bank and its subsidiary use the Standardized Approach.
- (c) Operation risks refer that the Bank has loss caused by the internal operations, the employee's faults, the system errors or external events. The operation risks include legal risks but exclude strategy risks and reputation risks. The measurement methods are the Basic Indicator Approach, the Standardized Approach, the Alternative Standardized Approach and the Advanced Measurement Approach. The Bank and its subsidiary use the Basic Indicator Approach to calculate the required capital for operation risks.
- 2. The Second Pillar

The second pillar is used to ensure that each bank has sufficient internal assessment procedures and each bank can understand the capital adequacy through complete risk measurements. At the same time, it also uses proper supervisory operations to ensure the regulatory capital accord with the whole risk characteristics. The Bank and its subsidiary report the capital adequacy measurements and the risk management situations to the competent authority with related information.

3. The Third Pillar

The third pillar is related to the market discipline. It requires banks to disclose more information about the risks, the capital and the risk managements according the new Basel Accord in order to increase their information transparency. As a result, the Bank and its subsidiary have offered the "Information of the Capital Adequacy and the Risk Managements" in our website to disclose the qualitative data and the quantitative data.

# 4) Capital adequacy ratio

Analyze Ite	ems	Year	December 31, 2014	December 31, 2013
	Common stock	capital	173,517,616	169,355,190
Eligible	Eligible Other tier 1 capital		-	-
capital	Tier 2 capital		50,204,345	34,157,947
	Eligible capital		223,721,961	203,513,137
		Standardized approach	1,836,910,103	1,768,858,574
	Credit risk	Internal rating based approach	-	-
		Securitization	-	4,374,030
	Operational risk	Basic indicator approach	56,984,163	51,777,388
Risk- weighted assets		Standardized approach/ Alternative standardized approach	-	-
000010		Advance measurement approach	-	-
	Market risk	Standardized approach	86,770,575	71,523,188
	Market risk	Internal models approach	-	-
	Total risk-weigl	hted assets	1,980,664,841	1,896,533,180
Capital ade	equacy ratio		11.30%	10.73%
Common s	Common stock based capital ratio		8.76%	8.93%
Tier 1 risk	Tier 1 risk based capital ratio		8.76%	8.93%
Leverage r	atio		2.87%	3.58%

# (44) The fair value information of financial instruments

## December 31, 2014

		Unit: Thousand NTD
Item	Book value	Fair value
Financial Assets :		
Cash and cash equivalents	\$ 119,265,293	119,265,293
Placement with Central Bank and call loans to banks	585,444,072	585,444,072
Financial assets measured at fair value through profit or loss	166,714,218	166,714,218
Available-for-sale financial assets	765,521,333	765,521,333
Derivative financial assets hedging	5,443	5,443
Bonds and bills purchased under resell agreements	6,173,451	6,173,451
Receivables	82,279,036	82,279,036
Loans and discounts	2,240,652,458	2,240,652,458
Held-to-maturity financial assets	73,044,728	73,044,728
Other Financial Assets - Debt investments without quoted price in active markets	1,536,129	1,536,129
Other Financial Assets - Financial assets carried at cost	10,766,887	10,766,887
Financial Liabilities :		
Deposits of Central Bank and other banks	252,738,244	252,738,244
Financial liabilities measured at fair value through profit or loss	3,999,496	3,999,496
Derivative financial liabilities hedging	225,806	225,806
Bills and bonds sold under repurchase agreements	19,036,703	19,036,703
Payables	44,813,384	44,813,384
Deposits and remittances	3,409,612,039	3,409,612,039
Financial Bonds Payable	15,998,240	15,998,240
Other financial liabilities	1,243,698	1,243,698

#### December 31, 2013

ItemBook valueFair valueFinancial Assets:Cash and cash equivalents\$ 72,812,404Placement with Central Bank and call loans to banks549,627,869Financial assets measured at fair value through profit or loss146,534,038Available-for-sale financial assets734,870,751Derivative financial assets hedging3,543Bonds and bills purchased under resell agreements4,980,621Receivables89,166,548Loans and discounts2,177,133,260Held-to-maturity financial assets62,009,085Other Financial Assets - Debt investments without quoted price in active markets2,404,867Other Financial Assets - Debt investments without quoted price in active markets2,404,867Deposits of Central Bank and other banks213,374,465Financial liabilities213,374,465Derivative financial liabilities measured at fair value through profit or loss4,876,954Mark and other banks213,374,465Payables301,390Bills and bonds sold under repurchase agreements11,998,398Payables41,988,683At 1,988,68341,988,683Deposits and remittances3,294,903,719Other financial liabilities3,294,903,719Sold under repurchase agreements11,998,398Payables41,988,683At 1,988,68341,988,683Deposits and remittances3,294,903,719Other financial liabilities3,294,903,719Other financial liabilities3,294,903,719			Unit: Thousand NTD
Cash and cash equivalents\$72,812,40472,812,404Placement with Central Bank and call loans to banks549,627,869549,627,869Financial assets measured at fair value through profit or loss146,534,038146,534,038Available-for-sale financial assets734,870,751734,870,751Derivative financial assets hedging3,5433,543Bonds and bills purchased under resell agreements4,980,6214,980,621Receivables89,166,54889,166,548Loans and discounts2,177,133,2602,177,133,260Held-to-maturity financial assets62,009,08562,009,085Other Financial Assets - Debt investments without quoted price in active markets2,404,8672,404,867Other Financial Liabilities:11,079,90011,079,900Financial Liabilities213,374,465213,374,465Peposits of Central Bank and other banks213,374,465213,374,465Financial liabilities measured at fair value through profit or loss4,876,9544,876,954Derivative financial liabilities hedging301,390301,390Bills and bonds sold under repurchase agreements11,998,39811,998,398Payables41,988,68341,988,68341,988,683Deposits and remittances3,294,903,7193,294,903,719	Item	Book value	Fair value
Placement with Central Bank and call loans to banks549,627,869549,627,869Financial assets measured at fair value through profit or loss146,534,038146,534,038Available-for-sale financial assets734,870,751734,870,751Derivative financial assets hedging3,5433,543Bonds and bills purchased under resell agreements4,980,6214,980,621Receivables89,166,54889,166,548Loans and discounts2,177,133,2602,177,133,260Held-to-maturity financial assets62,009,08562,009,085Other Financial Assets - Debt investments without quoted price in active markets2,404,8672,404,867Other Financial Liabilities:Deposits of Central Bank and other banks213,374,465213,374,465Financial liabilities measured at fair value through profit or loss4,876,9544,876,954Derivative financial liabilities hedging301,390301,390Bills and bonds sold under repurchase agreements11,998,39811,998,398Payables41,988,68341,988,68341,988,683Deposits and remittances3,294,903,7193,294,903,719	Financial Assets:		
Financial assets measured at fair value through profit or loss146,534,038146,534,038Available-for-sale financial assets734,870,751734,870,751Derivative financial assets hedging3,5433,543Bonds and bills purchased under resell agreements4,980,6214,980,621Receivables89,166,54889,166,548Loans and discounts2,177,133,2602,177,133,260Held-to-maturity financial assets62,009,08562,009,085Other Financial Assets - Debt investments without quoted price in active markets2,404,8672,404,867Other Financial Assets - Financial assets carried at cost11,079,90011,079,900Financial Liabilities:301,390301,390Deposits of Central Bank and other banks213,374,465213,374,465213,374,465Financial liabilities measured at fair value through profit or loss4,876,9544,876,954Derivative financial liabilities hedging301,390301,390Bills and bonds sold under repurchase agreements11,998,39811,998,398Payables41,988,68341,988,68341,988,683Deposits and remittances3,294,903,7193,294,903,719	Cash and cash equivalents	\$ 72,812,404	72,812,404
Available-for-sale financial assets734,870,751734,870,751Derivative financial assets hedging3,5433,543Bonds and bills purchased under resell agreements4,980,6214,980,621Receivables89,166,54889,166,548Loans and discounts2,177,133,2602,177,133,260Held-to-maturity financial assets62,009,08562,009,085Other Financial Assets - Debt investments without quoted price in active markets2,404,8672,404,867Other Financial Assets - Financial assets carried at cost11,079,90011,079,900Financial Liabilities:Deposits of Central Bank and other banks213,374,465213,374,465Financial liabilities measured at fair value through profit or loss4,876,9544,876,954Derivative financial liabilities hedging301,390301,390Bills and bonds sold under repurchase agreements11,998,39811,998,398Payables41,988,68341,988,68341,988,683Deposits and remittances3,294,903,7193,294,903,719	Placement with Central Bank and call loans to banks	549,627,869	549,627,869
Derivative financial assets hedging3,543Derivative financial assets hedging3,543Bonds and bills purchased under resell agreements4,980,621Receivables89,166,548Loans and discounts2,177,133,260Loans and discounts2,177,133,260Held-to-maturity financial assets62,009,085Other Financial Assets - Debt investments without quoted price in active markets2,404,867Other Financial Assets - Financial assets carried at cost11,079,900Financial Liabilities:	Financial assets measured at fair value through profit or loss	146,534,038	146,534,038
Bonds and bills purchased under resell agreements4,980,6214,980,621Receivables89,166,54889,166,548Loans and discounts2,177,133,2602,177,133,260Held-to-maturity financial assets62,009,08562,009,085Other Financial Assets - Debt investments without quoted price in active markets2,404,8672,404,867Other Financial Assets - Financial assets carried at cost11,079,90011,079,900Financial Liabilities:Deposits of Central Bank and other banks213,374,465213,374,465Financial liabilities measured at fair value through profit or loss4,876,9544,876,954Derivative financial liabilities hedging301,390301,390Bills and bonds sold under repurchase agreements11,998,39811,998,398Payables41,988,68341,988,683Deposits and remittances3,294,903,7193,294,903,719	Available-for-sale financial assets	734,870,751	734,870,751
Receivables89,166,54889,166,548Loans and discounts2,177,133,2602,177,133,260Held-to-maturity financial assets62,009,08562,009,085Other Financial Assets - Debt investments without quoted price in active markets2,404,8672,404,867Other Financial Assets - Financial assets carried at cost11,079,90011,079,900Financial Liabilities:2213,374,465213,374,465Deposits of Central Bank and other banks213,374,465213,374,465Financial liabilities measured at fair value through profit or loss4,876,9544,876,954Derivative financial liabilities hedging301,390301,390Bills and bonds sold under repurchase agreements11,998,39811,998,398Payables41,988,68341,988,683Deposits and remittances3,294,903,7193,294,903,719	Derivative financial assets hedging	3,543	3,543
Loans and discounts2,177,133,2602,177,133,260Held-to-maturity financial assets62,009,08562,009,085Other Financial Assets - Debt investments without quoted price in active markets2,404,8672,404,867Other Financial Assets - Financial assets carried at cost11,079,90011,079,900Financial Liabilities:213,374,465213,374,465Deposits of Central Bank and other banks213,374,465213,374,465Financial liabilities measured at fair value through profit or loss4,876,9544,876,954Derivative financial liabilities hedging301,390301,390Bills and bonds sold under repurchase agreements11,998,39811,998,398Payables41,988,68341,988,683Deposits and remittances3,294,903,7193,294,903,719	Bonds and bills purchased under resell agreements	4,980,621	4,980,621
Held-to-maturity financial assets62,009,08562,009,085Other Financial Assets - Debt investments without quoted price in active markets2,404,8672,404,867Other Financial Assets - Financial assets carried at cost11,079,90011,079,900Financial Liabilities:213,374,465213,374,465Deposits of Central Bank and other banks213,374,465213,374,465Financial liabilities measured at fair value through profit or loss4,876,9544,876,954Derivative financial liabilities hedging301,390301,390Bills and bonds sold under repurchase agreements11,998,39811,998,398Payables41,988,68341,988,683Deposits and remittances3,294,903,7193,294,903,719	Receivables	89,166,548	89,166,548
Other Financial Assets - Debt investments without quoted price in active markets2,404,867Other Financial Assets - Financial assets carried at cost11,079,900Financial Liabilities:213,374,465Deposits of Central Bank and other banks213,374,465Financial liabilities measured at fair value through profit or loss4,876,954Derivative financial liabilities hedging301,390Bills and bonds sold under repurchase agreements11,998,398Payables41,988,683Deposits and remittances3,294,903,719	Loans and discounts	2,177,133,260	2,177,133,260
Other Financial Assets - Financial assets carried at cost11,079,900Financial Liabilities:11,079,900Deposits of Central Bank and other banks213,374,465Financial liabilities measured at fair value through profit or loss4,876,954Derivative financial liabilities hedging301,390Bills and bonds sold under repurchase agreements11,998,398Payables41,988,683Deposits and remittances3,294,903,719	Held-to-maturity financial assets	62,009,085	62,009,085
Financial Liabilities:EndersitiesDeposits of Central Bank and other banks213,374,465Financial liabilities measured at fair value through profit or loss4,876,954Derivative financial liabilities hedging301,390Bills and bonds sold under repurchase agreements11,998,398Payables41,988,683Deposits and remittances3,294,903,719	Other Financial Assets - Debt investments without quoted price in active markets	2,404,867	2,404,867
Deposits of Central Bank and other banks213,374,465213,374,465Financial liabilities measured at fair value through profit or loss4,876,9544,876,954Derivative financial liabilities hedging301,390301,390Bills and bonds sold under repurchase agreements11,998,39811,998,398Payables41,988,68341,988,683Deposits and remittances3,294,903,7193,294,903,719	Other Financial Assets - Financial assets carried at cost	11,079,900	11,079,900
Financial liabilities measured at fair value through profit or loss4,876,954Derivative financial liabilities hedging301,390Bills and bonds sold under repurchase agreements11,998,398Payables41,988,683Deposits and remittances3,294,903,719	Financial Liabilities:		
Derivative financial liabilities hedging301,390301,390Bills and bonds sold under repurchase agreements11,998,39811,998,398Payables41,988,68341,988,683Deposits and remittances3,294,903,7193,294,903,719	Deposits of Central Bank and other banks	213,374,465	213,374,465
Bills and bonds sold under repurchase agreements       11,998,398       11,998,398         Payables       41,988,683       41,988,683         Deposits and remittances       3,294,903,719       3,294,903,719	Financial liabilities measured at fair value through profit or loss	4,876,954	4,876,954
Payables         41,988,683         41,988,683           Deposits and remittances         3,294,903,719         3,294,903,719	Derivative financial liabilities hedging	301,390	301,390
Deposits and remittances         3,294,903,719         3,294,903,719	Bills and bonds sold under repurchase agreements	11,998,398	11,998,398
	Payables	41,988,683	41,988,683
Other financial liabilities 8,198,013 8,198,013	Deposits and remittances	3,294,903,719	3,294,903,719
	Other financial liabilities	8,198,013	8,198,013

# (45) Related-party transactions

# 1) Name of related party and relationship

Name	Relationship
Taiwan Financial Holding Co., Ltd.	Parent company of the Bank and its subsidiary
BankTaiwan Life Insurance Co., Ltd.	Wholly-owned subsidiary
BankTaiwan Securities Co., Ltd.	Wholly-owned subsidiary
Hua Nan Financial Holdings Co., Ltd.	Investee company of the Bank under the equity method
Taiwan Life Insurance Co., Ltd.	Investee company of the Bank under the equity method
Tang Eng Iron Works Co., Ltd.	Investee company of the Bank under the equity method
Kaohsiung Ammonium Sulfate Co., Ltd.	Investee company of the Bank under the equity method
Tai Yi Real Estate Management Co., Ltd.	Investee company of the Bank under the equity method
Taiwan Business Bank Co., Ltd.	Related- Party
Others	Directors, supervisors, managers and their relatives up to the second degree, affiliates and so on

## 2) Key Management Personnel Compensation

The related information about the salaries and bonus for the key management personnel in 2014 and 2013 were as follows:

	2014	2013
Short-term employee benefits	\$ 10,207	9,844
Retired benefits	 298	556
	\$ 10,505	10,400

# 3) Other related-party transactions

#### 1.Placement with banks

	December 31, 2014		December 31, 2013	
Name	Amount	Percentage of account balance	Amount	Percentage of account balance
Hua Nan Financial Holdings Co., Ltd.	\$ 5,578		6,745	

#### 2.Call loans to banks

	December 31, 2014						
	Highest balance	Interest income					
Hua Nan Financial Holdings Co., Ltd.	\$ 21,346,139	4,433,800	0.03~1.50	26,331			

	December 31, 2013						
	Highest balance         Ending balance         Interest rate range (%)         Interest ind						
Hua Nan Financial Holdings Co., Ltd.	\$ 21,751,792	2,229,060	0.05~1.30	24,919			

#### 3. Receivables

		December 31, 2014		December 31, 2013	
Name		Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$	1,629	-	1,294	-
BankTaiwan Life Insurance Co., Ltd.		123,314	0.20	48,406	0.06
BankTaiwan Securities Co., Ltd.	_	137		88	
Total	\$	125,080	0.20	49,788	0.06

#### 4. Other assets

		Decembe	r 31, 2014	December 31, 2013		
Name		Amount	Percentage of account balance	Amount	Percentage of account balance	
Taiwan Financial Holding Co., Ltd. (prepaid dividend and bonus)	\$	3,649,926	32.01	3,598,815	38.99	
BankTaiwan Life Insurance Co., Ltd.		6,425	0.06	6,251	0.07	
BankTaiwan Securities Co., Ltd.	_	14		14		
Total	\$	3,656,365	32.07	3,605,080	39.06	

### 5. Deposits of banks

	December 31, 2014		December 31, 2013	
Name	Amount	Percentage of account balance	Amount	Percentage of account balance
Hua Nan Financial Holdings Co., Ltd.	<u>\$ 182,879</u>	0.48	388,945	1.27

#### 6.Call loans from banks

	December 31, 2014					
	Highest balance	Ending balance	Interest rate range (%)	Interest expense		
Hua Nan Financial Holdings Co., Ltd.	\$ 13,033,740	305,940	0.39~4.05	23,313		

		December 3	31, 2013	
	Highest balance	Ending balance	Interest rate range (%)	Interest expense
Hua Nan Financial Holdings Co., Ltd.	\$ 11,453,725		0.26~2.70	505

# 7.Deposits

		Decembe	31, 2014	December 31, 2013		
Name		Amount	Percentage of account balance	Amount	Percentage of account balance	
Taiwan Financial Holding Co., Ltd.	\$	529,522	0.01	260,594	0.01	
BankTaiwan Life Insurance Co., Ltd.		10,972,299	0.31	12,922,188	0.38	
BankTaiwan Securities Co., Ltd.		325,409	0.01	458,997	0.01	
Hua Nan Financial Holdings Co., Ltd.		693,025	0.02	26,698	-	
Taiwan Life Insurance Co., Ltd.		15,574	-	32,022	-	
Kaohsiung Ammonium Sulfate Co., Ltd.		42,568	-	46,216	-	
Tang Eng Iron Works Co., Ltd.		333	-	3,891	-	
Tai Yi Real Estate Management Co., Ltd.		25,885		14,165		
Total	\$	12,604,615	0.35	13,764,771	0.40	

#### 8.Payables

		Decembe	r 31, 2014	December 31, 2013		
Name		Amount	Percentage of account balance	Amount	Percentage of account balance	
Taiwan Financial Holding Co., Ltd.	\$	35	-	17	-	
BankTaiwan Life Insurance Co., Ltd.		2,694	0.01	4,472	0.01	
BankTaiwan Securities Co., Ltd.		140		304		
Total	\$	2,869	0.01	4,793	0.01	

#### 9. Other liabilities

		Decembe	r 31, 2014	December 31, 2013		
Name		Amount	Percentage of account balance	Amount	Percentage of account balance	
Taiwan Financial Holding Co., Ltd.	\$	2,708	0.04	2,708	0.04	
BankTaiwan Securities Co., Ltd.		1,663	0.02	1,636	0.02	
Total	<u>\$</u>	4,371	0.06	4,344	0.06	

#### 10.Interest income

		20	14	2013		
Name		Amount	Percentage of account balance	Amount	Percentage of account balance	
Taiwan Financial Holding Co., Ltd.	\$	118,493	0.18	91,330	0.15	
BankTaiwan Securities Co., Ltd.		2,736		741		
Total	\$	121,229	0.18	92,071	0.15	

#### 11.Interest expense

		20	14	2013		
Name		Amount	Percentage of account balance	Amount	Percentage of account balance	
Taiwan Financial Holding Co., Ltd.	\$	519	-	301	-	
BankTaiwan Life Insurance Co., Ltd.		130,721	0.36	91,538	0.27	
BankTaiwan Securities Co., Ltd.		2,754	0.01	3,896	0.01	
Total	\$	133,994	0.37	95,735	0.28	

#### 12.Service fee income

		20	14	2013		
Name		Amount	Percentage of account balance	Amount	Percentage of account balance	
BankTaiwan Life Insurance Co., Ltd.	\$	631,487	10.49	822,278	13.99	
BankTaiwan Securities Co., Ltd.	_	3,297	0.05	2,271	0.04	
Total	\$	634,784	10.54	824,549	14.03	

#### 13.Service fee expense

	20	14	2013		
Name	Amount	Percentage of account balance	Amount	Percentage of account balance	
BankTaiwan Securities Co., Ltd.	<u>\$ 19,392</u>	3.33	13,392	2.23	

14.Gain (loss) on financial assets or liabilities measured at fair value through profit or loss

		20	14	2013		
Name		Amount	Percentage of account balance	Amount	Percentage of account balance	
BankTaiwan Life Insurance Co., Ltd.	\$	243,178	1.53	196,871	1.39	
BankTaiwan Securities Co., Ltd.		(2,032)	0.01	(1,740)	0.01	
Taiwan Life Insurance Co., Ltd.		142,239	0.89	37,916	0.27	
Total	\$	383,385	2.43	233,047	1.67	

### 15.Realized loss on available-for-sale financial assets

	20	14	2013		
Name	Amount	Percentage of account balance	Amount	Percentage of account balance	
BankTaiwan Securities Co., Ltd.	\$ 3,027	0.28	1,878	0.19	

#### 16.Other non-interest income (expense)

		20	14	2013		
Name		Amount	Percentage of account balance	Amount	Percentage of account balance	
Taiwan Financial Holding Co., Ltd.	\$	29,688	0.12	26,453	0.12	
BankTaiwan Life Insurance Co., Ltd.		38,806	0.16	32,055	0.15	
BankTaiwan Securities Co., Ltd.	_	34,758	0.14	42,539	0.20	
Total	\$	103,252	0.42	101,047	0.47	

#### 17. Other general and administrative expenses

	20	)14	2013		
Name	Amount	Percentage of account balance	Amount	Percentage of account balance	
Taiwan Financial Holding Co., Ltd.	\$ 990	0.02	738	0.01	
BankTaiwan Life Insurance Co., Ltd.	38,603	0.60	38,095	0.74	
BankTaiwan Securities Co., Ltd.	86		86		
Total	\$ 39,679	0.62	38,919	0.75	

#### 18.Loans

December 31, 2014									
	House holder	Highest		Status of pe	rformance		Differences in transaction		
Category	amount or name of related party	balance in current period	Ending balance	Performing loans	Non- performing loans	Type of collateral	terms between related and non related parties		
Consumer loans	41	20,008	13,451	13,451	-	None	None		
House mortgages	111	637,142	549,553	549,553	-	Land and buildings	None		
Call loans to banks	Hua Nan Financial Holdings Co., Ltd.	9,000,000	-	-	-	None	None		
Call loans to banks	Taiwan Business Bank Co., Ltd.	3,000,000	-	-	-	None	None		
Long-term secured loans	Tai Yi Real Estate Co., Ltd.	29,129	27,362	27,362	-	Land and buildings	None		
Short-term secured loans	Taiwan Financial Holding Co., Ltd.	11,550,000	11,550,000	11,550,000	-	Government (or financial institutions) guarantee	None		
Secured overdrafts loans	Tang Eng Iron Works Co., Ltd.	367,877	367,877	367,877	-	Land and factory	None		
Short-term secured loans	Tang Eng Iron Works Co., Ltd.	100,000	100,000	100,000	-	Land and factory	None		
Short-term secured loans	Tang Eng Iron Works Co., Ltd.	1,590,000	890,000	890,000	-	Land and factory	None		
Short-term secured loans	Tang Eng Iron Works Co., Ltd.	290,561	-	-	-	Land and factory	None		
Medium-term secured loans	Tang Eng Iron Works Co., Ltd.	500,000	500,000	500,000	-	Land and factory	None		
Medium-term secured loans	Tang Eng Iron Works Co., Ltd.	800,000	800,000	800,000	-	Land and factory	None		
Long-term secured loans	Tang Eng Iron Works Co., Ltd.	582,000	-	-	-	Land and factory	None		
Short-term secured loans	BankTaiwan Securities Co., Ltd.	313,553	313,553	313,553	-	Real estate and government (or financial institutions) guarantee	None		

			December 3'	1, 2013			
		Highest		Status of pe	erformance		Differences in
Category	House holder amount or name of related party	balance in current period	Ending balance	Performing loans	Non- performing loans	Type of collateral	transaction terms between related and non related parties
Consumer loans	48	25,955	16,355	16,355	-	None	None
House mortgages	117	642,566	549,285	549,285	-	Land and buildings	None
Call loans to banks	Hua Nan Financial Holdings Co., Ltd.	11,500,000	-	-	-	None	None
Call loans to banks	Taiwan Business Bank Co., Ltd.	5,000,000	-	-	-	None	None
Long-term secured loans	Tai Yi Real Estate Management Co., Ltd.	30,000	29,129	29,129	-	Land and buildings	None
Short-term secured loans	Taiwan Financial Holding Co., Ltd.	11,600,000	11,600,000	11,600,000	-	Government (or financial institutions) guarantee	None
Secured overdrafts loans	Tang Eng Iron Works Co., Ltd.	52,236	52,236	52,236	-	Land and factory	None
Short-term secured loans	Tang Eng Iron Works Co., Ltd.	50,000	50,000	50,000	-	Land and factory	None
Short-term secured loans	Tang Eng Iron Works Co., Ltd.	1,250,000	950,000	950,000	-	Land and factory	None
Short-term secured loans	Tang Eng Iron Works Co., Ltd.	190,880	-	-	-	Land and factory	None
Midterm-term secured loans	Tang Eng Iron Works Co., Ltd.	500,000	500,000	500,000	-	Land and factory	None
Long-term secured loans	Tang Eng Iron Works Co., Ltd.	741,000	582,000	582,000	-	Land and factory	None
Short-term secured loans	BankTaiwan Securities Co., Ltd.	730,791	200,791	200,791	-	Government (or financial institutions) guarantee	None

Note 1: The consumer loans to staff and mortgage loans to staff can be lumped together for disclosure. The disclosure of other loans is sorted by interested parties.

Note 2: Collateral is classified by real estate, short term notes, government bonds, secured or non secured bonds, TSEC and GTSM stocks, non TSEC and non GTSM stocks, and others.

#### 19.Derivative instruments

	December 31, 2014								
Name of related	Qubicat	Agreement	Notional	Current	Balance s	neet			
party	Subject	period	amounts	valuation adjustment	Account name	Amount			
Taiwan Life Insurance Co., Ltd.	Swap agreement	2008.11.06~ 2015.02.17	19,931,272	489,217	Valuation adjustment of financial assets measured at fair value through profit or loss - swap	489,217			
Taiwan Life Insurance Co., Ltd.	Swap agreement	2013.11.27~ 2015.02.26	635,120	(2,066)	Valuation adjustment of financial liabilities measured at fair value through profit or loss - swap	(2,066)			
BankTaiwan Life Insurance Co., Ltd.	Swap agreement	2008.4.30~ 2015.05.06	26,242,011	1,058,994	Valuation adjustment of financial assets measured at fair value through profit or loss - swap	1,058,994			

	December 31, 2013								
Name of related	Subject	Agreement	Notional	Current valuation	Balance sheet				
party	Subject	period	amounts	adjustment	Account name	Amount			
Taiwan Life Insurance Co., Ltd.	Forward agreement	2004.11.30~ 2014.01.17	414,691	4,939	Valuation adjustment of financial assets measured at fair value through profit or loss - forward	4,939			
Taiwan Life Insurance Co., Ltd.	Swap agreement	2008.11.06~ 2014.02.25	11,849,481	106,843	Valuation adjustment of financial assets measured at fair value through profit or loss - swap	106,843			
Taiwan Life Insurance Co., Ltd.	Swap agreement	2013.04.01~ 2014.02.27	2,991,810	(18,040)	Valuation adjustment of financial liabilities measured at fair value through profit or loss - swap	(18,040)			
BankTaiwan Life Insurance Co., Ltd.	Swap agreement	2008.11.20~ 2013.04.14	13,920,533	119,910	Valuation adjustment of financial assets measured at fair value through profit or loss - swap	119,910			
BankTaiwan Life Insurance Co., Ltd.	Swap agreement	2008.04.30~ 2014.04.30	14,654,226	(68,103)	Valuation adjustment of financial liabilities measured at fair value through profit or loss - swap	(68,103)			

20. The expenses of shared assets allocated to Taiwan Financial Holding Co., Ltd, BankTaiwan Life Insurance Co., Ltd, BankTaiwan Securities Co., Ltd, by the Bank and its subsidiary were as follows:

Name		20	14	2013	
		Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$	13,438	0.05	10,388	0.05
BankTaiwan Life Insurance Co., Ltd.		38,806	0.16	32,055	0.18
BankTaiwan Securities Co., Ltd.	_	24,718	0.10	31,870	0.18
Total	<u>\$</u>	76,962	0.31	74,313	0.41

# (46) Pledged assets

Pledged assets	Purpose of pledge	December 31, 2014	December 31, 2013
Available-for-sale financial assets – bonds	Guarantee deposit for provisional seizure against defaulted loans and others	\$ 368,800	279,500
Available-for-sale financial assets – bonds	Operating deposit for securities investment trust and consulting	150,000	150,000
Available-for-sale financial assets – bonds	Guarantee deposits for trust business compensation reserve	50,000	50,000
Held-to-maturity financial assets – government bonds	Guarantee deposits for trust business compensation reserve	400,000	400,000
Deposits in Central Bank-time deposits	Payment and settlement systems of Central Bank	11,000,000	5,000,000
Available-for-sale financial assets – negotiable certificate of deposit	Payment and settlement systems of Central Bank	36,000,000	20,000,000
		\$ 47,968,800	25,879,500

# (47) Commitments and contingencies

#### 1) Commitments and contingencies

	December 31, 2014	December 31, 2013
Consignment collection	\$ 52,183,034	52,322,587
Contract guarantee on behalf of counter parties	1,498,483	3,339,044
Traveler's checks held on consignment	1,269,239	1,229,319
Marketable securities held as custodian	1,840,395,253	1,668,910,750
Letters of credit	29,145,605	32,737,581
Goods held in custody	21,295,601	14,316,968
Issuance of New Taiwan Dollars	1,708,743,226	1,558,048,571
Trustee of behalf of Lenders	921,947,680	880,318,278
Registered government bonds for sale	566,858,100	474,860,600
Registered short term bills for sale	248,507,999	186,737,836
Consigned sales of goods	2,280,236	2,330,513
Trust liabilities	546,438,060	535,650,876
Guarantees	83,521,712	83,279,532
	\$ 6,024,084,228	5,494,082,455

## 2) Balance sheet, income statement and details of assets under trust

Trust assets	December 31, 2014	December 31, 2013
Deposits		
Deposits in the BOT	\$ 30,455,662	31,238,139
Deposits in other banks	4,240,140	4,401,991
Short term investment		
Investment in funds	178,853,246	174,442,560
Investment in bonds	203,435,186	201,695,311
Common stock investment-marketable securities	40,506,379	46,403,259
Receivables		
Interest receivables	1,516,687	1,408,992
Cash dividend receivables	3,356	1,538
Receivables from trading securities	393,953	740,029
Receivables from forward contracts	1,552,508	8,002,289
Prepaid expenses	40	970
Real estate		
Land	13,953,770	12,419,874
Buildings	119,280	143,500
Construction in progress	13,581,464	6,099,891
Marketable securities under custody	57,826,390	48,652,533
Total of trust assets	\$ 546,438,061	535,650,876

Trust liabilities	December 31, 2014	December 31, 2013
Payables		
Payables from trading securities	\$ 404,081	301,829
Payables from forward contracts	1,561,500	7,975,500
Payables from management fee	3,938	4,046
Payables from supervision fee	324	325
Other payables	862	285
Tax payable	203	208
Securities held in custody payable	57,826,390	48,652,533
Trust capital		
Money trust	371,939,184	386,836,981
Marketable securities trust	119,262	2,497,474
Real estate investment trust	35,041,987	27,195,633
Other reserve and accumulated income		
Accumulated loss	43,116,285	33,383,769
Foreign currency translation	10,833,032	(1,095,677)
Deferred unrealized income	4,258,025	9,193,039
Current income	21,332,988	20,704,931
Total of trust liabilities	<u>\$ 546,438,061</u>	535,650,876

Note: Including fund investments of the offshore branch amounting to \$316,436 and \$289,171 as of December 31, 2014 and 2013, respectively.

# BANK @F

Details of trust	December 31, 2014	December 31, 2013
Deposits		
Deposits in the Bank	\$ 30,455,662	31,238,139
Deposits in other banks	4,240,140	4,401,991
Short term investment		
Investment in funds	178,853,246	174,442,560
Investment in bonds	203,435,186	201,695,311
Common stock investment- marketable securities	40,506,379	46,403,259
Real estate		
Land	13,953,770	12,419,874
Buildings	119,280	143,500
Construction in progress	13,581,464	6,099,891
Marketable securities under custody	57,826,390	48,652,533
Trust capital	<u>\$ 542,971,517</u>	525,497,058

Income statement for assets under trust	December 31, 2014	December 31, 2013
Trust revenue		
Capital interest revenue	\$ 10,284,346	9,433,617
Cash dividend revenue	909,254	2,318,628
Donation revenue	736,644	-
Realized capital gain shares	1,124,155	4,083,806
Realized capital gain fund	3,832,346	1,734,464
Realized exchange gain – bond	1,022,769	1,799,725
Realized foreign exchange gain	315,459	746,848
Realized gain on property exchange	1,312,929	823,399
Income from beneficiary certificates	2,771,898	274,682
Total trust revenue	22,309,800	21,215,169
Trust expense		
Capital management fee	511,283	473,886
Tax expense	5,542	5,497
Supervisory fee	335	338
Custodian fee	9,736	7,859
Commission fee	17	16
Donation cost	398,040	-
Other expense	51,859	22,642
Total trust expense	976,812	510,238
Net income	<u>\$ 21,332,988</u>	20,704,931

#### (48) Profitability

Item		December 31, 2014		December 31, 2013	
		Before adjusting	After adjusting	Before adjusting	After adjusting
Return on total assets	Before income tax	0.22	0.44	0.21	0.44
(Note 6)	After income tax	0.19	0.41	0.18	0.40
Return on net worth (Note 7)	Before income tax	3.76	7.01	3.61	6.93
	After income tax	3.28	6.54	3.03	6.35
Profit margin			22.88		25.15

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

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

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

Note 4: Income before (after) income tax is the income for the whole year of 2014 and 2013.

Note 5: The above profitability ratios are at annual rates.

- Note 6: Return on total assets- after adjusting means assets excluding the short-term advances and long-term receivables resulted from government policies, and the assets of government employees insurance department; it also refers to income before (after) tax, plus, excess preferential interest expense. (If return on total assets- after adjusting at December 31, 2014 means assets excluding the assets of government employees insurance department and the income before and after tax, plus, excess preferential interest expense and interest revenue from the advance resulted from government policies, the adjusted return on total assets before (after) tax are 0.45% and 0.42%.)
- Note 7: Return on net worth- after adjusting means income before (after) tax, plus, excess preferential interest expense. (If the return on net worth- after adjusting at December 31, 2014 means income before (after) tax, plus, excess preferential interest expense and interest revenue from the advance resulted from government policies, the adjusted returns on net worth before and after tax are 7.35% and 6.88 %.)

#### (49) Losses due to major disasters : None.

(50) Subsequent events : None.

#### (51) Other

1) The employee benefit expenses, depreciation, depletion and amortization, categorized by function, were as follows:

By function	De	cember 31, 20	14	December 31, 2013				
By nature	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total		
Employee benefits expenses								
Salaries	58,952	10,194,310	10,253,262	53,631	10,106,307	10,159,938		
Labor and health insurances	116,452	544,850	661,302	118,185	495,832	614,017		
Pensions	2,938	782,029	784,967	2,755	800,787	803,542		
Others	-	202,520	202,520	-	159,698	159,698		
Depreciation expenses	38,552	830,017	868,569	37,309	872,276	909,585		
Amortization expenses	-	377,639	377,639	-	410,146	410,146		

The number of employees in 2014 and 2013 were 7,999 and 8,028, respectively.

Unit: %

#### 2) Government audit adjustments for fiscal year ended December 31, 2013

The accounting records for the year ended December 31, 2013, have been audited and examined by the MoA, and the resulting adjustments are summarized as follows:

Balance Sheet	As Previously Reported December 31, 2013	Adjustments-Increase (Decrease)	As Audited by the MoA, December 31, 2013
Assets			
Current income tax assets	\$ 2,301,083	(131,953)	2,169,130
Other financial assets	70,317,917	(115)	70,317,802
Deferred tax assets	208,406	33,398	241,804
Other assets, net	9,031,706	197,444	9,229,150

Balance Sheet	As Previously Reported December 31, 2013	Adjustments-Increase (Decrease)	As Audited by the MoA, December 31, 2013	
Liabilities				
Payables	\$ 44,813,384	(54,768)	44,758,616	
Current income tax liabilities	127,506	34,924	162,430	
Deposits and remittances	3,409,612,039	(6,813)	3,409,605,226	
Deferred tax liabilities	18,266,259	33,398	18,299,657	
Stockholders' equity				
Retained earnings	50,961,023	92,033	51,053,056	

Income statement	As Previously Reported 2013	Adjustments-Increase (Decrease)	As Audited by the MoA, 2012
Bad debt expense and reserve for guarantees	\$ 2,697,538	(72,494)	2,625,044
Income tax expense	1,449,163	(19,539)	1,429,624
Net income	7,325,894	92,033	7,417,927

#### Revised entries by the MoA in 2013 were as follows:

Item	Adjustment accounts	Amount revise	d by the MoA	Explanation of revision by the MoA
1.	Income tax expense	\$ 305		adjustment to the income tax from the South Africa
	Current income tax liabilities		305	Branch
2.	Current income tax liabilities	38		adjustment for the tax collector's income tax of Hong
	Income tax expense		38	Kong Branch
3.	Income tax expense	30		adjustment to the withholding tax of lease revenue
	Current income tax liabilities		30	
4.	Deferred tax assets	33,398		adjustment to the taxable income according to the
	Current income tax liabilities	19,836		revisions
	Deferred tax liabilities		33,398	
	Income tax expense		19,836	
5.	Other assets, net	65,796		distribution of the held bonds from bad debt
	Bad debt expense and		65,796	accounts
	reserve for guarantees		00,700	
6.	Deposits and remittances	6,813		bad debt recovery
	Other financial assets		115	
	Bad debt expense and		6,698	
_	reserve for guarantees			
7.	Other assets, net	131,648		reclassification by nature
	Current income tax assets		131,648	
8.	Payables	10,051		reclassification by nature
	Current income tax liabilities		10,051	
9.	Payables	44,717		reclassification by nature
	Current income tax liabilities		44,717	
10.	Unappropriated retained	1,275		adjustment to timing recognition of the disposal of
	earnings			the land
	Special reserve		1,275	

#### 3) Supplementary information for government employees' insurance department

#### 1.Balance sheets

		Government employees' insurance department				
	De	ecember 31, 2014	December 31, 2013			
Cash and cash equivalents	\$	29,643,920	32,288,292			
Financial assets measured at fair value through profit or loss		139,064,547	99,412,781			
Receivables, net		12,744,906	19,220,747			
Current income tax assets		-	631			
Held-to-maturity financial assets		49,845,846	57,668,646			
Property and equipment, net		9,488	11,935			
Intangible assets, net		2,906	3,992			
Other assets, net		9,621,079	9,585,446			
Total assets	\$	240,932,692	218,192,470			
Financial liabilities measured at fair value through profit or loss	\$	-	6,182			
Payables		464,029	1,591,709			
Provisions		240,468,607	216,594,551			
Other liabilities		56	28			
Total liabilities	\$	240,932,692	218,192,470			

#### 2.Income statement

	Government emp depar	loyees' insurance tment
	December 31, 2014	December 31, 2013
Net interest income	\$ 1,582,659	1,447,520
Service fee expenses	(24,106)	22,715
Gain (loss) on financial assets and liabilities at fair value through profit or loss	10,426,444	9,724,337
Foreign exchange gain (loss)	2,592,250	740,029
Premium income	20,948,956	20,863,142
Government subsidy	12,946,954	15,696,251
Insurance payments	(24,452,013)	(26,426,619)
Provision for insurance premium reserve	(23,874,056)	(21,922,128)
Miscellaneous expense	(91,790)	(94,103)
Miscellaneous revenue	84,701	82,880
Net revenue	139,999	134,024
Bad debt expenses and reserve for guarantees	-	(55)
Employee benefits	122,054	117,427
Depreciation and amortization expenses	3,796	4,148
Other general and administrative expenses	14,149	12,504
	139,999	134,024
Net income	<u>\$</u>	

Note: According to Government Employees and School Staff Insurance Act, if GESSI experiences a loss, the loss before May 31, 1999, would be covered by the Ministry of Finance; and the loss after that date would be covered by an adjustment of the insurance premium.

#### (52) Notes to Disclosure Items

#### 1) Information on significant transactions:

Following the principle of financial report for public bank, the disclosure of information on significant transaction of the Bank and its Subsidiary were as follow:

- 1.Information regarding securities where the accumulated purchase or sale amounts for the period exceed NT\$300 million or 10% of the Bank's paid in capital: None.
- 2. Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.

- 3. Information on the disposal of real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.
- 4. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded \$5 million: None.
- 5. Information regarding receivables from related parties for which the amount exceeded \$300 million or 10% of the Bank's paid-in capital: None.
- 6. Information regarding selling non-performing loans:

(a) The information regarding selling non-performing loans were as follow:

Transaction date	Transaction person	Contain of loans	Book value	Selling price	Gain (loss) on disposal	Condition with contract	Relation with the Bank
2014.1.29	A Company	Construction loans	28,840	43,263	13,423	-	Non-related parties
2014.1.29	B Company	Construction loans	28,325	43,177	14,852	-	Non-related parties

(b) Information regarding selling non-performing loans for which the amount exceeded \$1 billion: None.

- 7.Approved securitization instrument types and related information according to "asset backed securitization" or "mortgage backed securitization": None.
- 8. Information on significant transactions between parent and subsidiary company were as follow:

Unit:	In	Thousand	of	NTD
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Unit: Thousand NTD

			Existing	State of transaction					
Number	Name of Company	Name of the counter-party	relationship with the counter-party	Account name	Amount	Terms of trading	Percentage of the total consolidated revenues or total assets		
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Deposits	267,979	Same as regular transaction	-%		
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Placement with banks	267,979		-%		
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Other receivables	73,067	"	-%		
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Other payables	73,067	"	-%		
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Service fees revenue	1,282,984	"	-%		
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Service fees expenses	1,282,984	"	-%		
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Miscellaneous 480 revenues		"	-%		
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Administrative expense	480	"	-%		
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Refundable deposits	689	"	-%		
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Guarantee deposits paid	689	"	-%		
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Miscellaneous revenue	6,950	"	-%		
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Operating expenses	6,950	"	-%		
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Other operating income	4,128	"	-%		
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Operating expenses	4,128	"	-%		
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Interest payables	15	"	-%		
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Interest receivables	15	u	-%		
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Interest expenses	346	"	-%		
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Interest incomes	346	"	-%		

Note 1: Number is based on the following rules:

1) The parent company is 0.

2) Subsidiaries are numbered by company from 1.

Note 2: The relation with trader is numbered as follow:

- 1) The parent company to its subsidiary is 1.
- 2) The subsidiary to its parent company is 2.
- Note 3: The transactions mention above have already write-off when building the financial report.
- 9. Other material transaction items which were significant to people who use the information in the financial statements: None.

#### 2) Information on investees:

The followings are the information on investees:

	Unit: In Thousand of N									
				Gain(Loss)	Held by the	bank and re	ank and related party at year-end			
Name of the	Investee	Major	% of	Original investment	recognized		Pro forma	Subtotal		Notes
investee	Location	Operation	shares	amount	during the period	Shares	shares	Shares	% of Shares	
Hua Nan Financial Holdings Co., Ltd.	NO.38, Sec.1, Chung-King South Road, Taipei, Taiwan	Financial Holding	21.23%	30,558,945	2,787,779	1,980,424,762	-	2,338,861,845	25.07%	
Taiwan Life Insurance Co., Ltd.	No.17 and 18, Xuchang St., Taipei City, Taiwan	Life Insurance	17.77%	2,840,938	311,844	172,011,552	-	196,136,255	20.26%	
Tang Eng Iron Works Co., Ltd.	5F., No.53, Zhonghua 4th Rd., Kaohsiung City, Taiwan	Iron Industry	21.37%	1,377,683	74,944	74,802,414	-	74,802,414	21.37%	
Kaohsiung Ammonium Sulfate Co., Ltd.	No.4, Yanhai 2nd Rd., Kaohsiung City, Taiwan	Liquidation	91.86%	2,193,752	(134,880)	303,131,576	-	303,131,576	91.86%	
Tai Yi Real Estate Management Co., Ltd.	3F., No.56, Dunhua N. Rd., Taipei City, Taiwan	Real Estate Service	30.00%	18,799	3,158	1,500,000	-	1,500,000	30.00%	
Bank Taiwan Insurance Brokers Co., Ltd.	4F, No. 49, Wu Chang St., Taipei City, Taiwan	Insurance Brokers	100.00%	252,136	206,265	2,000	-	2,000	100.00%	

#### 3) Information regarding investment in China:

1. Information on investees' names, locations, etc. in China:

										Unit: The	usand NTD
Name of the	of the main Paid in capital Way of		Opening balance of accumulate investment	of accumulate investment amount in investment current period			ing balance accumulate % of ment amount share		Ending balance of	Remit back by gain from	
investee	operation	ation amount from Taiwan		Remit	Regain	from Taiwan		current period	book value	investment	
Bank of Taiwan, Shanghai Branch	Banking business	5,099,000 CNY1,000,000	(5)	2,549,500 CNY500,000	2,549,500 CNY500,000	-	5,099,000 CNY1,000,000	-%	282,396	5,404,247	-

Note: The way of investing differentiates into 5 types as follow.

1. Investing the company in China by remitting money from the third country.

2. Investing the company in China by establishing investment in the third country.

3. Investing the company in China by investing the company in third country.

4. Directly investing the company in China.

5. Others: Establish oversea subsidiary.

Unit: Thousand NTD

Linity in Thousand of NITD

2.Rationed investment in China:

Current period of accumulate investment	The rationed investing amount approved by	The regulation announced by Investment Commission, MOEA rationed investing
amount remitting from Taiwan	Investment Commission, MOEA	amount
5,099,000	5,099,000	152,508,884

 Subsidiaries lending to other parties, guarantees and endorsements for other parties, securities held as of December 31, 2014, securities for which purchase or sale amount for the period exceed \$300 million or 10% of the Bank's paid-in capital, and trading in derivative financial instruments:

None.

## (53) Segment Information

The Bank has five departments need to be disclosed. Each department provides different services and products, and managed separately based on their diverse techniques and marketing tactic. The higher level managements of the Bank review each department's internal management report on quarterly basis. The information of asset and income disclose by segments follow the significant accounting policies stated above. The operation businesses of the segments which need to be disclosed were as follow:

- 1) Bank department: include transacting deposit, loan, and foreign exchange; dispatching, managing, performing NTD and foreign currency; investing in securities, and analyzing, managing interest for loan and deposit, and etc.
- 2) Government employees' insurance department: include managing government employees' insurance business; auditing insurance, cash settlement, and issue business; analyzing, managing, and taking statistics of government employees' insurance business, and etc.
- Department of Procurement: include managing government institutions, public schools, and public enterprises' centralized purchasing business; being agency of government institutions, public schools, and public enterprises for inter-entity supply contract, and etc.
- 4) Department of Precious Metals: include managing gold, silver, precious metals and analyzing customs duty; gold, silver and precious metals intermediary trading, planning, marketing, training, settlement, risk management, assuring and etc.
- 5) BankTaiwan Insurance Broker: operation businesses include insuring personal, property insurance, related services, and the business approved by the authority which related to insurance broker.

	2014						
	Bank department	Department of Government Employees Insurance	Department of Procurement	Department of Precious Metals	BankTaiwan Insurance Brokers	Reconciliation and elimination	Total
Interest income	\$ 63,650,091	1,582,659	78	35	346	(346)	65,232,863
Less: interest expense	36,453,834					(346)	36,453,488
Interest income, net	27,196,257	1,582,659	78	35	346	-	28,779,375
Non-interest income, net	18,232,770	12,994,588	263,222	41,544	381,043	(206,265)	31,706,902
Other non-interest income	(10,334,880)	(14,437,248)	2,287	349,353	(758)	(11,560)	(24,432,806)
Net revenue	35,094,147	139,999	265,587	390,932	380,631	(217,825)	36,053,471
Bad debt expenses and reserve for guarantees	(7,284,809)	-	-	-	-	-	(7,284,809)
Operating expenses	(18,881,425)	(139,999)	(111,303)	(82,023)	(132,119)	11,560	(19,335,309)
Continuing operating income before income tax	\$ 8,927,913		154,284	308,909	248,512	(206,265)	9,433,353
Continuing operating income after inocme tax	\$ 7,785,015		154,284	308,909	206,265	(206,265)	8,248,208
Total assets	\$ 4,169,425,658	240,932,692	2,587,268	1,090,015	379,006	(11,944,131)	4,402,470,508
Total Liabilities	\$ 3,915,707,376	240,932,692	2,432,985	781,106	126,870	(11,691,995)	4,148,289,034

		2013					
	Bank department	Department of Government Employees Insurance	Department of Procurement	Department of Precious Metals	BankTaiwan Insurance Brokers	Reconciliation and elimination	Total
Interest income	\$ 57,804,653	1,447,520	80	30	117	(117)	59,252,283
Less: interest expense	33,364,506					(117)	33,364,389
Interest income, net	24,440,147	1,447,520	80	30	117	-	25,887,894
Non-interest income, net	13,913,684	10,487,081	393,582	26,244	232,317	(129,355)	24,923,553
Other non-interest income	(9,744,911)	(11,800,576)	(10,504)	249,160	(174)	(6,835)	(21,313,840)
Net revenue	28,608,920	134,025	383,158	275,434	232,260	(136,190)	29,497,607
Bad debt expenses and reserve for guarantees	(2,625,099)	55	-	-	-	-	(2,625,044)
Operating expenses	(17,622,953)	(134,080)	(118,595)	(79,808)	(76,411)	6,835	(18,025,012)
Continuing operating income before income tax	\$ 8,360,868		264,563	195,626	155,849	(129,355)	8,847,551
Continuing operating income after inocme tax	\$ 6,957,739		264,563	195,626	129,355	(129,355)	7,417,928
Total assets	\$ 4,043,745,599	218,192,470	3,145,911	1,594,177	300,057	(12,577,619)	4,254,400,595
Total Liabilities	\$ 3,796,131,651	218,192,470	2,881,349	1,398,551	150,702	(12,428,264)	4,006,326,459

# IV. Individual Financial Statements of Recent Years, and Independent Auditors' Report

#### Independent Auditors' Report

The Board of Directors Bank of Taiwan:

We have audited the financial statements of Bank of Taiwan, which comprise the balance sheet as of December 31, 2014 and 2013, the related statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended. The management of the Bank are responsible for the preparation of these financial statements. Our responsibility is to express an opinion on these financial statements of Bank of Taiwan as of December 31, 2014 and 2013 amounting to NT\$30,577,743 thousand, constituting 0.69% of the total assets and NT\$28,817,655 thousand, constituting 0.68% of the total assets, respectively; and the related investment gains of NT\$2,790,937 thousand and NT\$2,135,643 thousand, constituting 29.72% and 24.21% of the income before income tax in 2014 and 2013, respectively, were accounted for using the equity method and based on the investees' financial statements audited by other auditors.

We conducted our audits in accordance with the "Regulations Governing the Audit of Financial Statements of Financial Institutions by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures on a test basis to obtain audit evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audits and the audit performed by the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the audit of the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial performance of Bank of Taiwan as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended, in conformity with the "Regulations Governing the Preparation of Financial Reports by Publicly Banks", the International Financial Reporting Standards, the International Accounting Standards and IFRS interpretation endorsed by the Financial Supervisory Commission.

In accordance with the auditing regulations in Taiwan, the financial statements of Bank of Taiwan are required to be audited by the National Audit Office, known as the Ministry of Audit. The financial statement for the financial year ended 2013 have been audited and approved by the Ministry of Audit. The adjustments by that office are reflected in the financial statement.

March 20, 2015

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

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

#### BANK OF TAIWAN Balance Sheets December 31, 2014 and 2013 (expressed in thousands of New Taiwan dollars)

	December 31, 2	014	December 31, 2	013
	Amount	%	Amount	%
Assets				
Cash and Cash Equivalents	\$ 155,902,567	4	119,265,263	3
Placement with Central Bank and Call Loans to Banks	582,914,021	13	585,444,072	14
Financial Assets Measured at Fair Value through Profit or Loss, Net	208,646,968	5	166,714,218	4
Hedging Financial Assets	25,613	-	5,443	-
Bills and Bonds Purchased under Resell Agreements	1,956,563	-	6,173,451	-
Receivables, Net	62,547,115	1	82,258,188	2
Current Income Tax Assets	1,878,465	-	2,169,130	-
Loans and Discounts, Net	2,298,237,964	52	2,240,652,458	52
Available-for-Sale Financial Assets, Net	797,692,802	18	765,521,333	18
Held-to-Maturity Financial Assets, Net	77,372,697	2	73,044,728	2
Investments under Equity Method, Net	37,242,253	1	34,941,396	1
Other Financial Assets, Net	68,466,496	2	70,317,802	2
Property and Equipment, Net	97,103,753	2	97,497,978	2
Intangible Assets	940,987	-	1,047,495	-
Deferred Tax Assets	357,844	-	237,929	-
Other Assets	11,399,279	-	9,227,485	-
Total assets	<u>\$ 4,402,685,387</u>	<u>    100</u>	4,254,518,369	<u>    100  </u>

	December 31, 20	014	December 31, 20	013
	Amount	%	Amount	%
Liabilities and Stockholders' Equity				
Liabilities:				
Deposits of Central Bank and other banks	\$ 156,988,830	4	252,738,244	6
Financial Liabilities Measured at Fair Value through Profit or Loss	47,915,342	1	3,999,496	-
Hedging Financial Liabilities	103,024	-	225,806	-
Bills and Bonds Sold under Repurchase Agreements	38,018,153	1	19,036,703	-
Payables	41,013,062	1	44,746,966	2
Current Income Tax Liabilities	154,840	-	132,072	-
Deposits and Remittances	3,554,349,701	81	3,409,797,342	80
Financial bonds payable	24,997,612	-	15,998,240	-
Other Financial Liabilities	1,756,954	-	1,243,698	-
Provision	257,654,781	6	232,743,116	5
Deferred Tax Liabilities	18,348,772	-	18,299,657	1
Other Liabilities	7,202,842		7,482,893	
Total liabilities	4,148,503,913	94	4,006,444,233	94
Equity attributable to shareholders of the parent:				
Capital stock	95,000,000	2	70,000,000	2
Capital surplus	80,521,742	2	105,496,092	2
Retained earnings:				
Legal reserve	29,526,951	1	27,386,900	1
Special reserve	17,502,398	-	16,489,571	-
Unappropriated retained earnings	8,139,902		7,176,585	
	55,169,251	1	51,053,056	1
Other equity	23,490,481	1	21,524,988	1
Total equity	254,181,474	6	248,074,136	6
Total liabilities and stockholders' equity	<u>\$ 4,402,685,387</u>	<u>100</u>	4,254,518,369	<u>   100</u>

## BANK OF TAIWAN Statements of Comprehensive Income For the year ended December 31, 2014 and 2013 (expressed in thousands of New Taiwan dollars)

	2014		2013		Percentage
	Amount	%	Amount	%	Change
Revenue and income:					
Interest income	\$ 65,232,863	182	59,252,283	202	10
Less: Interest expense	(36,453,834)	(102)	(33,364,505)	(113)	9
Net interest income	28,779,029	80	25,887,778	89	11
Non-interest income, net					
Service fees, net	5,057,566	14	5,043,288	17	-
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss	15,914,831	44	14,147,606	48	12
Realized gain (loss) on available-for-sale financial assets	1,062,198	3	1,007,390	3	5
Foreign exchange gain (loss)	6,250,104	17	2,585,863	9	142
Provision of impairment loss on assets	(1,685)	-	(19,013)	-	91
Share of profit (loss) of associates and joint ventures accounted for using equity method	3,249,110	9	2,055,455	7	58
Premiums loss	(3,503,057)	(10)	(5,563,476)	(19)	37
Sales income	450,651	1	430,636	1	5
Subsidized income from government	12,946,954	36	15,696,251	53	(18)
Other miscellaneous income	222,299	1	872,720	3	(75)
Provisions for policyholders' reserve premium	(23,874,056)	(67)	(21,922,128)	(75)	(9)
Excess interest expenses	(10,663,279)	(30)	(10,820,835)	(37)	1
Net Revenue	35,890,665	98	29,401,535	99	22
Bad debt expense and reserve for guarantees	(7,284,809)	(20)	(2,625,044)	(9)	178
Expenses:					
Employee benefits expenses	(11,687,081)	(33)	(11,526,020)	(39)	1
Depreciation and amortization expenses	(1,206,645)	(3)	(1,281,873)	(4)	(6)
Other general and administrative expenses	(6,321,024)	(18)	(5,147,542)	(18)	23
Total Expenses	(19,214,750)	(54)	(17,955,435)	(61)	7
Operating Income, Net	9,391,106	24	8,821,056	29	6
Net income before income tax	9,391,106	24	8,821,056	29	6
Income Tax Expenses	(1,142,898)	(3)	(1,403,128)	(5)	19
Consolidated net income	8,248,208	21	7,417,928	24	11
Other comprehensive income (loss):					
Financial statements translation differences of foreign operations	391,039	1	6,932	-	5,541
Unrealized gain (loss) on available-for-sale financial assets	1,022,580	3	4,754,330	16	(78)
Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	(450,839)	(1)	(330,269)	(1)	37
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	477,061	1	(911,409)	(3)	(152)
Add: income tax (expense) benefit relating to components of other comprehensive income (loss)	(7,547)		38,135		(120)
Other comprehensive income (loss), net of tax for the period	1,432,294	4	3,557,719	12	(60)
Total comprehensive income (loss), net of tax for the period	<u>\$ 9,680,502</u>	25	10,975,647	36	(12)
Basic earnings per share (In dollars)	\$	0.87		0.78	

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BANK OF TAIWAN Statements of Changes in Equity For the year ended December 31, 2014 and 2013 (expressed in thousands of New Taiwan dollars)

				Retained	Retained earnings			Other equity		
	Capital stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Financial statements translation differences of foreign operations	Unrealized gain (loss) on available-for- sale financial assets	Total	Total
Balance at January 1, 2013	\$ 70,000,000	105,453,034	25,218,428	15,087,006	8,381,241	48,686,675	(363,405)	18,046,248	17,682,843	241,822,552
Legal reserve appropriated		ı	2,168,472	ľ	(2,168,472)	ı	'	ľ	'	1
Special reserve appropriated		'	'	1,445,648	(1,445,648)	ľ	'	'	'	1
Cash dividends	ı	ı	'	I	(4,767,121)	(4,767,121)	ı	I	ľ	(4,767,121)
Reversal of special reserve-sale of land	I	I	1	(43,083)	43,083	I	ı	I	I	I
Changes is capital surplus-associates and joint ventures accounted for using equity method	ı	43,058	I	I	I	I	ı	ı	I	43,058
Consolidated net income	I	ı	'	I	7,417,928	7,417,928	ı	I	I	7,417,928
Other comprehensive income (loss) for the period	'				(284,426)	(284,426)	54,488	3,787,657	3,842,145	3,557,719
Balance at December 31, 2013	70,000,000	105,496,092	27,386,900	16,489,571	7,176,585	51,053,056	(308,917)	21,833,905	21,524,988	248,074,136
Legal reserve appropriated	I	ı	2,140,051	I	(2,140,051)	I	ı	I	I	I
Special reserve appropriated	I	ı	'	1,038,720	(1,038,720)	I	ı	I	I	I
Cash dividends	I	ı	1	I	(3,598,814)	(3,598,814)	ı	I	I	(3,598,814)
Reversal of special reserve-sale of land	I	'	'	(25,893)	25,893	I	'	I		I
Changes is capital surplus-associates and joint ventures accounted for using equity method		25,650				'	·			25,650
Changes in capital surplus-profit to capital increment	25,000,000	25,000,000 (25,000,000)	I	ı	I	I	I	I	ľ	I
Consolidated net income	I	ı	1	I	8,248,208	8,248,208	ı	I	I	8,248,208
Other comprehensive income (loss) for the period					(533,199)	(533,199)	582,615	1,382,878	1,965,493	1,432,294
Balance at December 31, 2014	\$ 95,000,000	80,521,742	29,526,951	17,502,398	8,139,902	55,169,251	273,698	23,216,783	23,490,481	254,181,474

## BANK OF TAIWAN Statements of Cash Flows For the year ended December 31, 2014 and 2013 (expressed in thousands of New Taiwan dollars)

	2014	2013
Cash flows from (used in) operating activities :		
Net income before income tax	\$ 9,391,106	8,821,057
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation expense	867,685	909,127
Amortization expense	377,513	410,053
Provision for bad debt expense and guarantee liabilities	7,284,809	2,697,539
Interest expense	36,453,834	33,364,505
Interest income	(65,232,863)	(59,252,283)
Net change in other provisions	23,897,844	21,914,799
Impairment loss on inventory (reversal of impairment loss on inventory)	1,351	(6,899)
Share of profit of associates and joint ventures accounted for using equity method	(3,249,110)	(2,055,455)
Loss on disposal of property and equipment	111,559	149,395
Impairment loss on property and equipment (reversal of impairment loss on property and equipment)	(616)	19,013
Total adjustments to reconcile profit (loss)	512,006	(1,850,206)
Changes in operating assets and liabilities :		
Increase in placement with Central Bank and call loans to banks	(16,693,019)	(28,075,744)
Increase in financial assets measured at fair value through profit or loss	(60,521,919)	(14,328,674)
Increase in hedging financial assets	(20,170)	(1,900)
Decrease in bills and bonds purchased under resell agreements	-	4,980,621
Decrease in receivables	21,852,732	7,142,466
Increase in loans and discounts	(64,415,855)	(66,309,595)
Decrease (increase) in available-for-sale financial assets	3,185,136	(98,587,399)
Decrease (increase) in held-to-maturity financial assets	814,244	(34,308,521)
Decrease (increase) in other financial assets	1,846,780	(962,611)
(Increase) decrease in other assets	(1,807,802)	1,413,409
Total changes in operating assets	(115,759,873)	(229,037,948)
(Decrease) increase in deposits of Central Bank and other banks	(95,749,414)	39,363,779
Increase (decrease) in financial liabilities measured at fair value through profit or loss	43,915,846	(877,458)
Decrease in hedging financial liabilities	(122,782)	(75,584)
Increase in bills and bonds sold under repurchase agreements	18,981,450	7,038,305
(Decrease) increase in payables	(3,888,895)	3,989,254
Increase in deposits and remittances	144,552,359	114,893,623
Increase in employee benefit obligations	475,361	644,360
Increase in other liabilities	98,862	357,878
Total changes in operating liabilities	108,262,787	165,334,157
Total changes in operating assets and liabilities	(7,497,086)	(63,703,791)
Total adjustments	(6,985,080)	(65,553,997)
Cash inflow (outflow) generated from operations	2,406,026	(56,732,940)
Interest received	61,643,103	57,839,959
Dividends received	2,981,900	2,171,366
Interest paid	(36,298,843)	(34,595,678)
Income taxes paid	(900,265)	(1,371,118)
Net cash flows from (used in) operating activities	29,831,921	(32,688,411)

	2014	2013
Cash flows from (used in) investing activities :		
Acquisition of property and equipment	\$ (582,996)	(533,849)
Increase in refundable deposits	(365,624)	(14,300)
Acquisition of intangible assets	(270,725)	(292,624)
Decrease in other financial assets	4,526	313,013
Net cash flows (used in) investing activities	(1,214,819)	(527,760)
Cash flows from (used in) financing activities :		
Proceeds from issuing financial bonds	8,999,372	15,998,441
Decrease in guarantee deposits received	(378,912)	(546,086)
Increase (decrease) in other financial liabilities	513,256	(6,954,316)
Cash dividends paid	(3,598,814)	(4,767,120)
Net cash flows from financing activities	5,534,902	3,730,919
Effect of exchange rate changes on cash and cash equivalents	390,799	44,703
Net increase (decrease) in cash and cash equivalents	34,542,803	(29,440,549)
Cash and cash equivalents at beginning of period	874,220,989	903,661,538
Cash and cash equivalents at end of period	<u>\$ 908,763,792</u>	874,220,989
Compose of cash and cash equivalents :		
Cash and cash equivalents reported in the statement of financial position	\$ 155,902,567	119,265,263
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	156,883,746	176,106,816
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	595,977,479	578,848,910
Cash and cash equivalents at end of period	<u>\$ 908,763,792</u>	874,220,989

# Review of Financial Conditions, Operating Results, and Risk Management

# I. Analysis of Financial Status

			Un	it: NT\$1,000	
Year	Dec. 31, 2014	Dec. 31, 2013	Change	;	
Items	Dec. 31, 2014	(restated)	Amount	%	
Total Assets	4,402,470,508	4,254,400,595	148,069,913	3.48	
Total Liabilities	4,148,289,034	4,006,326,459	141,962,575	3.54	
Total Shareholders' Equities	254,181,474	248,074,136	6,107,338	2.46	

Note: Consolidated financial reports serve as the accounting basis.

# II. Financial Performance

				Unit: N1\$1,000
Year	2014	2013 (restated)	Amount Change	% Change
Net interest income	28,779,375	25,887,894	2,891,481	11.17
Non-interest income (net)	7,274,096	3,609,713	3,664,383	101.51
Net revenues	36,053,471	29,497,607	6,555,864	22.23
Bad debt expenses and reserve for guarantees	7,284,809	2,625,044	4,659,765	177.51
Operating expenses	19,335,309	18,025,012	1,310,297	7.27
Net income before tax	9,433,353	8,847,551	585,802	6.62
Income tax expense	1,185,145	1,429,623	(244,478)	(17.10)
Net income after tax	8,248,208	7,417,928	830,280	11.19

Notes: Consolidated financial reports serve as the accounting basis.

Analysis of changes in increase / decrease ratios:

1. The increase in net income before tax in 2014 compared with 2013 was due mainly to increased net interest income and foreign exchange gain. 2. The increase in net interest income in 2014 compared with 2013 was due to the fact that the increase in interest income was larger than the increase in interest income in 2014 compared with 2013 was due to the fact that the increase in interest income was larger than

the increase in interest expense.

3. The increase in non-interest net income in 2014 was due mainly to an increase in foreign exchange gain.

4. The increase in bad debt expenses and reserve for guarantees in 2014 as compared with 2013 was caused mainly by an increase in provision for bad loans.

5. Income tax expenses for 2014 were lower than in 2013, mainly due to an increase in the share of tax-exempt income accounted for by associates and joint ventures (which recognize tax-exempt income under the equity method), as this reduced taxable income.

# III. Analysis of Cash Flow

#### 1. Liquidity Analysis for the Past Year

(1) Cash Flow Analysis

				UIIII. N I \$ 1,000
Item	2014	2013	Amount Change	% Change
Net cash inflow (outflow)	34,542,803	(29,440,519)	63,983,322	(217.33)

Unit: NT\$1,000

Unit<sup>.</sup> NT\$1 000

The main reasons for the net change were as follows:

	Unit: NT\$1,000
Items	Amount
Decrease in net cash outflow from placement with Central Bank and call loans to banks	11,382,725
Increase in net cash outflow from financial assets measured at fair value through profit or loss	(46,193,245)
Increase in net cash inflow from receivables	14,728,888
Increase in net cash inflow from available-for-sale financial assets	101,649,051
Increase in net cash inflow from held-to-maturity financial assets	35,122,765
Increase in net cash outflow from deposits of Central Bank and other banks	(135,113,193)
Increase in net cash inflow from financial liabilities measured at fair value through profit or loss	44,793,304
Increase in net cash inflow from bills and bonds purchased under resell agreements	11,943,145
Increase in net cash inflow from deposits and remittances	29,768,176
Increase in net cash outflow from other operating activities	(5,526,564)
Increase in net cash outflow from investing activities	(690,347)
Increase in net cash inflow from financing activities	1,804,738
Others	313,879
Amount Change	63,983,322

Note: Consolidated financial reports serve as the accounting basis.

#### (2) Remedy for Estimated Shortage of Liquidity: Not applicable.

## 2. Cash Flow Analysis for the Coming Year

					Unit: NT\$1,000
Beginning Cash	Elow from ()ther	Cash Balance	Remedy for Estimated Cash Shortage		
Balance (a)	from Operating Activities (b)	Activities (c)	(Shortage) (a)+(b)+(c)	Investment Plan	Financial Management Plan
908,763,822	533,011	2,744,719	912,041,552	-	-

Note: Consolidated financial reports serve as the accounting basis.

#### (1) Cash Flow Analysis

- a. Operating activities: Due primarily to a net cash inflow produced by interest.
- b. Investing activities: Mainly due to a net cash inflow produced by interest on investment financial instruments.
- c. Financing activities: Primarily due to cash dividends released.
- (2) Remedial action to make up for cash inadequacy, and liquidity analysis: Not applicable.

# IV. Investment Policy in Last Year

The Bank actively plans for the disposal of reinvested enterprises that are performing poorly, for which the original purpose of investment has been achieved, or which are unrelated to the Bank's business. Global financial markets continued to recover during 2014. When stock dividends received are added, investment income as recognized under the equity method for the year amounted to approximately NT\$4.53 billion, reflecting a good investment performance.

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To assure the quality of investment and to heighten return on investment, the Bank sends letters asking for the formulation of improvement measures to reinvested enterprises whose operations resulted in losses on a regular basis in the hope of improving their operations, upgrading their operating performance, creating profits, and protecting investment costs; participates in meetings of the boards of directors and supervisors of invested enterprises so as to remain aware of their business conditions and protect the Bank's investment interests.

The Bank earmarked funds in its 2014 budget to invest in a wholly-owned Bank of Taiwan (China) Limited, with capitalization provisionally set at RMB 2 billion.

## V. Risk Management

#### 1. Qualitative & Quantitative Information on Different Types of Risk

- (1) Credit Risk Management and Accrued Capital
  - A. Credit Risk Management System

#### Year 2014

Items	Contents
Credit Risk Strategies, Goals, Policies, and Procedures	<ol> <li>Credit Risk Strategies, Goals, Policies         <ol> <li>In accordance with the loan, investment strategies and operating directions approved by the Board of Directors, and in compliance with the New Basel Capital Accord and the regulatory provisions of the competent authority, the Bank readjusts its credit risk management strategies according to internal procedures whenever necessary, and in response to changes in the macroeconomic market, loan portfolio risk, and asset quality, and to coordinate with government policy.</li> <li>The Bank will establish and effectively implement a healthy credit risk management mechanism, lower credit risk, and achieve operating and management targets.</li> <li>When the Bank engages in business and management procedures related to credit risk, it evaluates the probability and severity of losses from the investment or loan and adopts appropriate credit risk management countermeasures in consideration of the Bank's risk appetite and cost effectiveness. Risk management countermeasures include risk hedging, risk transfer or mitigation, risk control, and assumption of risk.</li> </ol></li> <li>Credit Risk Management Procedures         <ul> <li>Credit risk assessment and monitoring are carried out in accordance with the relevant regulations of the competent authority and the BOT, and reports are submitted to the BOT's Board of Directors and Risk Management Committee.</li> <li>Risk quotas and early-warning indexes are established by industry, country, conglomerate, financial institution, and trading partner in order to control the concentration of risk and large exposure, and monitoring and reporting are carried out.</li> <li>To effectively measure the quality of loan assets, the Bank has established pre-loan investigation and screening rules and procedures. It has also strengthened post-loan management, and has adopted the following control and measurement mechanisms: a loan review a</li></ul></li></ol>
Organizational Framework of Credit Risk Management	The BOT's organizational framework of credit risk management includes the Board of Directors, Risk Management Committee, Department of Risk Management, units in charge of business, and other business units. The Board of Directors is the Bank's supreme policymaking unit and has final responsibility for the Bank's overall risk management. The Risk Management Committee is responsible for the Bank's risk management policy, system, rules, organization, and overall risk assessment, and for supervising, and examining revision affairs.

Items	Contents
Scope and Characteristics of the Credit Risk Reporting and Measuring System	<ol> <li>Credit Risk Reporting         Scope: Includes the standard system-produced credit risk reports that are submitted to the competent authority, and monthly credit risk monitoring reports.         Characteristics: The Bank's Department of Risk Management produces credit risk monitoring reports and submits them to the chief executive on a monthly basis, and also makes regular reports to the Board of Directors and Risk Management Committee. The contents of these reports include risk-control conditions such as the status of bank-wide exposure to credit risk, the status of utilization of total amounts and quota limits, analysis of the management of credit risk concentration, analysis of overseas branch (including the OBU) loan asset portfolios and anonymous loan participants, and asset quality and off-book items. Dynamic monitoring of credit risk is also carried out as necessary, and if major changes are found they are reported to the chief executive in order to control credit risk effectively.     </li> <li>Credit Risk Measuring System         Scope: The Bank currently uses the risk standardized approach to calculate capital allocation. The Risk Management Information System automatically produces various reports each month, including reports to the competent authority, management-related reports, and information-disclosure reports. These reports are used to compile monitoring reports for ranking executives, the Risk Management Committee, and the Board of Directors.     The Bank is currently installing a risk-management mechanism with an internal ratings-based approach that is compliant with the New Basel Capital Accord. Corporate and consumer banking information is being collected bank-wide for the establishment of a credit risk databank, data mart, and credit-rating system, and models are being set up for default. After these systems are in place they will be introduced into the Bank's credit analysis and loan processes, and the advance measurement approach will be used to measu</li></ol>
Credit Risk Hedging or Mitigation Policy, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments	<ol> <li>Credit Risk Hedging and Mitigation Policy         <ol> <li>The Bank has established quotas for the concentration of various items of risk—by industry, conglomerate, and country, among others.</li> <li>The Bank has established a loan review and follow-up auditing system to strengthen post-loan management, and continuous monitoring of the condition of borrowers. Loan review is carried out within the term of loans in accordance with the review rating, and follow-up auditing is carried out for important loan cases.</li> <li>The Bank operates in accordance with its loan policy and rules for the handling of collateral to seek the provision of collateral or guarantees to augment the creditworthiness of borrowers and lower credit risk.</li> <li>Credit risk mitigation methods (such as offset against net, and eligible collateral and guarantees) are included in related information systems in accordance with the rules of the Bank's risk mitigation accurately.</li> </ol> </li> <li>Strategy and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments             <ol> <li>The Bank monitors the status of and changes in credit risk-concentration quotas, distribution of risk exposure, asset quality, and types of collateral exposure on a scheduled basis, reviews trigger ratios and limit ratios whenever necessary, and assures the integrity and effectiveness of collateral and guarantees. Scheduled reports are submitted to the Risk Management Committee for use in compiling statements on effectively handle its collateral. Analysis and policy readjustments are carried out when necessary in response to market and economic changes. In the future, a collateral reappraisal system and mechanism will be established for the accurate calculation of the results of collateral mitigation and the effective use of the early-warning system.</li> </ol></li></ol>
Method of Legal Capital Allocation	Standardized Credit Risk Approach

B. Exposure and Accrued Capital Following Risk Mitigation Using the Standardized Credit Risk Approach

		Unit: NT\$1,000
Type of Exposure	Exposure Following Risk Mitigation	Accrued Capital
Sovereign Nations	1,513,531,516	64,433
Non-Central Government Public Sector	460,222,509	14,210,796
Banks (including multilateral development banks)	303,542,584	8,248,625
Enterprises (including securities and insurance firms)	925,754,553	67,660,964
Retail Loans	408,992,951	18,921,153
Residential Real Estate	520,110,973	24,940,530
Equity Investment	12,938,653	4,030,154
Other Assets	146,923,715	8,876,153
Total	4,292,017,454	146,952,808

#### Dec. 31, 2014

#### (2) Securitization Risk Management System, Exposure, and Accrued Capital

#### A. Securitization Risk Management System

#### Year 2014

Items	Contents
Securitization Management Strategy and Procedures	<ol> <li>The BOT has not acted as the originator of securitized products, but only as investor.</li> <li>The BOT's management strategy and procedures for investment in securitized products are handled in accordance with the rules contained in the Banks"Investment Policy," "Guidelines for Dealing in Domestic Bonds," and "Operating Rules for Engaging in the Offshore Banking Business."</li> </ol>
Securitization Management Organization and Framework	The BOT has not played the role of originator bank, and the risks potentially associated with its investment in securitized products (including credit risk, market risk, liquidity risk, interest rate risk, and operational risk) are controlled in accordance with the organizations and frameworks related to the different categories of risk as well as with the BOT's risk management system and reporting mechanism.
Scope and Characteristics of the Securitization Risk Reporting and Measuring System	The BOT carries out prior evaluation of the risks and benefits associated with investment in securitized products in accordance with the relevant investment rules; evaluates profit and loss on a monthly basis; submits risk reports to the unit in charge, Department of Risk Management, ranking executives, and Investment Commission; and reports regularly to the Risk Management Committee and the Board of Directors.
Method of Legal Capital Allocation	Standardized Approach

# B. Status of Securitization

None

- C. Securitization Risk Exposure and Accrued Capital (according to the type of transactions) None
- D. Securitized product information None

# (3) Operational Risk Management System and Accrued Capital

# A. Operational Risk Management System

## Year 2014

Items	Contents
Operational Risk Management Strategies and Procedures	The Bank has established multi-level authorization rules and reporting procedures in its business rules and operating manuals, in regard to bank customers, products and business activities, business sources, sales channels, and transaction complexity and volume, and in consideration of potential risk. In its SOP the Bank also stipulates that in their review work officers should pay attention to risk control, strengthen identification, emphasize potential risk, formulate evaluation procedures, and establish a frequency of risk monitoring on a regular basis.
Organizational Framework of Operational Risk Management	<ol> <li>The Board of Directors is the Bank's operational risk management supreme policymaking unit, which approves the Bank operation management policies and makes sure the Bank effectively carries out the operational risk management mechanism.</li> <li>The Risk Management Committee implements operational risk management policies approved by the Board of Directors, establishes and maintains operational risk management mechanism, and coordinates interdepartmental operational risk management matters.</li> <li>The Department of Auditing, Board of Directors is the Bank's independent auditing unit, and evaluates the effectiveness, design and implementation of operational risk management.</li> <li>The Department of Risk Management is responsible for establishing a systematic criteria to identify, measure, evaluate and monitor operational risk management, and submits reports to the Risk Management Committee on bank-wide operation risk information.</li> <li>The units in charge of different areas of business have established business rules and operating manuals in order to distinguish operational risk.</li> <li>The different units bank-wide carry out their various businesses in accordance with business rules, operating manuals, and standard operating procedures.</li> </ol>
Scope and Characteristics of the Operational Risk Reporting and Measurement System	<ul> <li>Operational risk reporting:</li> <li>1. The Bank convenes meetings of the Risk Management Committee on a regular basis, and bank-wide operational risk management and control reports are submitted. The scope of the reports encompasses the collection, filing, and analysis of incidents of operational risk loss; the establishment of standard operating procedure "SOP" pages on the Bank's internal global information website to provide for retrieval by Bank employees; and various kinds of risk-culture education. These activities are designed to lower operational risk.</li> <li>2. Any unit that discovers deficiencies in the management mechanism or major operational risk incidents immediately notifies the relevant unit, and the unit in charge of the business concerned carries out review and improvement as well as guidance for the various units.</li> <li>Measurement system:</li> <li>The Bank constantly collects internal loss data and has set up an operational loss databank. The Bank is also introducing Operational Risk Control Self-Assessment (RCSA) and Key Risk Indicators (KRI) as tools for measuring operational risk.</li> </ul>
Operational Risk Hedging or Mitigation Policy, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments	<ol> <li>To reduce operational risk, the Bank has established regulations and manuals to serve as a basis for undertaking relevant business operations.</li> <li>In accordance with its accumulated experience and operating procedures, as well as in consideration of various types of business cost/effectiveness analysis, the Bank uses insurance (such as employee fidelity insurance, cash insurance, home insurance and miscellaneous equipment insurance) and remote backup to offset operational risk losses caused by operational negligence, personnel, assets, or systems. The outsourcing of operations is handled in accordance with the Bank's "Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Operations" in order to prevent operational risk from outsourced operations.</li> </ol>
Method of Legal Capital Allocation	Basic Indicator Approach

## B. Operational Risk Management Accrued Capital

# Dec. 31, 2014

Unit:	NT\$1	.000

Year	Operating gross profit	Accrued Capital
2012	28,281,524	
2013	28,052,381	
2014	34,840,754	
Total	91,174,659	4,558,733

# (4) Market Risk Management System and Accrued Capital

# A. Market Risk Management System

### Year 2014

Items	Contents
Market Risk Management Strategies and Procedures	In accordance with the risk management strategies and operating directions approved by the Board of Directors, and in compliance with the New Basel Capital Accord and the regulatory provisions of the competent authority, the Bank has established a market risk management system and policy. To effectively identify, assess, measure and monitor the risk associated with different investment business, the Bank sets up different investment quotas and stop-loss limits and reports are submitted to the Board of Directors and Risk Management Committee.
Organizational Framework of Market Risk Management	<ol> <li>The BOT's organizational framework of risk management includes the Board of Directors, Risk Management Committee, Department of Risk Management, units in charge of business, trading units and their traders, risk control personnel, and back- office personnel.</li> <li>The Board of Directors is the Bank's supreme market risk management and monitoring unit, which is responsible for the risk policies and the Bank's quota limits approval.</li> <li>The Risk Management Committee is responsible for the Bank's risk management policy, system, rules, organization, overall risk assessment, supervision, and examining revision affairs.</li> <li>The department of Risk Management is responsible for the planning and revision of risk management, handles formulation and integration of risk management regulations.</li> </ol>

Items	Contents
Scope and Characteristics of Market Risk Reporting and Measurement	<ol> <li>The Bank's market risk monitoring encompasses all trading units and overall and individual trading procedures for different financial products, and includes changes in position, changes in profit and loss, trading models, and trading targets, all of which should be carried out in accordance with the Bank's quota limits, stop-loss, and over limit disposition rules, and within authorization limits.</li> <li>The Bank's Department of Risk Management produces market risk monitoring reports and submits them to the chief executive on a monthly basis, and also makes regular reports to the Board of Directors and Risk Management Committee. The contents of these reports include risk-control conditions such as the status of bank-wide exposure to credit risk, capital requirement, financial instruments quotas and limit exceeding, analysis of the management of risk concentration, and analysis of overseas branch (including the OBU) investment assets portfolio, among others.</li> <li>The Bank currently uses the risk standardized approach to calculate capital allocation. The Risk Management Information System automatically produces various reports each month, including reports to the competent authority, management-related reports, and information-disclosure reports. These reports are used to compile monitoring reports for ranking executives, the Risk Management Committee, and the Board of Directors.</li> <li>In response to the increasing complexity and innovativeness of financial products and trading, and to strengthen the management of market risk, the BOT has set up a complete internal model approach VaR system for market risk that produces various kinds of risk management reports every day, including value at risk, profit and loss analysis, sensitivity analysis, extent of concentration, and capital requirements. To support a mainframe upgrade, and in response to increasing diversification of financial products, the Bank will upgrade the operating system software and add a Stressed VaR function to com</li></ol>
Market Risk Hedging or Mitigation Policy, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments	<ol> <li>The BOT's "Operating Rules for Engaging in the Offshore Banking Business" clearly specify the range of trading in the offshore banking business and establish trading limits according to the credit rating and world ranking of counterparties, issuing institutions, and guarantor institutions. The Rules also have strict specifications regarding categories of securities, with trading quotas and stop-loss limits being established for the trading book positions of different units.</li> <li>In accordance with the "Operating Criteria for Derivatives Products, and Internal Control Operating Methods," the Bank uses the following risk-hedging principles to trade in derivative financial products by trading units: (1) Principal and loss quotas are reviewed on a regular basis. (2) Reverse-squaring trading for derivatives positions, which are listed as net amounts. (3) The market risk of structured derivative financial products is calculated under the principle of decomposition. For products that do not admit of decomposition, positions should be covered in round lots, with no retained positions allowed.</li> </ol>
Method of Legal Capital Allocation	Standardized Approach

#### B. Market Risk Accrued Capital

#### Dec. 31, 2014

	Unit: NT\$1,000
Risk Category	Accrued Capital
Interest rate risk	2,495,907
Equity security risk	1,956,168
Foreign exchange risk	2,487,804
Commodity risk	1,767
Total	6,941,646

#### (5) Liquidity Risk

The Bank uses two methods to manage liquidity risk: total amount management, and flow management. Total amount management is carried out according to the Central Bank's "Liquidity Reserve Checking Guidelines for Financial Institutions," and liquidity reserves are allocated in reference to fluctuations in the Bank's flow of funds. The implementation of flow management depends on the time and place of inflow and outflow of funds and is divided into real-time management and medium and long-term management. When the flow of funds reaches a set limit, business units are required to submit a report immediately so as to maintain a grasp of the status of capital and provide for the adoption of advance countermeasures. In addition, a monthly analytic report on the Bank's New Taiwan Dollar and Foreign Currencies funds liquidity risk and interest rate risk is compiled and submitted to the Assets and Liabilities Management Committee and to the Board of Managing Directors quarterly.

A. New Taiwan Dollars-Denominated Maturity Date Structure

Dec.	31.	2014

							Unit: NT\$1,000
Items	Total	Amounts by Time Remaining before Maturity					
		0-10 days	11-30 days	31-90 days	91-180 days	181 days- one year	Over one year
Major inflows of matured funds	4,377,733,373	610,501,815	693,409,471	563,576,707	342,261,156	402,995,787	1,764,988,437
Major outflows of matured funds	5,928,753,165	325,300,273	428,762,165	827,429,520	875,200,129	1,649,561,797	1,822,499,281
Period gap	(1,551,019,792)	285,201,542	264,647,306	(263,852,813)	(532,938,973)	(1,246,566,010)	(57,510,844)

Note: The table includes only New Taiwan Dollar Amounts held in head office and the domestic branches.

#### B. U.S. Dollars-Denominated Maturity Date Structure

Dec. 31, 2014

						Unit: US\$1,000	
		Amounts by Time Remaining before Maturity					
Items	Total	0-30 days	31-90 days	91-180 days	181 days- one year	Over one year	
Major inflows of matured funds	45,203,458	16,092,595	10,230,926	5,266,681	2,692,906	10,920,350	
Major outflows of matured funds	45,203,458	22,283,601	8,984,827	3,516,780	1,934,638	8,483,612	
Period gap	-	(6,191,006)	1,246,099	1,749,901	758,268	2,436,738	

Note: The table includes only USD Amounts held in head office and the domestic and overseas branches and offshore banking branch.

# 2. Impact of Changes in Major Domestic and Overseas Policies and Laws on the Bank's Financial Operations, and Countermeasures

The Bank will remain attentive to the influence of major government financial and economic policies, and will provide appropriate responses in a timely fashion so as to lower the impact on its financial operations.

# 3. Impact of Technological and Industrial Changes on the Bank's Financial Operations, and Countermeasures

In response to changes in industry, and paying due attention to the needs for both lending growth and risk control, the Bank has taken the following measures:

(1) Control of the Bank's exposure to any single industry

The Bank has responded to changes in industry by establishing limits on loans to different industries, and has annually adjusted limits on lending to particular industries.

(2) Enhanced ability to track industrial development trends

Each month, the Bank collects information on conditions in 13 different sectors (DRAM chips; display panels; solar power; LED; desktop and notebook computers; semiconductors; data storage media; printed circuit boards; communications equipment; Apple and mobile phone supply chains; telecoms operators; the Internet of Things; cultural and creative industries), and on the specific status of BOT borrowers in these sectors, and provides the information to units throughout the bank for their reference. In addition, the Bank also provides colleagues in the company with information on production and sales in 11 different sectors (electronics and semiconductors; information; communications; green industry; etc.) and 29 sub-sectors, the status of individual manufacturers, future prospects, and important breaking news.

In addition, the Bank has purchased an external database that colleagues can access online at any time to make queries and gain a deeper understanding of a particular industry or larger economic trends. This enhances their ability to reduce credit risk.

(3) Enhancement of credit examiner professionalism

The Bank regularly invites experts from industry, government, academia, and research institutes to attend teleconference seminars and share their insights on the latest trends in key industries. In addition, the BOT from time to time dispatches employees to take part in industrial seminars held by research institutions in order to stay abreast of the latest trends in industry.

#### 4. Impact of Changes on the Bank's Image, and Countermeasures

The Bank treats customers with sincerity, always puts the customer's interests first, and provides unmatched safeguards for customers' wealth. The Bank works actively to enhance its service quality by simplifying operating procedures and participates actively in numerous public-benefit activities, efforts. This earned several awards for the Bank, including: Golden Quality Award and Golden Security Award by the Joint Credit Information Center; Best e-Banking Award by the Taiwan Academy of Banking and Finance; two consumer finance brand awards for 2014 by Wealth magazine: Best Domestic Bank and Best Banking Brand Image; a winner in the Reader's Digest Trusted Brands survey in the banking category; a Best Customer Reliability Award in its wealth management bank survey by Business Today magazine; a top prize in the category of "bank with the most highly recommended wealth management services" by Global Views Monthly; an Electronic Payment Service Quality Award from the Ministry of Finance.

# 5. Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans None

#### 6. Expected Benefits from, Risks Relating to and Response to Operating Channel Expansion Plans

The BOT enjoys outstanding credit, a correspondent banking system that covers Taiwan and the world, and a fine management system. Since the addition of more business locations can expand the deposit, loan, remittance, and wealth management businesses while increasing stable customer sources, the Bank will continuously evaluate the feasibility of setting up new business locations, in light of economic conditions and the development of commerce and industry in different areas, and will take advantage of the Bank's big customer base to tap into synergies.

In support of the Financial Supervisory Commission's "Asia Cup" policy, the BOT has adopted the "Concrete Plan of the Bank of Taiwan for Development of a Stronger Asian Presence." This will provide a blueprint for the Bank's efforts to expand its international business network and strengthen its presence in the markets of Asia. To reinforce international deployment, the Bank is currently preparing for the establishment of a Sydney Branch and a Yangon Representative Office in Myanmar, and actively planning for the addition of more business locations in mainland China— including a Guangzhou branch, a Jiading sub-branch in Shanghai, and a free trade zone sub-branch in Shanghai.

The Bank has established an "Overseas Branch Preparatory Committee" and a "Mainland Work Group" to facilitate the careful planning of deployment strategy, including branch establishment, manpower training, business marketing, and establishment of regulatory and information systems, and to make preparations for potential operational risk.

#### 7. Risks Arising from the Concentration of Business, and Countermeasures

Changes in interest rates have a relatively large influence on the Bank's income. To reduce the risk caused by interest-rate fluctuations, the Bank will monitor changes in interest rates continuously and closely, adjust the structure of its assets and liabilities, and increase the ratio of fee and commission income.

#### VI. Crisis Management Mechanism

In regard to latent or present crisis, the Bank has adopted a series of pre-event, mid-event, and postevent countermeasures. The crisis management mechanism that has been established by the Bank includes the following:

- 1. A "BOT Emergency Response Manual."
- 2. The "BOT Crisis Reporting Rules."
- 3. A "BOT Operation Crisis Response Countermeasures."
- 4. A "BOT Operations Non-Interruption Plan."
- 5. An emergency reporting system for headquarters and branches.
- 6. A BOT Crisis Reporting System.







2014遠見財富管理大調查 臺灣銀行 「親友推薦」第一名



# BANK OF Prudence

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## Special Disclosure

#### I. Information on Affiliated Enterprises

#### 1. The Bank's Subsidiaries (Dec. 31, 2014)

Bank of Taiwan					
Shareholding 100%					
BankTaiwan Insurance Brokers Co., Ltd.					

#### 2. Basic Data of the Bank's Subsidiaries

Unit: NT\$1,000

Enterprise Name	Establishment Date	Address	Paid-in Capital	Major Operations
BankTaiwan Insurance Brokers Co., Ltd.	Jan. 23, 2013	4F., No.49, Sec. 1, Wuchang St., Zhongzheng Dist., Taipei City	20,000	Life Insurance Agency Property Insurance Agency

#### 3. Information of Chairperson, Directors, Supervisors and President of the Bank's Subsidiaries

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Enterprise Name	Position	Company Name and Representative	Shareholding		
	POSILION		Shares	%	
BankTaiwan Insurance Brokers Co., Ltd.	Chairperson Director Director Supervisor President	Bank of Taiwan Legal Representative: Hsieh, Fu-Deng Legal Representative: Chiang, Shih-Tien Legal Representative: Kang, Fan Legal Representative: Joanne Ling Kang, Fan	2,000,000	100%	

#### 4. Operation Overview of the Bank's Subsidiaries

								Unit: NT\$1,000
Enterprise Name	Capital	Total Assets	Total Liability	Equity	Operating Revenue	Operating Profits	Income (After tax)	EPS in NT\$ (After tax)
BankTaiwan Insurance Brokers Co., Ltd.	20,000	394,144	307,020	87,124	1,664,026	248,926	206,265	103.13

Dec. 31, 2014

## Directory of Head Office and Branches

#### I. Domestic Business Units

No.120, Sec. 1, Chongqing South Road, Zhongzheng District, Taipei City 10007, Taiwan (R.O.C.) P.O. Box 5 or 305, Taipei, Taiwan SWIFT: BKTWTWTP http://www.bot.com.tw

Office FAX Code Address Telephone Head Office Department of No.120, Sec. 1, Chongqing South Road, Zhongzheng District, 0037 02-23493456 02-23759708 **Business** Taipei City Department of 0059 No.120, Sec. 1, Gueiyang Street, Zhongzheng District, Taipei City 02-23494123 02-23751125 Public Treasury Department of 0082 6F., No.49, Sec. 1, Wuchang Street, Zhongzheng District, Taipei City 02-23493456 02-23146041 Trusts Department of 2329 No.45, Sec. 1, Wuchang Street, Zhongzheng District, Taipei City 02-23493456 02-23832010 Procurement Department of 2F., Building B, No.49, Sec. 1, Wuchang Street, Zhongzheng 2330 02-23493456 02-23821047 Precious Metals District, Taipei City Department of Government 2352 6F., No.140, Sec. 3, Sinyi Rd., Da-an District, Taipei City 02-27013411 02-27015622 Employees Insurance Offshore Banking 0691 3F., No.49, Sec. 1, Wuchang Street, Zhongzheng District, Taipei City 02-23493456 02-23894500 Branch 0071 **Guancian Branch** No.49, Guancian Road, Zhongzheng District, Taipei City 02-23812949 02-23753800 0336 Nanmen Branch No.120, Sec. 1, Nanchang Road, Zhongzheng District, Taipei City 02-23512121 02-23964281 0347 Kungkuan Branch No.120, Sec. 4, Roosevelt Road, Zhongzheng District, Taipei City 02-23672581 02-23698237 Chengchung 0451 No.47, Cingdao East Road, Zhongzheng District, Taipei City 02-23218934 02-23918761 Branch 1229 Jenai Branch No.99, Sec. 2, Renai Road, Zhongzheng District, Taipei City 02-23975936 02-23975927 1621 Chunhsien Branch No.1, Jhongshan South Road, Zhongzheng District, Taipei City 02-23411001 02-23578831 Tungmen Mini 1942 No.42, Sec. 1, Renai Road, Taipei City 02-23943168 02-23916855 Branch 1986 Taidian Mini Branch No.242, Sec. 3, Roosevelt Road, Taipei City 02-23667506 02-23672354 2363 Wuchang Branch No.49, Sec. 1, Wuchang St., Zhongzheng District, Taipei City 02-23493456 02-23141340

Code	Office	Address	Telephone	FAX
0808	Minsheng Branch	No.167, Fusing North Road, Songshan District, Taipei City	02-27192081	02-27188897
1067	Tunhwa Branch	No.205, Dunhua North Road, Songshan District, Taipei City	02-25455111	02-25450913
2798	Taipei International Airport Branch	No.340-9, Dunhua North Road, Songshan District, Taipei City	02-27187628	02-27187618
1104	Chunglun Branch	No.184 and 2F8&2F9, No.188, Sec. 5, Nanjing East Road, Songshan District, Taipei City	02-27698618	02-27603224
0646	Sungshan Branch	No.560, Sec. 4, Jhongsiao East Road, Sinyi District, Taipei City	02-27293111	02-27230014
0853	Taipei World Trade Center Branch	3F., No.333, Sec. 1, Keelung Road, Sinyi District, Taipei City	02-27200315	02-27576156
1931	Yongji Mini Branch	3F., No.3, Songren Road, Sinyi District, Taipei City	02-27209856	02-27209970
0532	Chunghsiao Branch	No.202, Sec. 1, Dunhua South Road, Da-an District, Taipei City	02-27516091	02-27411704
0543	Hsinyi Branch	No.88, Sec. 2, Sinyi Road, Da-an District, Taipei City	02-23515486	02-23973887
0864	Taan Branch	1F., No.69, Sec. 2, Dunhua S. Rd., Da-an District, Taipei City	02-27553121	02-27093243
1089	Hoping Branch	No.180, Sec. 1, Hoping East Road, Da-an District, Taipei City	02-23687027	02-23626987
2396	Jinshan Branch	No.189, Sec. 2, Jinshan S. Rd., Da-an District, Taipei City	02-23413006	02-23413134
2400	Sinan Branch	No.132, Sec. 3, Sinyi Rd., Da-an District, Taipei City	02-27057905	02-27057906
1953	Aiguo Mini Branch	No.31, Aiguo East Road, Taipei City	02-23960017	02-23578646
0200	Chungshan Branch	No.150, Sec. 1, Jhongshan North Road, Jhongshan District, Taipei City	02-25423434	02-25710210
0509	Sungchiang Branch	No.115, Songjiang Road, Jhongshan District, Taipei City	02-25069421	02-25078786
1241	Yuanshan Branch	No.577, Linsen North Road, Jhongshan District, Taipei City	02-25976699	02-25932760
2385	Taipei Branch	No.80, Songjiang Rd., Jhongshan District, Taipei City	02-25435790	02-25236924
0196	Yenping Branch	No.406, Nanjing West Road, Datong District, Taipei City	02-25522859	02-25524317
0462	Minchuan Branch	No.239, Sec. 2, Chengde Road, Datong District, Taipei City	02-25530121	02-25529463
0521	Lungshan Branch	No.380, Kangding Road, Wanhua District, Taipei City	02-23088111	02-23366978
2422	Wanhua Branch	No.26, Sec. 2, Gueiyang St., Wanhua District, Taipei City	02-23830066	02-23830067
1654	Wenshan Branch	No.218, Sec. 6, Roosevelt Road, Wunshan District, Taipei City	02-86633456	02-86635656
2293	Muzha Branch	No.145, Sec. 1, Singuang Rd., Wunshan District, Taipei City	02-86615115	02-86617690
1078	Nankang Branch	No.95, Sec. 2, Nangang Road, Nangang District, Taipei City	02-26516706	02-27839049
2259	Nankang Software Park Branch	2F2, No.66, Sanchong Rd., Nangang District, Taipei City	02-27833009	02-27833900

# BANK @F

Code	Office	Address	Telephone	FAX
1539	Neihu Branch	No.396, Sec. 1, Neihu Road, Neihu District, Taipei City	02-87977933	02-87977957
2237	Donghu Branch	No.458, Sec. 5, Chenggong Rd., Neihu District, Taipei City	02-26305768	02-26307233
2709	Xinhu Branch	No.188, Xing-ai Road, Neihu District, Taipei City	02-87927988	02-87928118
0705	Shihlin Branch	No.197, Sec. 6, Jhongshan North Road, Shihlin District, Taipei City	02-28367080	02-28362523
1425	Tienmou Branch	No.18, Sec. 7, Jhongshan North Road, Shihlin District, Taipei City	02-28755222	02-28755219
2411	Jiantan Branch	No.174, Sec. 4, Chengde Rd., Shihlin District, Taipei City	02-28831633	02-28831364
0369	Peitou Branch	No.152, Sec. 1, Jhongyang South Road, Beitou District, Taipei City	02-28951200	02-28973345
0277	Panchiao Branch	No.21, Fujhong Road, Banciao District, New Taipei City	02-29680172	02-29676416
2053	Peifu Mini Branch	B1, No.161, Sec. 1, Jhongshan Road, Banciao District, New Taipei City	02-89535968	02-89535268
0875	Huachiang Branch	No.293-2, Sec. 1, Jhongshan Road, Banciao District, New Taipei City	02-29610101	02-29638280
2433	Bansin Branch	No.268, Sec. 1, Wunhua Rd., Banciao District, New Taipei City	02-22540560	02-22540570
0428	Sanchung Branch	No.39, Sec. 4, Chongsin Road, Sanchong District, New Taipei City	02-29719621	02-29719736
0484	Liancheng Branch	No.186, Jian 1st Rd., Zhonghe District, New Taipei City	02-82272611	02-82272511
0668	Chungho Branch	No.253, Sec. 2, Jhongshan Road, Jhonghe District, New Taipei City	02-22488980	02-22461474
2444	Shuanghe Branch	No.126, Jhonghe Rd., Jhonghe District, New Taipei City	02-82457558	02-82452722
0716	Hsinchuang Branch	No.85, Sintai Road, Hsin Chuang District, New Taipei City	02-22056699	02-22031524
2455	Nan HsinChuang Branch	No.653, Jhongjheng Rd., Hsin Chuang District, New Taipei City	02-29012999	02-29012119
2802	Xinzhuang Fuduxin Branch	No.119, Touqian Road, Hsin Chuang District, New Taipei City	02-22773000	02-89945222
0750	Hsintien Branch	No.45, Baojhong Road, Sindian District, New Taipei City	02-29180795	02-29105461
1115	Tucheng Branch	No.344, Sec. 2, Jhongyang Road, Tucheng District, New Taipei City	02-22703791	02-22603314
1872	Lu Jou Branch	No.50, Sanmin Road, Lujhou District, New Taipei City	02-82868686	02-82868989
1562	Hsichih Branch	No.175, Sec. 2, Datong Road, Sijhih District, New Taipei City	02-86926822	02-86926828
0749	Shulin Branch	No.29, Wunhua Street, Shulin District, New Taipei City	02-26866511	02-26861307
1481	Tamsui Branch	No.93, Jhongshan Road, Danshuei District, New Taipei City	02-26281111	02-26281122
2189	Taipei Port Branch	2F., No.123, Shanggang Rd., Bali District, New Taipei City	02-26196269	02-26196272
1355	Wuku Branch	No.42, Sec. 4, Jhongsing Road, Wugu District, New Taipei City	02-22936699	02-22918201

Code	Office	Address	Telephone	FAX
0129	Keelung Branch	No.16, YiYi Road, Jhongjheng District, Keelung City	02-24247113	02-24220436
0266	Taoyuan Branch	No.46, Jhongjheng Road, Taoyuan District, Taoyuan City	03-3352801	03-3322007
1861	East Taoyuan Branch	No.300, Jingguo Road, Taoyuan District, Taoyuan City	03-3263888	03-3265666
2466	Taosing Branch	No.28-8, Yanping Rd., Taoyuan District, Taoyuan City	03-3645566	03-3643322
0417	Chungli Branch	No.580, Yanping Road, Jhongli District, Taoyuan City	03-4252160	03-4258751
1447	Neili Branch	No.125, Singnong Road, Jhongli District, Taoyuan City	03-4618519	03-4519650
1724	Chienkuo Branch	No.169, Jiansing Road, Jhongli District, Taoyuan City	03-4670081	03-4670010
2477	Sinming Branch	No.7, Sinming Rd., Jhongli District, Taoyuan City	03-4951301	03-4943210
1218	Pingchen Branch	No.11, Sec. 2, Huannan Road, Pingjhen District, Taoyuan City	03-4945688	03-4945699
2282	Linkou Branch	No.368, Fusing 1st Rd., Gueishan District, Taoyuan City	03-3277299	03-3277706
1230	Nankan Branch	No.81, Sec. 1, Nankan Road, Lujhu District, Taoyuan City	03-3529191	03-3520916
1159	Taoyuan International Airport Branch	No.15, Hangjhan South Road, Pusin Village, Dayuan District, Taoyuan City	03-3982166	03-3834834
2260	Longtan Branch	No.142, Donglong Rd., Longtan District, Taoyuan City	03-4790888	03-4700999
0152	Hsinchu Branch	No.29, Linsen Road, Hsinchu City	03-5266161	03-5266446
0738	Science-Based Industrial Park Branch	2F., No.5, Industrial E. 6th Road, Science-Based Industrial Park, Hsinchu City	03-5770050	03-5777936
1643	Peitalu Branch	No.68, Beida Road, Hsinchu City	03-5354381	03-5354380
0680	Chupei Branch	No.16, Guangming 6th Road, Jhubei City, Hsinchu County	03-5513111	03-5517322
2488	Lioujia Branch	No.312, Dong Sec. 1, Guangming 6th Rd., Jhubei City, Hsinchu County	03-6585858	03-6587500
0299	Miaoli Branch	No.510, Jhongjheng Road, Miaoli City, Miaoli County	037-326791	037-327111
0439	Toufen Branch	No.65, Jhongjheng Road, Toufen Township, Miaoli County	037-663451	037-672213
Central A	rea			
0107	Taichung Branch	No.140, Sec. 1, Zihyou Road, West District, Taichung City	04-22224001	04-22224274
0554	Fuhsing Branch	No.102, Sec. 4, Fusing Road, East District, Taichung City	04-22244181	04-22205856
0657	Chienhsing Branch	No.276, Sec. 1, Taiwan Boulevard, Central District, Taichung City	04-22242141	04-22293851
0794	Liming Branch	No.607, Daye Rd., Nantun District, Taichung City	04-22551178	04-22524822

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Code	Office	Address	Telephone	FAX
0923	Taichung Industrial Park Branch	No.196, Industrial Park 1st Road, Situn District, Taichung City	04-23597850	04-23599868
1090	Shuinan Branch	No.416, Sec. 2, Chongde Road, Beitun District, Taichung City	04-22468130	04-22466855
1414	Hsitwun Branch	No.41, Sec. 2, Cinghai Road, Situn District, Taichung City	04-23128528	04-23117106
2499	North Taichung Branch	No.17, Taiping Rd., North District, Taichung City	04-22257412	04-22257413
2503	Central Taichung Branch	No.95, Mincyuan Rd., West District, Taichung City	04-22281191	04-22247323
0303	Fengyuan Branch	No.302, Jhongjheng Road, Fongyuan District, Taichung City	04-25278686	04-25256981
0370	Wufeng Branch	No.838, Jhongjheng Road, Wufong District, Taichung City	04-23302216	04-23327104
0473	Tantzu Branch	No.1, Jianguo Road, Tanzih District, Taichung City	04-25323133	04-25339071
0576	Taichung Harbor Branch	No.2, Sihwei Road, Wuci District, Taichung City	04-26562311	04-26580625
0727	Tachia Branch	No.61, Minsheng Road, Dajia District, Taichung City	04-26868111	04-26865224
0901	Taya Branch	No.1080, Sec. 3, Jhongcing Road, Daya District, Taichung City	04-25683330	04-25680164
1366	Tali Branch	No.481, Sec. 2, Guoguang Road, Dali District, Taichung City	04-24180211	04-24180801
1573	Wuchi Branch	No.2, Jian 5th Road, Jhonggang Export Processing Zone, Wuci District, Taichung City	04-26565111	04-26570157
1702	Taiping Branch	No.146, Jhongsing East Road, Taiping District, Taichung City	04-22736666	04-22736120
1713	Defang Branch	No.63, Sec. 1, Defang Road, Dali District, Taichung City	04-24853280	04-24826661
2204	Taichung Science Park Branch	2F5-6, No.6, Zhongke Rd., Daya District, Taichung City	04-25658111	04-25658220
2787	Chungdu Branch	No.99, Sec. 3, Taiwan Boulevard, Xitun District, Taichung City	04-22589611	04-22584278
0130	Chunghsing New Village Branch	No.11, Guanghua Road, Jhongsing Village, Nantou City, Nantou County	049-2332101	049-2350457
0325	Nantou Branch	No.101, Fusing Road, Nantou City, Nantou County	049-2232121	049-2229845
0598	Puli Branch	No.112. Dongrong Road, Puli Township, Nantou County	049-2983991	049-2995949
0163	Changhua Branch	No.130, Chenggong Road, Changhua City, Changhua County	04-7225191	04-7257871
0495	Yuanlin Branch	No.63, Minsheng Road, Yuanlin Township, Changhua County	04-8323191	04-8330663
1436	Lukang Branch	No.2, Lugong Road, Lugang Township, Changhua County	04-7810168	04-7810268
0314	Touliu Branch	No.27, Wenhua Road, Douliou City, Yunlin County	05-5324155	05-5338309
1470	Huwei Branch	No.369, Sec. 2, Linsen Road, Huwei Township, Yunlin County	05-6337367	05-6321611

Code	Office	Address	Telephone	FAX
0141	Chiayi Branch	No.306, Jhongshan Road, Chiayi City	05-2224471	05-2258400
1540	Chiabei Branch	No.602, Jhongsiao Road, Chiayi City	05-2718911	05-2718922
2525	Jianan Branch	No.353, Zhongxing Road, Chiayi City	05-2348686	05-2348661
0679	Taipao Branch	No.2, East Section, Hsiangho 1st Road, Hsiangho New Villiage, Taipao City, Chiayi County	05-3620016	05-3620021
Southern	Area			
0093	Tainan Branch	No.155, Sec. 1, Fucian Road, Central District, Tainan City	06-2160168	06-2160188
0406	Anping Branch	No.240, Jhongjheng Road, West Central District, Tainan City	06-2292181	06-2241520
1377	Annan Branch	No.298, Sec. 2, Anhe Road, Annan District, Tainan City	06-3555111	06-3565881
2307	Tainan Innovation & Research Park Branch	No.31, Gongye 2nd Road, Annan District, Tainan City	06-3842585	06-3842568
2536	Nandu Branch	No.180, Sec. 2, Chung-Yi Rd., Tainan City	06-2219999	06-2206977
0288	Hsinying Branch	No.10, Jhongjheng Road, Sinying District, Tainan City	06-6351111	06-6321843
0819	Yungkang Branch	No.513, Siaodong Road, Yongkang District, Tainan City	06-3125411	06-3138709
1469	Tainan Science- Based Industrial Park Branch	1F., No.15, Nanke 3rd Road, Sinshih District, Tainan City	06-5051701	06-5051709
2271	Rende Branch	No.899, Sec. 2, Jhongjheng Rd., Rende District, Tainan City	06-2492389	06-2498078
2721	Lioujiading Branch	No.41, Zhongzheng S. Road, Yongkang District, Tainan City	06-2810991	06-2810360
0118	Kaohsiung Branch	No.264, Jhongjheng 4th Road, Cianjin District, Kaohsiung City	07-2515131	07-2211257
0211	Kaohsiung Export Processing Zone Branch	No.1, Jhongyi Road, Export Processing, Cianjhen District, Kaohsiung City	07-8215141	07-8115648
0358	Tzoyin Branch	No.19, Zuoying Avenue, Zuoying District, Kaohsiung City	07-5819141	07-5850051
0440	Chienchen Branch	No.1-3, Kuojian Road, Cianjhen District, Kaohsiung City	07-8115171	07-8413413
0510	Kusan Branch	No.23, Linhai 1st Road, Gushan District, Kaohsiung City	07-5218291	07-5315544
0565	Sanming Branch	No.567, Jiouru 2nd Road, Sanmin District, Kaohsiung City	07-3127143	07-3215350
0613	Hsingsing Branch	No.133, Minzu 2nd Road, Sinsing District, Kaohsiung City	07-2384611	07-2387374
0624	Lingya Branch	No.261, Cingnian 1st Road, Lingya District, Kaohsiung City	07-3358700	07-3327904
0820	Sandou Branch	No.142, Singuang Road, Lingya District, Kaohsiung City	07-3349341	07-3336835
0912	Nantze Branch	No.201, Nanzih Road, Nanzih District, Kaohsiung City	07-3526680	07-3531484

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Code	Office	Address	Telephone	FAX
1160	Tachang Branch	No.540, Jiouru 1st Road, Sanmin District, Kaohsiung City	07-3891036	07-3806046
1193	Poai Branch	No.394, Yucheng Road, Zuoying District, Kaohsiung City	07-5567690	07-5562613
1595	Hsiaokang Branch	No.410, Hongping Road, Siaogang District, Kaohsiung City	07-8010399	07-8066029
1919	Kaohsiung Airport Branch	No.2, Jhongshan 4th Road, Siaogang District, Kaohsiung City	07-8017564	07-8022004
2835	Renwu Branch	No.139, Bade S. Rd., Renwu District, Kaohsiung City	07-3752999	07-3752900
2558	North Kaohsiung Branch	No.106, Bo'ai 2nd Rd., Zuoying District, Kaohsiung City	07-5581900	07-5583917
2569	Chenggong Branch	No.261, Chenggong 1st Rd., Lingya District, Koahsiung City	07-2512031	07-2517471
2248	Gaorong Branch	No.415, Chongsin Rd., Zuoying District, Kaohsiung City	07-3432258	07-3431198
2710	Wufu Branch	No.52, Sihwei 2nd Road, Lingya District, Kaohsiung City	07-7271606	07-7271617
0255	Fengshan Branch	No.20, Caogong Road, Fongshan District, Kaohsiung City	07-7416131	07-7433478
0602	Kangshan Branch	No.16, Shoutian Road, Gangshan District, Kaohsiung City	07-6216141	07-6214853
1182	Wuchia Branch	No.168, Wujia 2nd Road, Fongshan District, Kaohsiung City	07-7170730	07-7233469
1207	Chungchuang Branch	No.339, Fongping 1st Road, Daliao District, Kaohsiung City	07-7038838	07-7038964
2215	Kaohsiung Science Park Branch	1-3F., No.23, Luke 5th Rd., Lujhu District, Kaohsiung City	07-6955268	07-6955278
0174	Pingtung Branch	No.43, Jhongshan Road, Pingtung City, Pingtung County	08-7328141	08-7322309
0886	Chaochou Branch	No.13-2, Sinsheng Road, Chaojhou Township, Pingtung County	08-7883084	08-7883614
1551	Donggang Branch	No.105, Xinsheng St., Donggang Township, Pingtung County	08-8323131	08-8352545
1609	Chungping Branch	No.9, Jhonghua Road, Pingtung City, Pingtung County	08-7677001	08-7320199
1768	Pingtung Agricultural Biotechnology Park Branch	No.23, Nongke Rd., Changzhi Township, Pingtung County	08-7626611	08-7629176
1805	Hsinyuan Branch	No.65, Sianji Road, Sianji Village, Sinyuan Township, Pingtung County	08-8687705	08-8687505
Eastern A	Eastern Area			
0222	llan Branch	No.50, Jiucheng S. Rd., I-Lan City, I-Lan County	03-9355121	03-9355822
0587	Lotung Branch	No.93, Gongjheng Road, Luodong Township, Yilan County	03-9576866	03-9560622
0897	Suao Branch	No.97, Sec. 1, Jhongshan Road, Su-ao Township, Yilan County	03-9962566	03-9963370
0233	Taitung Branch	No.313, Jhongshan Road, Taitung City, Taitung County	089-324201	089-311608

Code	Office	Address	Telephone	FAX	
0185	Hualien Branch	No.3, Gongyuan Road, Hualien City, Hualien County	03-8322151	03-8322404	
2570	North Hualien Branch	No.281, Linsen Road, Hualien City, Hualien County	03-8361163	03-8361165	
Isolated Islands					
0244	Penghu Branch	No.24, Jenai Road, Magong City, Penghu County	06-9279935	06-9272347	
0381	Kinmen Branch	No.4, Fusing Road, Jinhu Township, Kinmen County, Fuchien Province	082-333711	082-333719	
0392	Matsu Branch	No.257, Chiehshou Village, Nangan Township, Lienchiang County, Fuchien Province	083-626046	083-625801	

#### II. Overseas Units

Branch	Address	Telephone	SWIFT	FAX
New York Branch	100 Wall Street, 11th Floor New York, N.Y. 10005 U.S.A.	1-212-968-8128	BKTWUS33	1-212-968-8370
Los Angeles Branch	601 S. Figueroa Street, Suite 4525 Los Angeles, CA 90017 U.S.A.	1-213-629-6600	BKTWUS6L	1-213-629-6610
Hong Kong Branch	23/F., Central Tower, 28 Queen's Road Central, Central, Hong Kong	852-2521-0567	ВКТШНКНН	852-2869-4957
Singapore Branch	80 Raffles Place #28-20 UOB Plaza 2 Singapore 048624	65-6536-5536	BKTWSGSG	65-6536-8203
Tokyo Branch	7F, Fukoku Seimei Building, 2-2 Uchisaiwaicho 2-Chome Chiyoda-Ku, Tokyo 100-0011, Japan	813-3504-8881	BKTWJPJT	813-3504-8880
South Africa Branch	11, Cradock Ave. Rosebank 2196, Johannesburg, South Africa	27-11-880-8008	BKTWZAJJ	27-11-447-1868 27-11-447-1750
London Branch	Level 5, City Tower, 40 Basinghall Street, London, EC2V 5DE, U.K.	44-20-7382-4530	BKTWGB2L	44-20-7374-8899
Shanghai Branch	30F, No.1788 Nan-Jing West Rd., Jing-An Dist., Shanghai, China	86-21-3256-9900	BKTWCNSH	86-21-3256-9477
Mumbai Representative Office	Regus Platina, 9th Floor, Platina, C-59, G Block, Bandra-Kurla Complex, Mumbai, 400 051, India	91-2267000907	N.A	91-2267000600



## **BANK OF TAIWAN**

Chairperson Joh-Chu Le



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