



Deeply Cultivating Taiwan Finance Advancing Toward International Market

This Annual Report may be accessed on the Bank's website (http://www.bot.com.tw) Date of publication: June 2016

0 行振清春00

#### BOT Spokesperson

Name: Chen, Hung Title: Executive Vice President Tel: 886-2-2349-3999 E-mail: 046178@mail.bot.com.tw

#### Acting Spokesperson

Name: Chiou, Ye-Chin Title: Executive Vice President Tel: 886-2-2388-8699 E-mail: 044044@mail.bot.com.tw

#### Head Office

Address: No.120, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 10007, Taiwan (R.O.C.)

Tel: 886-2-2349-3456 SWIFT: BKTWTWTP

Website: http://www.bot.com.tw Internet bank: https://ebank.bot.com.tw

### Stock Transfer Agency

Bank of Taiwan Address: No.120, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 10007, Taiwan (R.O.C.)

Tel: 886-2-2349-3456 Website: http://www.bot.com.tw

#### Credit Rating Agencies

- (1) Standard & Poor's55 Water Street, New York, N.Y. 10041 U.S.A.Tel: 212-438-2000
- (2) Moody's Investors Service7 World Trade Center, 250 Greenwich Street, New York,N.Y. 10007 U.S.A.Tel: 212-553-0300

#### Auditors

KPMG Certified Public Accountants Auditors: Yen-Ling Fang, Derek Hsu Address: 68F, TAIPEI 101 TOWER, No.7, Sec. 5, Xinyi Road, Taipei City 11049, Taiwan (R.O.C.) Tel: 886-2-8101-6666 Website: http://www.kpmg.com.tw

#### 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.





## Bank of Taiwan 2015 Annual Report

Published by: Bank of Taiwan

Address: No. 120, Sec. 1, Chongqing S. Rd.,

Zhongzheng Dist., Taipei City 10007,

Taiwan (R.O.C.)

Tel: 886-2-2349-3456

http://www.bot.com.tw

Date of publication: June 2016

Date of publication of the first BOT Annual Report: June 1953

E-publication: This Annual Report may be accessed on

the Bank's website (http://www.bot.com.tw)

Cost of production: NT\$530

GPN: 2004200003 ISSN: 0496-7267

## CONTENTS

007

015

016

Letter to Shareholders

## A Brief Introduction of the Bank

## Corporate Governance Report

- 016 I. Organization
- 018 II. Directors, Supervisors, and Top Management
- 026 III. Implementation of Corporate Governance
- 036 IV. CPA Information
- 037 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

### 040 Capital Overview

- 040 I. Capital and Shares
- 041 II. Issuance of Financial Bonds
- 043 III. Comments on Implementation of Capital Allocation Plan

### 044 Operational Highlights

- 044 I. Business Activities
- 051 II. Human Resources
- 052 III. Corporate Responsibility and Ethical Behavior
- 052 IV. Numbers of Non-managerial Employees, Average Annual Benefit Expenditures per Employee, and Changes from the Preceding Year
- 052 V. Information Equipment
- 054 VI. Labor Relations
- 054 VII. Important Contracts
- 055 VIII. 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

#### 058 Financial Information

- 058 I. Five-Year Financial Summary
- 064 II. Five-Year Financial Analysis
- 073 III. Financial Statements of Recent Years, and Independent Auditors' Report
- 177 IV. Individual Financial Statements of Recent Years, and Independent Auditors' Report

#### 184

199

- Review of Financial Conditions, Operating Results, and Risk Management
- 184 I. Analysis of Financial Status
- 184 II. Financial Performance
- <sup>184</sup> III. Analysis of Cash Flow
- 185 IV. Investment Policy in Last Year
- 186 V. Risk Management
- 195 VI. Crisis Management Mechanism

#### **198** Special Disclosure

198 I. Information on Affiliated Enterprises

#### Directory of Head Office and Branches

- 199 I. Domestic Business Units
- 208 II. Overseas Units

# Integrity BANK OF TAIWAN

- 007 Letter to Shareholders
- 015 A Brief Introduction of the Bank
- 016 Corporate Governance Report
  - 016 I. Organization
  - <sup>018</sup> II. Directors, Supervisors, and Top Management
  - 026 III. Implementation of Corporate Governance
  - 036 IV. CPA Information
  - 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



# 樂活人生安養信託



可結合保險、醫療、服務與儲蓄,為您努力所累積的財富築起一道安全防火牆,讓您享受樂活的退休生活

# 您的信任是我們的責任!

安養信託一路相挺

<b>財產保障</b> 透過信託機制 <sup>,</sup> 避免惡意爭奪財產國	<b> </b>
<mark>強化保險</mark> 保險金撥入信託專戶 <sup>,</sup> 獲得妥善管理	里
<mark>彈性給付</mark> 專款專用照顧老年生活 <sup>,</sup> 定期或不知	定期匯付本人或指定醫療院所/安養機構
信託監察人 彈性設置信託監察人 <sup>,</sup> 監督信託事項	
制式型契約 臺銀各營業單位均可受理及服務,後	当時又簡便 [] 「「」」 「」」



相關資訊請洽臺灣銀行 樂活人生安養信託專案 02-2349-4222





BANK OF LAIVAN

# Letter to Shareholders

The global economy continued to recover in 2015, but growth impetus was weaker than expected. Also, due to slumping international crude oil and commodities prices, global inflation was low, and the pace of recovery varied from one country to the next. The US economy saw a moderate expansion, the employment situation improved, and the Fed raised interest rates at the end of 2015, thus ending seven years of near-zero interest rate policy. In the eurozone, the European Central Bank's launch of quantitative easing triggered a mild recovery, but the specter of deflation remained a threat. In Japan, economic growth remained lackluster, primarily because weak overseas demand adversely impacted industrial output and prevented economic recovery. Mainland China, meanwhile, is in the midst of economic growth was subject to downward pressure. Overall, economic performance was not good, so overall economic growth was before.

In Taiwan, the domestic economy was affected by slow global economic growth and weak overseas demand. External trade dropped off sharply, while domestic demand was impacted by a weak economy and a cooling property market, which limited private consumption and caused investment growth to decelerate. As a result, domestic economic performance fell well short of expectations. Economic growth came to 0.75%, the lowest figure since 2010.

For the past year, under the leadership of the competent authority and with the concerted efforts of all its employees, the Bank of Taiwan (BOT) ranked among the industry leaders last year in terms of deposits and loans, syndicated loans, the gold and trust businesses, total assets, and shareholders' equity. Pretax earnings for 2015 came to NT\$10.5 billion, exceeding the annual target and hitting an all-time high for profitability. Asset quality was outstanding, as BOT achieved its best figures ever for both non-performing loan ratio (0.23%) and coverage ratio of allowances for bad debt (497.69%).

In addition to this outstanding performance, BOT also earned numerous accolades. In addition to being named a winner in the Reader's Digest Trusted Brands survey in the banking category, the Bank also won the following: the Joint Credit Information Center's Golden Quality Award and Golden Security Award; the MasterCard Award for Best Product Marketing in 2014; two of Wealth magazine's 2015 prizes in its "consumer finance brand" category (Best Domestic Banking Brand Image; Best Wealth Management); Global Views Monthly's rating of Five-Star Bank for Wealth Management; Business Today's Award for Bank Most Highly Recommended by Customers (selected on the basis of the magazine's Wealth Management Bank Survey); the IT-enabled Services Management Association's Award for Outstanding IT-enabled Services Management Project; the ROC Ministry of Economic Affairs Award for Outstanding Assistance to Young Entrepreneurs; and a Superior Government Service Quality Award from the Ministry of Finance. For these honors, I want to express our deepest gratitude to all of you, our friends and customers, who have favored BOT with your long-term support over the years.

While seeking to grow operating revenues, BOT is also mindful of the need to fulfill its corporate social responsibility, 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

# BANK ®F TAIWAN 2015 ANNUAL REPORT



# BANK OF TAIVAN

rates. In addition, BOT is also quite active in charitable activities. We have established a charitable trust called the Bank of Taiwan Angel Heart Social Welfare Fund to help all the members of the Taiwan Financial Holdings Group to plan and systematically implement their own community service activities. The Bank held a charity fair and blood drive called "Taiwan the Beautiful, Compassion Takes Flight," and donated to a variety of social service institutions, including a special donations account set up to help the victims of the powder explosion at the Formosa Fun Coast water park in New Taipei City. In addition, BOT took active part in the Bank 3.0 Forum, the 2015 Global Views Leaders Forum, the 2015 Master Forum, and the World In 2016 Forum.

# I. Operating Results for 2015

### 1. Organizational Change

- (1) January 15, 2015: The Department of Legal Affairs was renamed the Department of Compliance to better highlight the nature of its work.
- (2) October 26, 2015: Established the Xin Yonghe Branch by moving the Shuanghe Branch and changing its name.
- (3) To expand our wealth management service network, the Bank set up nine new wealth management branches in 2015–Linkou Branch, Pingtung Agricultural Biotechnology Park Branch, Tainan Science-Based Industrial Park Branch, Muzha Branch, Jianan Branch, Defang Branch, Renwu Branch, Taichung Science Park Branch and Peitalu Branch–bringing the total number of such branches to 143, nine of which are wealth management flagship branches.
- (4) In order to expand operations, BOT took the following actions in 2015 to expand its overseas presence:
  - a. June 17, 2015: Applied to the Financial Supervisory Commission for permission to establish a banking subsidiary in mainland China.
  - b. July 1, 2015: Established the Shanghai JiaDing Sub-Branch in mainland China.
  - c. September 1, 2015: Established the Guangzhou Branch in mainland China.
  - d. December 18, 2015: The Yangon Representative Office in Myanmar opened for business.
  - e. December 25, 2015: Received permission from the mainland's China Banking Regulatory Commission to establish the branch of Fuzhou.

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

Unit: NT\$ Billion; US\$ Billion (Foreign Exchange); %

Year Major Operation Category	2015	2014	2015 Growth Rate
Deposits	3,712.6	3,464.6	7.16
Loans	2,324.8	2,329.6	(0.21)
Guarantees	80.3	83.7	(4.11)
Foreign Exchange	403.3	413.3	(2.44)
Procurement	35.2	30.9	13.96
Precious Metals	126.6	140.5	(9.86)
Government Employees Insurance	20.9	21.0	(0.14)
Agency (Insurance Brokerage)	33.1	45.3	(26.90)

# BANK **BF** TAIWAN 2015 ANNUAL REPORT

#### 3. Budget Implementation

The volume of deposits during the year was NT\$3.71 trillion, giving a target achievement rate of 116.20%. Loans amounted to NT\$2.32 trillion, for a target achievement rate of 109.30%. Foreign exchange operations undertaken in 2015 totaled US\$403.25 billion, amounting to 134.64% of the target figure, and income after tax reached NT\$8,872 million, achieving 148.01% of the target.

#### 4. Revenues, Expenditures and Profits

(1) Net interest income for 2015 amounted to NT\$28,406 million; non-interest income (net) totaled NT\$6,808 million; bad debt expenses and reserve for guarantees amounted to NT\$4,405 million, and operating expenses totaled NT\$20,207 million. Income before tax reached NT\$10,602 million; income tax amounted to NT\$1,730 million, leaving a net income after tax of NT\$8,872 million.

(Preferential interest deposits for pensions and veteran benefits reduced earnings by NT\$9,003 million. When the impact of these preferential interest deposits is factored out, income before tax comes to NT\$19,605 million.)

- (2) The year's NT\$8,872 million income after tax was NT\$2,878 million more than the budgeted income of NT\$5,994 million, an increase of 48.01%.
- (3) Pre-tax Return on Assets (ROA) for 2015: 0.23%

(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 2015: 4.17%

(When the impact of preferential interest deposits for pensions and veteran benefits is factored out, pre-tax ROE comes to 7.41%.)



The signboard unveiling ceremony of the Shanghai JiaDing Sub-Branch.

#### 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 2016

#### 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) BOT will take advantage of Asian economic development and support the government's "Asia Cup" policy by continuing to establish additional business locations throughout Asia. This will build up the Bank's business prowess.
- (3) In order to maintain the Bank's competitive edge in digital banking and build up the digital banking environment (Bank 3.0), besides continuing to develop online banking, mobile payments, Bank 3.0, and other such online services, BOT will also work actively to train employees in second specialties, and will encourage them to pursue ongoing professional development and take online courses. In addition, in hiring new employees we will be looking especially for people with experience in cloud computing, analysis of Big Data, utilization of social media, and e-commerce marketing and management.
- (4) The Bank will continue working to build up its RMB-related lines of business, and will pay attention to risk management in China. With the economy there in the midst of structural transition, and with China's authorities gradually easing regulatory and policy restrictions on cross-border RMB business, BOT will seize upon business opportunities connected with RMB flows, both outside mainland China and within its borders.
- (5) BOT will continue working to: adjust its assets and liabilities structure; actively expand its core businesses; make skillful use of the Taiwan Financial Holdings Group's capital allocation platform; reap better returns on capital; establish a legal compliance system; and strengthen its risk management system.

#### 2. Business Targets

The BOT's Business Targets for 2016 were formulated in accordance with the business plan approved by the Ministry of Finance, with consideration given to past performance as well as to future trends of development.

- (1) Deposits: NT\$3.38 trillion
- (2) Loans: NT\$2.21 trillion
- (3) Foreign Exchange: US\$316.3 billion
- (4) Income Before Tax: NT\$7.5 billion



## III. Development Strategies

BOT will leverage its superior brand power and its existing strengths, and effectively integrate and utilize group-wide and company-wide platforms. And, after achieving deregulation, bolstering capital, and adjusting the company's employee allocations, the Bank will move step by step in the direction of becoming "a regional Asian bank," "a premier bank for offshore RMB services," "a leading bank for financial products tailored to the needs of an ageing society," and "a fully digital modern bank." To reach these goals, the Bank has adopted the following key strategies:

#### 1. Accelerate moves to establish an Asian presence, become a regional Asian bank

BOT will take a multi-pronged approach, actively working to establish additional overseas branch units in the ASEAN region, mainland China, and western Asia, thereby strengthening its presence in Asian markets. The Bank has already signed MOUs for cooperation with major banks in Japan, mainland China, and Myanmar, and in the future will act as a regional Asian bank that is a big participant in the Asian syndicated loans market.

#### 2. Leverage superior brand power and existing strengths, become a premier bank for offshore RMB services

The Bank has an advantage as the NT Dollar settlement bank in the mainland China area, and is the leader in RMB deposits in Taiwan (number one in Taiwan for total amount of RMB deposits of six months in duration or longer). In addition, BOT's strong base in the mainland area and outstanding brand trust in Taiwan will help it expand its RMB services related to cross-border trade, and become a premier bank for offshore RMB services.

# 3. Use the group's integrated marketing system for products and channels, become a leading bank for financial products tailored to the needs of an ageing society

In response to the ageing of society, BOT has established a Task Force on Financial Services for an Ageing Society that includes the holding company's banking, securities, and insurance subsidiaries.



The opening ceremony of the Guangzhou Branch.

This task force is developing financial products designed to plan for retirement and geriatric care (e.g. insurance and trust products), an approach which has made BOT a leading bank for financial products tailored to the needs of an ageing society.

#### 4. Use digital technology and cloud computing, become a fully digital modern bank

BOT ranks as the No. 1 online bank in Taiwan. It is the only state-owned bank with a money transmitter license, and it has established a Task Force on Digital Banking as well as a Task Force on Cloud Banking to devise integrated customer-side digital banking services. The plan is to establish an integrated online and mobile platform that will provide seamless online-to-offline (O2O) connectivity as the Bank evolves into a fully digital modern bank.

# IV. Credit Ratings

Items	Poting Data	Assigne	Outlook	
Rating Company	Rating Date	Long-term	Short-term	Outiook
Standard & Poor's	Oct. 2015	A+	A-1	Stable
Moody's	Jan. 2016	Aa3	P-1	Stable

It appears that the banking industry can look forward to continued stability in 2016 as the government pursues innovative and forward-looking policies, promotes the establishment of more banking locations throughout Asia, and works to build a digital, internationalized, and liberal environment where banks are able to provide an expanded range of financial services in a larger marketplace. Against the backdrop of a rapidly changing global economy and fierce competition among Taiwan's domestic banks, BOT will continue to increase overseas profits by actively developing its overseas businesses and strengthening its presence in mainland China and the greater Asia-Pacific region. Taking advantage of trends toward international banking and technological innovation will facilitate the enhancement of digital financial services. And beyond that, in order to respond to regional economic integration, internationalization of the RMB, demographic ageing, and the rise of mobile banking, the Bank will seek to build a more diverse range of financial products and develop new competitive niches that enable the Bank to develop markets. This is how BOT will achieve its four key goals of becoming "a top Asian bank," "a premier bank for offshore RMB services," "a leading bank for financial products tailored to the needs of an ageing society," and "a fully digital modern bank."

Chairperson Jrh-Chu Lee President Chang-Ruey Shian





Front Row (left to right): Lin, Su-Lan, EVP and Chief Compliance Officer; Chiou, Ye-Chin, Executive Vice President; Lee, Jih-Chu, Chairperson; Shiau, Chang-Ruey, President; Hsieh, Chuan-Chuan, Executive Vice President

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

# BANK

# 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 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.

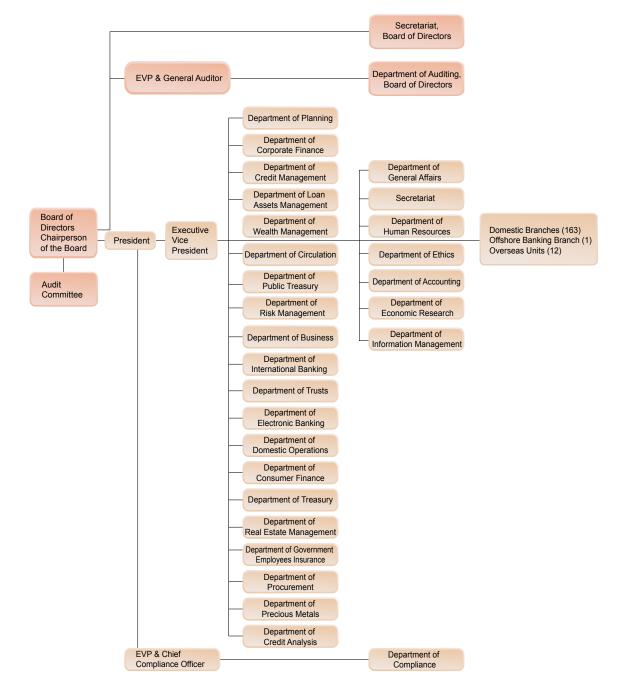
In every stage of Taiwan's economic development the Bank of Taiwan has always firmly pursued the goals of stabilizing Taiwan's finance, assisting with economic construction, and developing industrial and commercial enterprises, devoting its full efforts in coordination with government policies in order 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 2015 the capital of the BOT was NT\$95 billion and its assets amounted to NT\$4.7 trillion. Its deposits and loans accounted for 11.18% and 9.48%, respectively, of the entire Taiwan market. According to The Banker magazine's Top 1000 World Banks 2015, as published in its July 2015 issue, the BOT ranked 197th in terms of Tier 1 capital and ranked 126th in total assets in the global banking industry.

# Corporate Governance Report

# I. Organization

At the end of March 2016 the BOT's management organization consisted of Board of Directors, Audit Committee, Secretariat (Board of Directors), Department of Auditing (Board of Directors), 28 departments, 163 domestic branches, Offshore Banking Branch, and 12 overseas units (including Los Angeles Branch, Hong Kong Branch, New York Branch, London Branch, Tokyo Branch, Singapore Branch, South Africa Branch, Shanghai Branch, Guangzhou Branch, Shanghai JiaDing Sub-Branch, Mumbai Representative Office, and Yangon Representative Office).



## **Organization Chart**

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, 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.
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.

# BANK ®F TAIWAN 2015 ANNUAL REPORT

# II. Directors, Supervisors, and Top Management

## 1. Directors and Supervisors

## Information on Directors and Supervisors (1)

Mar. 1, 2016

Title	Namo	Date	Date First	Education and Career	Positions Currently Held in the BOT
litie	Name	Elected	Elected		and Other Companies
hairperson	LEE, JIH-CHU	July 31, 2015	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 Commission (Cabinet level), R.O.C.</li> <li>Chairperson, Committee for the Administration of Development of Insurance Business, R.O.C.</li> <li>Member of Board, Mega Financial Holding Company</li> <li>Member of Board, Chunghwa Telecom Co., Ltd.</li> <li>Chairperson, Supervisory Board, Taiwan Cooperative Bank</li> <li>Professor, Department of Economics, National Chengchi University</li> <li>Chairperson, Economic Policy Research Center, National Chengchi University</li> <li>Chairperson (Minister), National Youth Commission, Executive Yuan (the Cabinet), R.O.C.</li> <li>Legislator, Legislative Yuan, R.O.C.</li> <li>Committee Member, Mainland Affairs Council, Executive Yuan, R.O.C.</li> <li>Visiting Scholar, Department of Economics, Harvard University, U.S.A.</li> <li>Visiting Scholar, Department of Economics, Stanford University, U.S.A.</li> <li>Visiting Scholar, Department of Economics, 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>Member of Board, Straits Exchange Foundation</li> <li>Member of Board, Straits Exchange Foundation</li> <li>Member, SME Policy Committee, Ministry of Economic Affairs</li> <li>Managing Director, East Asia Economic Council, R.O.C.</li> <li>Committee Member, SME Policy Committee, Ministry of Economic Affairs</li> <li>Managing Director, East Asia Economic Council, R.O.C.</li> <li>Member of Board, Commerce Development Research Institute Supervisor, Eisenhower Fellows Association in R.O.C.</li> <li>Member of Board, Chinese Financial Research and Development Association</li> <li>Member of Board, Chinese Financial Research and Development Association</li> <li>Member of Board, Taiwan-Russia Association</li> <li>Member of Board, Taiwan Fulbright Alumni Association</li> <li>Committee Member, Consultative Committee of Finance and Secur</li></ul>	Chairperson, Taiwan Financial Hold Co., Ltd. Chairperson, The Bankers Associat of The Republic of China Vice Chairperson, Monte Jade Science & Technology Association of Taiwan Vice Chairperson, Taiwan Financial Services Roundtable Co., Ltd. Member of Board, Taiwan Stock Exchange Corporation (TWSE) Member of Board, Taiwan External Trade Development Council (TAITR Member of Board, Taiwan Futures Exchange Corporation (TAIFEX) Committee Member, Steering Committee, National Palace Museu Adjunct Professor, Department of Economics, National Chengchi Univer Member of Board, Joint Credit Information Center (JCIC) Committee Member, Utilization Tear of Long-term Funding, National Development Council, Executive Yu R.O.C. Committee Member, Industry Consultation Committee, Ministry of Economic Affairs Committee Member, Digital Content Industry Committee, Executive Yuar R.O.C. Managing Director, General Chamb of Commerce of the Republic of Ch

Title	Name	Date Elected	Date First Elected	Education and Career	Positions Currently Held in the BOT and Other Companies
Managing Director	SHIAU, CHANG-RUEY	July 31, 2015	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, R.O.C 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, R.O.C 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 Director, The Bankers Association of the Republic of China Director, The Bankers Association of Taipei Committee Member, Public Finance and Finance Research Center, National Taipei University
Independent Managing Director	HSU, YI-HSIUNG	July 31, 2015	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, Audit Committee, Taiwan Financial Holding Co., Ltd. & Bank of Taiwan Independent Director, Taiwan Financial Holding Co., Ltd.
Managing Director	CHANG, FANG	Sep. 3, 2015	Sep. 3, 2015	Ph.D., National Chengchi University Managing Director, Land Bank of Taiwan Acting Commissioner, Urban and Rural Development Department, New Taipei City Government Deputy Director General, National Property Administration, Ministry of Finance Chief, Industrial Development Bureau, Ministry of Economic Affairs	Political Deputy Minister, Ministry of Finance, R.O.C. Committee Member, Council of Agriculture, Executive Yuan, R.O.C.
Managing Director	YANG, CHENG-CHEN	July 31, 2015	Aug. 31, 2007	<ul> <li>Ph.D. in Economics, Virginia Polytechnic Institute and State University, U.S.A.</li> <li>Research Fellow, Institute of Economics, Academia Sinica Associated Research Fellow, Institute of Economics, Academia Sinica</li> <li>Teaching Assistant, Department of Economics, Virginia Polytechnic Institute and State University, U.S.A.</li> <li>Instructor, Department of Economics, Tunghai University</li> </ul>	Distinguished Research Fellow, Institute of Economics, Academia Sinica
Independent Director	CHEN, MING-CHIN	July 31, 2015	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.

# BANK ®F TAIWAN 2015 ANNUAL REPORT

Title	Name	Date Elected	Date First Elected	Education and Career	Positions Currently Held in the BOT and Other Companies
Independent Director	YEH, KUANG-SHIH	July 31, 2015	July 31, 2015	<ul> <li>Ph.D. in Organization Theory and Policy Analysis, Carnegie Mellon University, U.S.A.</li> <li>Minister, Ministry of Transportation and Communications, R.O.C.</li> <li>Chairperson, China Aviation Development Foundation Deputy Minister, Ministry of Transportation and Communications, R.O.C.</li> <li>Deputy Minister, Research Development and Evaluation Commission, R.O.C.</li> </ul>	Member, Audit Committee, Bank of Taiwan Professor, Graduate Institute of Technology Innovation & Intellectual Property Management, National Chengchi University Professor, Department of Business Management , National Sun Yat-sen University
Director	YANG, MING-SHYANG	July 31, 2015	July 31, 2009	B.A. of 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, 2015	July 1, 2003	M.B.A. 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, Dept. of Accounting, Judicial Yuan
Director	YANG, CHIN-LONG	July 31, 2015	July 31, 2015	Ph.D. in Economics, the University of Birmingham, U.K. Director General of Department of Banking; Deputy Director General of Department of Banking; Adviser; Chief Representative of London Representative Office, Central Bank of the Republic of China (Taiwan)	Deputy Governor, Central Bank of the Republic of China (Taiwan)
Director	KUO, WEI-YU	July 31, 2015	July 31, 2015	Ph.D. in Economics, University of Cambridge, U.K. Associate Professor, Department of International Business, National Chengchi University Visiting Professor, Department of Banking and Finance, Nanyang Technological University, Singapore	Professor, Department of International Business, National Chengchi University Independent Director, Connection Technology Systems Co., Ltd.
Director	LIU, YU-CHIH (Note 3)	July 31, 2015	Mar. 29, 2013	<ul> <li>B.A. of Business Administration, National Taiwan University</li> <li>Supervisor, BankTaiwan Insurance Brokers 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.

Title	Name	Date Elected	Date First Elected	Education and Career	Positions Currently Held in the BOT and Other Companies
Director	HSU, MA	July 31, 2015	Jan. 23, 2014	M.A. in Business Research, Dayeh University Assistant Vice President and Assistant General Manager, Chung Hsin New Village Branch, Bank of Taiwan	Assistant Vice President and Deputy General Manager, Yuanlin Branch, Bank of Taiwan Convener, Board of Supervisors, Bank of Taiwan Labor Union
Director	HU, CHIN-CHUAN	July 31, 2015	July 31, 2015	Industrial Management Dept., Tung Fang Junior College of Industry Deputy Manager, Kaohsiung Airport Branch, Bank of Taiwan	Manager, Kaohsiung Airport Branch, Bank of Taiwan Vice President, Bank of Taiwan Labor Union

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

2. 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).

3. Other than Liu Yu-Chih (who is a member of the BOT Board of Directors and the spouse of Wang Chii-Ming, a VP & 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.

4. The terms of all directors will expire on July 30, 2018.

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

#### Major Shareholders of the Institutional Shareholders

#### Mar. 1, 2016

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Taiwan Financial Holding Co., Ltd.	Ministry of Finance

# BANK @F TAIWAN 2015 ANNUAL REPORT

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

														Mar. 1, 2016						
Criteria		Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience					with at Least Five Years Work Independence Criteria (Notes)													
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		1(Taiwan Financial Holding Co., Ltd.)						
CHANG, FANG	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	Taliuna	0						
CHEN, MING-CHIN	V	V	V	v	v	v	v	v	V	v	v	v	Taiwan Financial Holding Co., Ltd.	2(TaiMed Biologics Inc. & Ruentex Materials Co., Ltd.)						
YEH,KUANG-SHIH	V			V	v	V	V	V	v	v	V	v	holds 100% of	0						
YANG, MING-SHYANG			V	V	v	v	V	V	v	v	V	v	shares of the Bank and	0						
CHANG, CHIH-HUNG			V	V	v	V	V	V	V	v	V	v	assigned all directors.	0						
YANG, CHIN-LONG	V	V	V	V	v	V	V	v	v	v	V	v	unectors.	0						
KUO, WEI-YU	V			V	v	v	v	v	v	v	v	v		1(Connection Technology Systems Co., Ltd.)						
LIU, YU-CHIH			V	V	v	V	V	v	v	v	V	v		0						
HSU, MA	V		V		v	V	V	v	v	v	V	v		0						
HU,CHIN-CHUAN			V		V	v	v	V	V	v	v	v		0						

Mar. 1, 2016

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

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

2. Not a director or supervisor of 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.

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.

## 2. Top Management

Mar. 1, 2016

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 Director, The Bankers Association of Taipei Committee Member, Public Finance and Finance Research Center, National Taipei University
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	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	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. Managing Director, Taiwan Business Bank
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 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 Director, Small and Medium Enterprise Credit Guarantee Fund of Taiwan
Executive Vice President	CHEN, HUNG	Jan. 15, 2016	Master of Business Administration, Southern California University	Auditing and Advising Committee Member, Trust Association of R.O.C. Administration and Training Committee Member, Trust Association of R.O.C.
Executive Vice President and General Auditor	HUANG, JUI-MU	Aug. 6, 2014	Dept. of Technology Mechanical Engineering, Ming Chi Institute of Technology	
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. Deputy Executive Secretary, Taipei Interbank Money Center, The Bankers Association of the Republic of China

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. Other than Huang Jui-Mu (who is EVP and General Auditor and the spouse of Su Su-Chen, a VP & General Manager at the Nan HsinChuang Branch), no senior official is the spouse of, or related within the second degree of kinship to, any head of department.

# BANK @F TAIWAN 2015 ANNUAL REPORT

### 3. Remuneration of Directors, Supervisors, President, and Vice Presidents for 2015

#### (1) Remuneration of Directors

	1	I																						Uni	t: NI\$1	,000
				F	Remune	eration							Releva	ant Rem	nuneratic	n Rec	eived b	y Dire	ctors V	Vho are	e Also Emp	oloyees				
		Compe	ase ensation A)	P	erance Pay B)	Bonu: Direct (C)	tors	(1	ances O) ote)	Tota mune (A+B+ to I Incom	io of I Re- eration ⊦C+D) Net e After (%)	Bon a Allow	lary, uses, nd rances E)		erance 'ay F)	E	mploye (G		us	Em S	ercisable nployee Stock options (H)	Rest St	cisable tricted ock ards	(A+B+C+E to Net Inc	of Total ensation D+E+F+G) iome After (%)	Reinvested Enter
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	Companies in the Consolidated Financial Statements	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 Rank	Statements	Companies in the	The Bank	Companies in the Consolidated Financial	The Bank	Companies in the Consolidated Financial Statements	The Bank	Companies in the Consolidated Financial Statements	Reinvested Enterprises other than the Bank's Subsidiary
			ial Statements		ial Statements		al Statements		ial Statements		ial Statements		ial Statements		ial Statements	Cash	Stock	Cash	Stock		ial Statements		ial Statements		ial Statements	Y
Chairperson	LEE, JIH-CHU																									
President	SHIAU, CHANG- RUEY																									
Independent Managing Director	HSU, YI-HSIUNG																									
Managing Director	WU, TANG- CHIEH																									
Managing Director	CHANG, FANG																									
Managing Director	YANG, CHENG- CHEN																									
Independent Director	CHEN, MING- CHIN																									
Independent Director	SHYU, JYUO- MIN																									
Independent Director	YEH, KUANG-SHIH																									
Director	YANG, MING- SHYANG	6,523	6,523	109	109	Non	ne	4,853	4,853	0.13%	0.13%	4,198	4,198	237	237		No	ne		1	None	No	one	0.18%	0.18%	96
Director	CHANG, CHIH-HUNG																									
Director	YANG, CHIN- LONG																									
Director	lee, Kuang- Huei																									
Director	KUO, WEI-YU																									
Director	RAU, HSIU- HUA																									
Director	LIU, YU-CHIH																									
Director	CHEN, HSI-CHUAN																									
Director	HSU, MA																									
Director	CHEN, CHUN- HSIUNG																									
Director	hu, Chin-Chuan																									

Unit: NT\$1,000

Notes: 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 gasoline fee is NT\$24,336 (Jan. ~ Dec. 2015).

Unit:	NT\$1,000

		Name c	of Directors			
	Total of (A	.+B+C+D)	Total of (A+B+	·C+D+E+F+G)		
Bracket	The Bank	Companies in the Consolidated Financial Statements	The Bank	The Bank and Reinvested Enterprises		
Under NT\$2,000,000 Under NT\$2,00		WU, TANG-CHIEH CHANG, FANG YANG, CHENG-CHEN HSU, YI-HSIUNG CHEN, MING-CHIN SHYU, JYUO-MIN YEH, KUANG-SHIH CHANG, CHIH-HUNG RAU, HSIU-HUA YANG, MING-SHYANG LEE, KUANG-HUEI KUO, WEI-YU YANG, CHIN-LONG LIU, YU-CHIH CHEN, HSI-CHUAN HSU, MA HU, CHIN-CHUAN CHEN, CHUN-HSIUNG	WU, TANG-CHIEH CHANG, FANG YANG, CHENG-CHEN HSU, YI-HSIUNG CHEN, MING-CHIN SHYU, JYUO-MIN YEH, KUANG-SHIH CHANG, CHIH-HUNG RAU, HSIU-HUA YANG, MING-SHYANG LEE, KUANG-HUEI KUO, WEI-YU YANG, CHIN-LONG LIU, YU-CHIH CHEN, HSI-CHUAN HSU, MA HU, CHIN-CHUAN CHEN, CHUN-HSIUNG	WU, TANG-CHIEH CHANG, FANG YANG, CHENG-CHEN HSU, YI-HSIUNG CHEN, MING-CHIN SHYU, JYUO-MIN YEH, KUANG-SHIH CHANG, CHIH-HUNG RAU, HSIU-HUA YANG, MING-SHYANG LEE, KUANG-HUEI KUO, WEI-YU YANG, CHIN-LONG LIU, YU-CHIH CHEN, HSI-CHUAN HSU, MA HU, CHIN-CHUAN 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, 485	11, 485	15,920	16,016		

# (2) Compensation of President and Vice Presidents

																0	111L. IN I 4	,000
		Salary (A)					Bonuses and Allowances (C)		Employee Bonus (D)				Ratio of Total Compensation (A+B+C+D) to Net Income After Tax (%)		Exercisable Employee Stock Options		Exercisable Restricted Stock Awards	
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 Cons Fina	anies in solidated ncial ments	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 other than the Bank's Subsidiary
		ank	es in the dated latements	ank	es in the dated latements	ank	licas in the lidated Statements Bank		Cash Stock Cash		Stock	ank	es in the idated latements	ank	es in the idated tatements	Bank	ies in the lidated tatements	herthan ′
President	SHIAU, CHANG- RUEY																	
Executive Vice President	WEI, JAN-LIN																	
Executive Vice President	CHIANG, SHIH- TIEN																	
Executive Vice President	CHANG, HONG- CHI																	
Executive Vice President	CHIOU, YE- CHIN																	
Executive Vice President	HSIEH, CHUAN-CHUAN	14,220	14,220	1,030	1,030	10,257	10,353		N	lone		0.29%	0.29%		None	I	None	555
Executive Vice President	TSAI TZONG- RONG																	
EVP & General Auditor	HUANG, JUI-MU																	
EVP & Chief Compliance Officer	TSAI TZONG- RONG																	
EVP & Chief Compliance Officer	LIN, SU-LAN																	

#### Unit: NT\$1,000

# BANK ®F TAIWAN 2015 ANNUAL REPORT

#### Unit: NT\$1,000

Drocket	Name of Pres	sident and Vice Presidents
Bracket	The Bank	The Bank and Reinvested Enterprises
Under NT\$2,000,000	LIN, SU-LAN	LIN, SU-LAN
NT\$2,000,000 ~ NT\$5,000,000	SHIAU, CHANG-RUEY WEI, JAN-LIN CHIANG, SHIH-TIEN CHIOU, YE-CHIN CHANG, HONG-CHI HSIEH, CHUAN-CHUAN HUANG, JUI-MU TSAI, TZONG-RONG	SHIAU, CHANG-RUEY WEI, JAN-LIN CHIANG, SHIH-TIEN CHIOU, YE-CHIN CHANG, HONG-CHI HSIEH, CHUAN-CHUAN HUANG, JUI-MU TSAI, TZONG-RONG
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	25,507	26,158

# III. Implementation of Corporate Governance

### 1. Board of Directors

A total of 12 meetings of the Board of Directors were held in 2015 (A). Director attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A](Note)	Remarks	
Chairperson	LEE, JIH-CHU	11	1	92		
Managing Director	SHIAU, CHANG-RUEY	11	1	92		
Independent Managing Director	HSU, YI-HSIUNG	12	0	100		
Managing Director	WU, TANG-CHIEH	8	0	100	Relieved on Sep. 3, 2015	
Managing Director	CHANG, FANG	4	0	100	Assumed on Sep. 3, 2015	
Managing Director	YANG, CHENG-CHEN	10	2	83		
Independent Director	CHEN, MING-CHIN	8	4	67		
Independent Director	SHYU, JYUO-MIN	0	0	0	Relieved on Jan. 25, 2015	
Independent Director	YEH, KUANG-SHIH	6	0	100	Assumed on July 31, 2015	
Director	YANG, MING-SHYANG	11	1	92		
Director	CHANG, CHIH-HUNG	10	2	83		
Director	YANG, CHIN-LONG	3	3	50	Assumed on July 31, 2015	
Director	LEE, KUANG-HUEI	6	0	100	Relieved on July 30, 2015	
Director	KUO, WEI-YU	5	1	83	Assumed on July 31, 2015	
Director	RAU, HSIU-HUA	6	0	100	Relieved on July 30, 2015	
Director	LIU, YU-CHIH	12	0	100		
Labor Director	CHEN, HSI-CHUAN	6	0	100	Relieved on July 30, 2015	
Labor Director	HSU, MA	12	0	100		
Labor Director	CHEN, CHUN-HSIUNG	6	0	100	Relieved on July 30, 2015	
Labor Director	HU, CHIN-CHUAN	6	0	100	Assumed on July 31, 2015	

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: None.

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 2015 (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	SHYU, JYUO-MIN	1	0	100	Relieved on Jan. 25, 2015
Independent Director	YEH, KUANG-SHIH	5	0	100	Assumed on July. 31, 2015

Other mentionable items:

1. 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 2014; (2) Internal Control Statement in 2014; (3) a report on auditing work for the first half of 2015; and (4) auditing work plan for 2016.

b. Seminars were held with the internal auditing authorities to discuss the topics of internal auditing, the auditing business, overseas management, the handling of examination opinions issued by the competent authority, and items that the competent authority has required to be covered in audits.

(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) internal control auditing in 2014; (2) financial reports of 2014; (3) the financial report for the first quarter of 2015; (4) the financial report for the second quarter of 2015; (5) the financial report for the third quarter of 2015.

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.

b. 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, 13 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						
<ul> <li>1.Shareholding Structure &amp; Shareholders' Rights <ul> <li>(1) 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>(2) Does the Bank know the identities of the main controlling shareholders, and of the ultimate controlling shareholder?</li> </ul> </li> </ul>	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> </ol>						
(3) Has the Bank established a risk management mechanism and "firewall" between the Bank V and its affiliates? Is it implementing them?			(3) Business having to do with related enterprises is all carried out in accordance with the provisions of the Banking Act and the regulations of the competent authority as well as the Bank's own internal control charter.						
<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>						

# BANK ®F TAIWAN 2015 ANNUAL REPORT

Matters Evaluated			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 (http://www.bot.com.tw) 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 established a Risk Management Committee mapped out risk strategies and considered risk monitoring. The Bank has also set up an independent dedicated risk control unit, carries out matters related to risk identification, assessment, monitoring, and management, and submits regular reports on the status of implementation to the Risk Management Committee.</li> <li>In compliance with FSC rules, the Bank has implemented Pillars 1, 2, and 3 of Basel Accord.</li> <li>The Bank has worked out a risk management policy, regulations for the establishment of a risk management, criteria for credit risk management, criteria for market risk management, criteria for operational risk management, criteria for credit risk management, and regulations for the disclosure of risk management information.</li> <li>The Bank carries out the risk management mechanism under advanced approach in accordance with the New Basel Accord.</li> </ol> </li></ol>

Mottors Evolusted			Implementation Status
Matters Evaluated	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 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>Consumer Protection         <ol> <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," "Operating Instructions for a Full Understanding of Customers in the Sale of 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 Solicitation and Business Marketing."</li> </ol> </li> <li>Abstention of Directors from Cases in Which They Have a Material Interest:         <ol> <li>Article 9 of the Board of Directors Rules of Procedure, both stipulate that Directors should, at the current Board of Directors meeting, explain the major content of their relationships of material interest of its own, they may not participate in discussions or voting and should remove themselves during discussion and voting, nor may they act as proxy for other Directors in exercising their voting rights.</li> </ol> </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.

## 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> </ol>	v	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> </ol>
<ul> <li>2.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 established 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> </ul>	v v v		<ul> <li>(1) The BOT carries out operational activities in accordance with the following principles in order to lower the impact on the environment: <ul> <li>a. Reduction of the consumption of resources and energy for financial products and services</li> <li>b. Appropriate disposal of wastes</li> <li>c. Use of energy-saving and environmentally friendly goods</li> <li>d. Equipment that has reached the end of its expected working life but is still usable to be used continuously.</li> </ul> </li> <li>(2) a. The BOT has established an annual environmental patrol and supervision plan to manage the environmental beautification and maintenance of cleanliness by each unit.</li> <li>b. The Bank has set up a BOT Bank Premises Environmental Cleanlines and Beautification Inspection Team for use in evaluating the environmental protection performance of different units.</li> <li>(3) The Bank continued fulfilling its corporate social responsibility by implementing the government's policy of energy conservation and carbon reduction.</li> </ul>
<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		<ol> <li>In order to safeguard the rights and interests of both management and labor, the Bank has adopted work rules in compliance with the "Labor Standards Act" and other legislation governing civil servants.</li> <li>Employees can lodge complaints in hardcopy form, via telephone or email, or via the Chairperson's Mailbox on the company intranet.</li> <li>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. The Bank also offers employees regular safety and health education.</li> </ol>

Matters Evaluated			Implementation Status
	Y	Ν	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</li> </ul>	V V V V	V	<ul> <li>Summary Description</li> <li>(4) The Bank issues official notices to inform employees of important operating policies related to employee's rights.</li> <li>(5) The Bank adopts an employee training program each year, which includes courses and lectures focusing on various professional and managerial topics. In addition, the Bank also dispatches employees to attend external training, as needed.</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> </ul>
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?	v		<ul> <li>(8) The Bank handles purchasing matters in compliance with the "Government Procurement Act", environmental protection and labor safety &amp; health legislation, and related legislation. Qualification requirements for suppliers and manufacturers, and the content of contracts, must all be set in accordance with the law.</li> <li>(9) The Bank's goods and services procurement contracts expressly provide that if a supplier violates environmental protection or labor safety &amp; health legislation, the Bank reserves the right to terminate or suspend the contract.</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?	V		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 joined the launch event of "Property Trust Services Program for People with Disabilities in Taichung City."



The Bank held a charity auction and fair. The entire raising fund was donated to the Eden Social Welfare Foundation and the Sunshine Social Welfare Foundation.

# BANK **BF** TAIWAN 2015 ANNUAL REPORT

Matters Evaluated	Implementation Status						
	Y N	N Summary Description					
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 2015:							
a. Lunar New Year 2015: 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. 6 February 2015: The Bank invited children and volunteers from the Yilan Branch of Taiwan Fund for Children and Families to attend the 12th Super Basketball League game — Bank of Taiwan Basketball Team vs. Taiwan Beer Basketball Team at the Xinzhuang Stadium.							
c. 17 April 2015: The Bank's Chairperson Lee Jih-Chu on behalf of the Bank donated to the Julin Private Nursing Institution in Yilan County and the Guannenn Private Nursing Home in New Taipei City. The Bank also received letters of appreciation from the foundations.							
d. 9 May 2015: The Bank held a "sweep the mountain" hiking activity for employees and their family members on the Zhongyishan hiking trail in Guandu.							
e. 16 May 2015: The Bank held a charity fair and blood drive. Visitors to the event donated 345 bags of blood and NT\$4.24 million, all of which was given to the Sunshine Social Welfare Foundation and the Eden Social Welfare Foundation.							
f. 19 May 2015: 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 visually impaired singers and Woodpecker Chamber Ensemble—a group of visually impaired musicians—to perform at the concert.							
g. Following a powder explosion incident at Formosa Fun Coast water park in New Taipei City, the Bank suspended the collection of processing fees for customers who made donations at a bank service counter or via ATM. In addition, beginning from 30 June 2015 the Bank allowed the general public to use its ATMs and online banking service to wire funds to a donation account opened by the New Taipei City Government. Also, in order to fulfill its corporate social responsibility, the Bank wired NT\$1.85 million to an account designated by the Government for donations to help with the post-explosion relief effort.							
h. 26-27 July 2015: The Bank invited student athletes from several elementary and junior high school baseball teams in the Taichung area to attend the Chinese Professional Baseball League all-star game at the Taichung Intercontinental Baseball Stadium, and took part in a community service event together with baseball greats Jason Giambi, Ivan Rodriguez as well as stars from the Chinese Professional Baseball League (CPBL). 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 and the Taiwan Fund for Children and Families. A total of 140 grams of passbook gold were donated.							
	are Center	ity activity in Taipei and invited children from the Taiwan Fund for er to take part in the event, along with wealth management guests ocial responsibility.					
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, 2013 and 2014 which have not been certificated yet.

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

Matters Evaluated	Implementation Status		
	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> </ol>	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> </ol>

Mottors Evolucted		Implementation Status		
Matters Evaluated	Y	Ν	Summary Description	
(3) 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/ 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?	V		<ul> <li>(3) 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> <li>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.</li> </ul>	
<ul> <li>2.Implementation of Ethical Management</li> <li>(1) 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>(2) 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>(3) Has the Bank adopted a conflict-of-interest policy, and provided an appropriate complaint channel? Is the policy being properly implemented?</li> <li>(4) 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> <li>(5) Does the Bank periodically hold in-house or out- of-house education and training sessions that focus on business ethics?</li> </ul>	v v v	V	<ol> <li>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>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>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>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> <li>A. At periodic brainstorming sessions between management and staff, ethics officers acquaint participants with legal compliance issues.</li> <li>Courses attended by new employees during pre- professional training include a focus on professional ethics, ethics principles, and ethics-related legislation and articles are posted on the Department of Ethics section of the Bank's website so that employees can consult them at any time.</li> <li>The Bank reminds all</li></ol>	

# BANK <sup>®</sup>F TAIWAN 2015 ANNUAL REPORT

Matters Evaluated	Implementation Status				
	Y	N	Summary Description		
<ul> <li>3. Whistleblower system</li> <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 retailation?</li> </ul>	v v v		<ol> <li>The Bank shows on its website how to lodge whistleblower complaints via telephone, fax, post box, and e-mail. A dedicated unit assigns personnel to process whistleblower complaints.</li> <li>The Bank's ethics unit processes whistleblower complaints in accordance with the "Procedures for Handling Whistleblower Complaints and Providing Whistleblower Incentives and Protections (Including Confidentiality)" issued by the Ministry of Justice.</li> <li>The Bank is subject to the provisions of the "Labor Standards Act," Article 74 of which prohibits an employer from discharging, transferring, or taking any other unfavorable measure against a worker who files a complaint.</li> </ol>		
4.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?	-		The Bank discloses the state of its business ethics work on its website, the Market Observation Post System (MOPS) website, and its annual reports		
5.Please describe any differences in operations and rules of ethical management regulations that the Bank has established in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies: The BOT is not a TWSE/GTSM-listed company, so this item is not applicable.					
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. Global Views Monthly's rating of Five-Star Bank for Wealth Management.					
d.Wealth magazine in 2015 handed BOT two separate prizes in its "consumer finance brand" category (Best Domestic Banking Brand Image; Best Wealth Management).					
e.Business Today's Award for Bank Most Highly Recommended by Customers on the basis of its Wealth Management Bank Survey.					



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



The Bank's "Mobile Banking App Project" received a Superior Government Service Quality Award from the Ministry of Finance.

## 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 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."
- (2) 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.
- (3) 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.
- (4) 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."
- (5) Passed by the 15th extraordinary meeting of the 4th Board of Directors on Apr. 29, 2015: The position of Executive Vice President was filled by the EVP & Chief Compliance Officer Tsai Tzong-Rong, and his position was in turn filled by Lin Su-Lan, who was promoted from her former position as a SVP & General Manager in the Department of Compliance.
- (6) Report by the 16th extraordinary meeting of the 4th Board of Directors on July 13, 2015: A report on the Bank's capital increase plan for 2016.
- (7) Passed by the 16th extraordinary meeting of the 4th Board of Directors on July 13, 2015: A "Feasibility Study for an Application by the Bank of Taiwan to Establish a Bank of Taiwan (China) Limited," and "Business Plan for an Application by the Bank of Taiwan to Establish a Bank of Taiwan (China) Limited."
- (8) Report by the 1st meeting of the 5th Board of Directors on July 31, 2015: A list of the members of the Bank's fifth Board of Directors, as adopted by the Taiwan Financial Holding Co., Ltd. Board of Directors.
- (9) Report by the 1st meeting of the 5th Board of Directors on July 31, 2015: Hsu Yi-Hsiung, Chen Ming-Chin, and Yeh Kuang-Shih were appointed as Independent Directors on the Bank's third Audit Committee.
- (10) Report by the 1st meeting of the 5th Board of Directors on July 31, 2015: Chairperson Lee Jih-Chu, President Shiau Chang-Ruey, Independent Director Hsu Yi-Hsiung, Director Chang Fang, and Director Yang Cheng-Chen were appointed to the 5th Board of Managing Directors.
- (11) Report by the 1st meeting of the 5th Board of Directors on July 31, 2015: Pursuant to a document transferred by the Ministry of Finance and meeting with the Executive Yuan's approval, President Shiau Chang-Ruey of the Taiwan Financial Holding Co., Ltd. was appointed to continue as acting president of the Bank of Taiwan.
- (12) Passed by the 1st meeting of the 5th Board of Managing Directors on July 31, 2015: Managing Director Lee Jih-Chu was elected Chairperson of the Bank.
- (13) Report by the 2nd meeting of the 5th Board of Directors on Aug. 21, 2015: The statutory budget for 2015.
- (14) Passed by the 2nd meeting of the 5th Board of Directors on Aug. 21, 2015: The Bank's "Business Plan for the Precious Metal Option Business."
- (15) Passed by the 2nd meeting of the 5th Board of Directors on Aug. 21, 2015: The BOT participated in the First Financial Holding Co. Ltd.'s cash capital increase subscription project of 2015.
- (16) Report by the 5th meeting of the 5th Board of Managing Directors on Aug. 21, 2015: Bank of Taiwan 2015–2019 Information Operations Development Blueprint.
- (17) Report by the 1st extraordinary meeting of the 5th Board of Directors on Sep. 3, 2015: A meeting of the Board of Directors of the Taiwan Financial Holding Co., Ltd. approved the departure of Director Wu Tang-Chieh from the BOT's Board of Directors, effective Sep. 3, 2015, and the filling of the vacancy by Chang Fang.

- (18) Passed by the 3rd meeting of the 5th Board of Directors on Nov. 6, 2015: The BOT participated in the Mega Financial Holding Company's cash capital increase subscription project.
- (19) Passed by the 19th meeting of the 5th Board of Managing Directors on Nov. 27, 2015: The Bank of Taiwan Jiaosi Guesthouse, following completion of its renovation, was established as the Bank's Center for the Development of Employee Potential.
- (20) Report by the 4th meeting of the 5th Board of Directors on Dec. 25, 2015: Report on resumption by the Taiwan Life Insurance Co., Ltd. (in which the Bank owns an equity stake) of equity cooperation with other high-quality financial (holdings) institutions, the progress on such undertakings, and the final results.
- (21) Passed by the 4th meeting of the 5th Board of Directors on Dec. 25, 2015: Table of Key Management Personnel and their Qualifications (Bank of Taiwan).
- (22) Passed by the 26th meeting of the 5th Board of Managing Directors on Jan. 15, 2016: The Bank's 2017 Business Plan (including the subsidiary).
- (23) Passed by the 27th meeting of the 5th Board of Managing Directors on Jan. 22, 2016: Bank of Taiwan 2016–2019 Mid- to Long-term Business Development Plan.
- (24) Passed by the 6th meeting of the 5th Board of Directors on Mar. 18, 2016: Audited 2015 individual and consolidated statements, Business Report, Statement of Income Appropriation, and List of Major Properties.
- 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

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
EVP & Chief Compliance Officer	Tsai Tzong-Rong	Jan. 12, 2015	April 29, 2015	Personnel changes
Executive Vice President	Tsai Tzong-Rong	April 29, 2015	Jan. 16, 2016	Applying for Severance
SVP & General Manager in the Department of Treasury	Yeh Shiou-Jsu	July 16, 2013	Jan. 16, 2016	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, 2015 ~ Dec. 31, 2015	

Unit: NT\$1,000

Mar. 1. 2016

			01111.111-91,000
Amount	Auditing Fees	Non-Auditing Fees	Total
Under NT\$ 2,000,000			
NT\$2,000,000 ~ NT\$4,000,000	3,458	2,140	5,598
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			

#### 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

	Dec. 31, 2015 Unit: 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.	854,406,305	7.45	337,236,476	2.94	1,191,642,781	10.39	
Taiwan Business Bank	781,031,973	13.74	1,321,289	0.02	782,353,262	13.76	
Cathay Financial Holding Co., Ltd.	63,521,565	0.51	7,402,529	0.06	70,924,094	0.57	
Mega Financial Holding Co.	334,951,379	2.46	1,409,403	0.01	336,360,782	2.47	
Taiwan Fire & Marine Insurance Co., Ltd.	64,608,278	17.84	977,546	0.27	65,585,824	18.11	
China Development Financial Holding Corporation	238,729,496	1.57	1,640,817	0.01	240,370,313	1.58	
Yuanta Financial Holding Co.	242,813,206	2.27	1,575,982	0.01	244,389,188	2.28	
CTBC Financial Holding Co., Ltd.	277,437,432	1.54	43,653,274	0.24	321,090,706	1.78	
Taiwan Sugar Corporation	16,658,992	0.30	8,006,499	0.14	24,665,491	0.44	
Taiwan Power Company	865,191,972	2.62	148,281,465	0.45	1,013,473,437	3.07	
Taiwan Stock Exchange Corporation	66,109,873	10.01	19,809,811	3.00	85,919,684	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 Motion Picture Corporation	15,869,677	14.39	0	0.00	15,869,677	14.39	
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 Corporation	6,090,299	2.05	5,843,709	1.97	11,934,008	4.02	
Taiwan Asset Management Corporation	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 Corporation	10,000,000	5.88	5,000,000	2.94	15,000,000	8.82	
Financial Information Service Co., Ltd.	13,917,825	2.67	6,022,575	1.15	19,940,400	3.82	
Financial eSolution Co., Ltd.	1,268,688	5.77	404,936	1.84	1,673,624	7.61	
Sunny Asset Management Corporation	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 Corporation	25,035,822	9.54	0	0.00	25,035,822	9.54	
Taiwan Mobile Payment Co., Ltd.	1,200,000	2.00	600,000	1.00	1,800,000	3.00	
Hua Nan Financial Holdings Co., Ltd.	2,103,232,337	21.23	380,736,559	3.84	2,483,968,896	25.07	
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**

Dec. 31, 2015

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

# Care

#### 040 Capital Overview

040	Ι.	Capital	and	Shares
-----	----	---------	-----	--------

- 041 II. Issuance of Financial Bonds
- 043 III. Comments on Implementation of Capital Allocation Plan

#### 044 Operational Highlights

- 044 I. Business Activities
- 051 II. Human Resources
- 052 III. Corporate Responsibility and Ethical Behavior
- IV. Numbers of Non-managerial Employees, Average Annual Benefit Expenditures per Employee, and Changes from the Preceding Year
- <sup>052</sup> V. Information Equipment
- 054 VI. Labor Relations
- <sup>054</sup> VII. Important Contracts
- VIII. 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

臺灣銀行 Bank 3.)線上申辦服務! 推動數位化金融環境3.0開放線上申辦服務項目, 自104年7月起新增12項線上申辦業務: 1 存款業務 申請結清銷戶、申請約定轉入帳號、申請傳真指示扣款、申請數位存款帳戶 2 授信業務 申辦貸款 AFTER 3 信用卡業務 申辦信用卡、長期使用循環信用持卡人申請轉換 分期信用卡或小額信貸 4 財富管理業務 信託開戶、認識客戶作業、客戶風險承受度測驗、 客戶線上同意信託業務之推介或終止推介、客戶 線上同意共同行銷 3EFOR.



# Capital Overview

#### I. Capital and Shares

#### 1. Source of Capital

Month/	Par	Authorize	ed Capital	Paid-ir	n Capital	Remark	
Year	Value	Shares	Amount	Shares	Amount	Sources of Capital	Others
Dec. 2015	NT\$10	9.5 billion	NT\$95 billion	9.5 billion	NT\$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

Items	Year	2015	2014
Net Worth Per Share	Before Appropriation	26.83	26.74
Net Worth Fer Share	After Appropriation	26.78	26.35
Earnings Per Share	Weighted Average Issued Shares	9,500,000,000	9,500,000,000
Lamings Fer Share	Earnings Per Share (After Tax)	0.93	0.86
Dividends Per Share	Cash Dividends	0.04	0.39

Unit: NT\$: Share

Notes: Figures for 2014 are readjusted by the CPA in accordance with figures approved by the National Audit Office; figures for 2015 are CPA approved.

#### 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 (remeasurements (losses) of defined benefit plans) through allocation of legal reserve and special reserve from the audited after-tax profit for 2015, the Bank decided to distribute a cash dividend of NT\$0.4 billion, or NT\$0.04 per share. Under Article 50 of the Audit Act, however, the final determinant of the BOT's profit is the National Audit Office. Since the Bank's final 2015 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	<ol> <li>A Issue: Bonds issued on June 25, 2014</li> <li>B Issue: Bonds issued on June 27, 2014</li> <li>C Issue: Bonds issued on June 27, 2014</li> </ol>	26, 2014
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 benchmark rate plus 0.15%. The benchmark 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 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 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	1. 10-year term 2. A Issue: Bonds to mature on June 25, 2024 B Issue: Bonds to mature on June 27, 2024 C Issue: Bonds to mature on June 27, 2024	<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 Finan- cial 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 bor- rowings 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 Ratings: twAA (Nov. 19, 2013) twAA+ (Sep. 30, 2014)	Taiwan Ratings: twAA (June 16, 2014) twAA+ (Sep. 30, 2014)	Taiwan Ratings: twAAA (Nov. 19, 2014)

# ${\rm I\!I\!I}.$ Comments on Implementation of Capital Allocation Plan

	2013	2014
Description of Plan	In order to keep the BIS ratio at a proper level, and to meet mid- to long-term credit capital needs, the Bank filed a debt issue plan with the competent authority in 2013. On 9 August 2013, the competent authority approved (per Aug. 9, 2013 Letter No. (FSC) Gin-Guan-Ying Kong 10200215390) the issuance of NT\$25 billion in unsecured subordinated debentures.	In order to provide the Bank's overseas branches with necessary working capital and liquidity, and to fund lending and investment activities, the Bank filed a debt issue plan with the competent authority in 2014 to secure a stable mid- to long-term source of foreign currency. On 23 October 2014, the competent authority approved (per Oct. 23, 2014 Letter No. (FSC) Gin-Guan-Ying Kong 10300295070) the issuance of US\$1.5 billion in unsecured USD callable bonds.
Status of Implementation	<ol> <li>On 2 December 2013, the Bank of Taiwan issued NT\$16 billion in its Series 102-1 Unsecured Subordinated Debentures. The debentures have a 10-year term, the annual rate is a floating rate of the benchmark rate plus 0.15%, and will all be retired at maturity.</li> <li>On 25 June 2014, the Bank of Taiwan issued NT\$5.5 billion in its Series 103-1 Unsecured Subordinated Debentures (A Issue). The debentures have a 10-year term, the annual rate is a simple floating rate of the benchmark rate plus 0.3%, and will all be retired at maturity.</li> <li>On 27 June 2014, the Bank of Taiwan issued NT\$2 billion in its Series 103-1 Unsecured Subordinated Debentures (B Issue). The debentures have a 10- year term, the annual rate is a fixed 1.70% simple rate, and will all be retired at maturity.</li> <li>On 27 June 2014, the Bank of Taiwan issued NT\$1.5 billion in its Series 103-1 Unsecured Subordinated Debentures (C Issue). The debentures have a 10-year term, the annual rate is a simple floating rate of the benchmark rate plus 0.15%, and will all be retired at maturity.</li> </ol>	<ol> <li>On 26 November 2014, the Bank issued US\$100 million in A Issue Bank of Taiwan 103-2 unsecured USD callable bonds. The bonds have a 20-year term and a coupon rate of 0%, with an implicit interest rate of 4.0% per annum. At any time beginning two years after the date of issuance, the Bank can exercise repurchase rights at full price plus interest accrued. If no repurchase rights are exercised prior to maturity, the bonds will all be repurchased at full price plus accrued interest.</li> <li>On 26 November 2014, the Bank issued US\$480 million in B Issue Bank of Taiwan 103-2 unsecured USD callable bonds. The bonds have a 30-year term and a coupon rate of 0%, with an implicit interest rate of 4.3% per annum. At any time beginning two years after the date of issuance, the Bank can exercise repurchase rights are exercised prior to maturity, the bonds have a 30-year term and a coupon rate of 0%, with an implicit interest rate of 4.3% per annum. At any time beginning two years after the date of issuance, the Bank can exercise repurchase rights are exercised prior to maturity, the bonds will all be repurchased at full price plus accrued interest.</li> <li>On 1 December 2014, the Bank issued US\$440 million in C Issue Bank of Taiwan 103-2 unsecured USD callable bonds. The bonds have a 30-year term and a coupon rate of 0%, with an implicit interest rate of 4.3% per annum. At any time beginning two years after the date of issuance, the Bank can exercise repurchase rights at full price plus interest accrued. If no repurchase rights at full price plus interest accrued. If no repurchase rights at full price plus interest accrued. If no repurchase rights are exercised prior to maturity, the bonds will all be repurchased at full price plus interest accrued. If no repurchase rights are exercised prior to maturity, the bonds will all be repurchased at full price plus interest accrued. If no repurchase rights are exercised prior to maturity, the bonds will all be repurchased at full price plus accrued interest.<!--</td--></li></ol>
Effect of Implementation	The proceeds from the aforementioned debt issue raised the Bank's BIS ratio from 10% at end-November 2013 to 10.73% at end-December 2013, and from 10.89% at end-May 2014 to 11.14% at end-June 2014. The capital thus raised has been used for mid- and long-term credit capital.	In order to secure a stable mid- to long-term source of foreign currency, the proceeds have been used to provide the Bank's overseas branches with necessary working capital and liquidity, and to fund lending and investment activities.

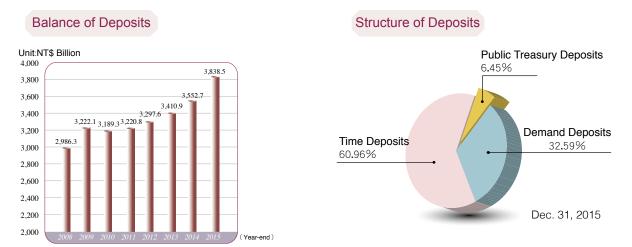
# **Operational Highlights**

#### I. Business Activities

#### 1. Main Areas of Business Operations

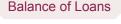
(1) Deposits

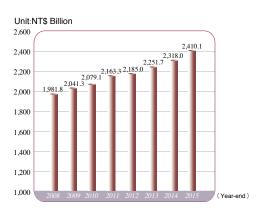
Total deposits in the Bank at the end of December 2015 amounted to NT\$3,838.5 billion, equal to 81.11% of the NT\$4,732.7 billion in the Bank's total assets and representing an increase of 8.04% over the previous year. Demand deposits in 2015 grew by 14.10%, and public treasury deposits increased by 8.65% over the year before.

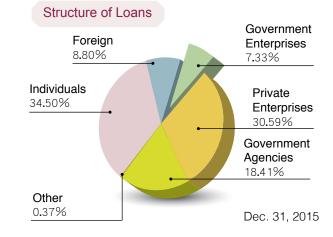


(2) Corporate Banking

The amount of the Bank's total loans outstanding at the end of December 2015 (including general loans as well as import and export negotiations) stood at NT\$2,410.1 billion, equal to 50.92% of the Bank's total assets and reflecting an increase of 3.97% over a year earlier. Corporate loans outstanding at the end of 2015 (including loans to government agencies and government-owned enterprises) amounted to NT\$1,578.5 billion, accounting for 33.35% of the Bank's total assets and representing an increase of 5.75% from the previous year. SME loans outstanding at the end of 2015 amounted to NT\$335.7 billion, reflecting a decrease of 1.26% 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 2015, calculated as market share, mandated lead arranger and quota bookrunner, placed it first in the Taiwan's domestic market for the fourth consecutive year.

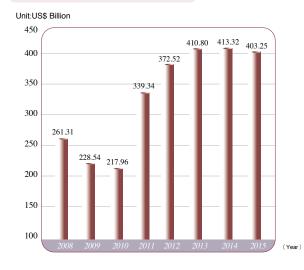






#### (3) Consumer Banking

Consumer loans outstanding at the end of 2015 amounted to NT\$774.8 billion, NT\$11.2 billion more than a year earlier for a growth of 1.47%. This occurred mainly because the Bank worked in line with market development trends, launching different types of preferential 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. The Bank established a Mobile Payments Management System that provides functions for the QR Code-



#### Foreign Exchange Operations

based credit card payments, the NFC-based mobile banking cards and mobile credit cards on July 2015. (4) Foreign Exchange and International Banking

The amount of foreign exchange transactions undertaken during the year reached US\$403.25 billion. A total of 158 branches were designated to handle foreign exchange services and 439 foreign-currency exchange bureaus at the end of 2015. The Bank has established correspondent banking relationships with 2,340 financial institutions in a web that covers major cities throughout the world. The Bank also had an Offshore Banking Branch and overseas branches in New York, Los Angeles, Hong Kong, Tokyo, Singapore, South Africa, London, Shanghai, Guangzhou. In addition to the deposit, Ioan, remittance, and import and export trade financing businesses, the Bank participated in international syndicated Ioans and engaged in international bond investment. The Bank has also set up representative offices in Mumbai (India) and Yangon (Myanmar) to collect information on local business conditions and take advantage of business opportunities as they arise throughout Asia. At the end of 2015, the total assets of these overseas branches and OBU amounted to US\$16.51 billion.

(5) Electronic Banking

At the end of 2015 the accumulated number of internet banking transfer accounts stood at 3.01 million, up 8.81% over 2014. Transfers carried out during the year stood at 10.75 million. Gold Passbook internet transactions numbered 0.70 million. The number of internet forex transactions amounted to 1.88 million. Online purchase requests for funds amounted to 2.29 million. The number of Corporate e-Banking Site accounts stood at 58.4 thousand. Transfer transactions undertaken via the Bank's Corporate e-Banking site in 2015 numbered 5.27 million, up 7.11% from 2014, while corporate online foreign exchange transactions came to 0.19 million (up 11.18% from 2014). The Bank launched the BOTPay, an online transaction collection and payment platform, and was among the first banks that received a permit from the FSC to operate an electronic payments service as a side business.

(6) Trust Business

At the end of 2015 the average principal of trust property amounted to NT\$408.6 billion, down 0.50% from the previous year. At the end of December 2015 the amount of assets under custodianship by the BOT totaled NT\$1,322.1 billion, for a decrease of 0.67% over the year earlier. Of this total, the outstanding amount of foreign assets under custodianship for investment in domestic securities was NT\$432.0 billion, for a growth of 6.21% over the previous year; discretionary investment assets amounted to NT\$372.3 billion, and boosted the BOT to first place in market share in the fourth quarter of 2015. In addition, 177,579 enterprise units opened worker retirement fund accounts with total deposits of NT\$1,434.9 billion, retirement payments amounting to NT\$832.9 billion, and trust funds outstanding of NT\$602.0 billion.

#### (7) Investment

A. Bills Finance

Short-term bills transactions by the Bank in 2015 totaled NT\$8,202.0 billion, a growth of NT\$748.2 billion over a year earlier. The outstanding amount of bills dealing at the end of the year stood at NT\$904.6 billion, of which Central Bank negotiable certificates of deposit accounted for NT\$888.3 billion. Profit from securities dealing during the year was NT\$6.72 billion, a growth of NT\$5.62 billion over the year before. The certification and underwriting of short-term bills by the Bank in 2015 totaled NT\$64.45 billion, a growth of NT\$0.85 billion over a year earlier.

#### B. Bond

(a) Proprietary Bond Dealing

The Bank's dealing in government bonds amounted to a total of NT\$42.0 billion in 2015, of which government bonds purchased amounted to NT\$32.42 billion and government bonds sold totaled NT\$9.58 billion. Repurchase agreements amounted to NT\$407.36 billion, and reverse repo agreements totaled NT\$5.57 billion.

(b) Bond Underwriting

The Bank in 2015 acted as the lead underwriter for Formosa Bonds issued by the Taipei Branch of Bank of China, Morgan Stanley, Deutsche Bank AG Singapore Branch, and Malayan Banking Berhad. In addition, the Bank was also the lead underwriter in a best efforts offering of International Bonds issued by PCCW Limited, a Hong Kong-based telecommunications service provider.

(c) Bond Investments

The Bank expanded its foreign currency bond positions in 2015 to put free capital to use and achieve better capital efficiency, and also invested in bond funds to diversify its investment channels.

C. Reinvestment

At the end of 2015 the Bank had investments in 31 enterprises with the book value of the investments totaling NT\$65.93 billion, an increase of NT\$6.35 billion, or 10.65%, over the year before. Profit on long-term equity investment amounted to NT\$5.91 billion in 2015, derived mainly from stock dividends, the benefit from booking by the equity method and gain on disposal.

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

At the end of 2015 the costs of the Bank's investment in stocks were NT\$7.35 billion, and the operating volumes were NT\$7.26 billion. At the end of 2015 the costs of the Bank's investment in NT Dollar dominated equity funds were NT\$0.38 billion, and the operating volumes were NT\$0.36 billion; the costs of the Bank's investment in foreign-currency investment funds were NT\$0.23 billion, and the operating volumes were NT\$0.25 billion. The costs of the Bank's investment in overseas ETFs were NT\$0.97 billion, and the operating volumes were NT\$0.79 billion.

(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 2015 was NT\$1,790.4 billion, an increase of 7.45% over the previous year. The peak amount in circulation was NT\$2,126.7 billion, also an increase of 7.36% over the 2014 peak. The amount in circulation at the end of the year was NT\$1,804.6 billion, 5.74% more than year-end 2014.

(9) Government Employees Insurance

To support the government's policy objective of building up the nation's social safety net (through implementation of a national pension system), the Bank began handling benefit payments for oldage pensions and survivor pensions paid out to staff from private schools on June 1, 2014. Acting in accordance with the provisions of the "Civil Servant and Teacher Insurance Act" as amended on June 19, 2015, the insurance expanded the types of insureds to the personnel without monthly retirement payment and preferential interest deposits (not including the elected public officials and political officials in the authorities). At the end of 2015 there were 7,448 insured units and 582,850 insured persons, and income on insurance premiums in 2015 amounted to NT\$20.918 billion, and 55,588 claims totaling NT\$32.785 billion were paid that year. For 2015, the balance of civil servants' and teachers' insurance was NT\$5.527 billion, as well as the balance of retirement insurance was NT\$1.66 million, the full amount of which was allocated to reserves respectively.

(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 2015 amounted to NT\$35.18 billion.

(11) Wealth Management Service

The fee income of the wealth management business in 2015 amounted to NT\$2.036 billion (not including fee income earned by BankTaiwan Insurance Brokers Co.), for a growth of 14.25% over the year earlier. At the end of 2015 a total of 143 business units were handling wealth management, nine of them were flagship units, and 230 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 2015 was NT\$126.6 billion, 36.17% more than the target figure.

#### 2. Operating Plans for 2016

(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; corporate finance sales visits will be stepped up in order to win the business of high-quality customers and enhance the breadth and depth of dealings with borrowers; the Bank will seek opportunities to lead or participate in syndicated loans at home and abroad; factoring businesses will be promoted to increase credit and fee income.

(3) Consumer Banking

The Bank will continue to promote high-quality loans for owner-occupied homes; actively develop and launch reverse mortgage products; overall promotion of student loan portal functions will be carried out; the Bank will actively undertake "Young Entrepreneur and Start-up Loans" and "Micro-business Start-up Phoenix Loans"; set up the Bank's own credit card host card emulation (HCE) and tokenization for cloud-based mobile payments systems; and promotion of the credit-card invoice collection business will be continued and the number of contract stores will be expanded.

(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 international syndicated loans and bond investment business will be developed; online banking services will be strengthened and a funds allocation platform for offshore Taiwan-invested firms; strengthen risk management mechanisms and improve the business results of overseas branches.

(5) Electronic Banking

Under its Bank 3.0 program, the FSC has decided to allow customers to handle certain types of banking operations online. In response to this policy initiative, the Bank will actively work to launch related online services; will use the concepts of responsive web design and personalized marketing to launch personalized online banking services; will add a CEO mobile version to its Corporate e-Banking site to provide mobile services to top corporate management; will continue building out its electronic payments (BOTPay) system; and 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 Formosa 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; 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 improve operations to coordinate with business development; study ways to improve workflows; continue holding Government Employees Insurance seminars; develop e-banking operations, and plan for expanded functionality; in line with the policy of the competent authority, actively carry out the pensions business and related measures; and strengthen the diversified utilization and 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; 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 the Bank will reinforce digital banking services and adopt strict know-your-customer (KYC) procedures for first-time online applications.

(10) Precious Metals Business

The Bank will continue promoting new gold-related businesses and products. It will reinforce customer services, providing the public with abundant and objective gold-related information. As a market maker and custodian bank for the Gold Trading Platform of the Taipei Exchange, the Bank helps investors to diversify their asset allocation, and will expand domestic gold sales channels; will trade gold on the Shanghai Gold Exchange (the Bank applied in July 2015 to become an A-class member of the Shanghai Gold Exchange International Board) in order to cultivate increased interaction with gold banking operations in China.

#### 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 2015 the BOT's business units included 163 domestic branches and one Offshore Banking Branch, 12 overseas units (including New York Branch, Los Angeles Branch, London Branch, Hong Kong Branch, Singapore Branch, Tokyo Branch, South Africa Branch, Shanghai Branch, Guangzhou Branch, Shanghai JiaDing Sub-Branch, Mumbai Representative Office, and Yangon Representative Office).

(2) Future market supply and demand as well as growth prospects

Regarding the global economic outlook for 2016, market demand is expected to rebound because the world's major economies continue to implement quantitative easing policies and economic stimulus measures. But global economic development could be affected by a number of factors, including: the impact of the US Federal Reserve's expected interest rate hike, an economic slowdown in China, falling international petroleum prices, continued low prices for certain commodities, and geopolitics in the Middle East. In addition, the eurozone, Japan, and mainland China will all continue to maintain accommodative money policies in order to support economic development, thus moving in the opposite direction of US monetary policy. This will generate increased international money flows and affect the stability of international financial markets.

Taiwan's economic growth should improve in 2016 because the global economy is expected to perform better in 2016 than in 2015, which will boost Taiwan's exports. Domestic banks, meanwhile, are expected to become more profitable and continue expanding markets. Factors pushing in this direction include the fact that the government will continue pursuing financial liberalization, digitization, and internationalization. At the same time, the government will also help bankers to take active steps in the establishment of a stronger presence in Asia.

- (3) Competitive Niches
  - A. As the oldest bank in Taiwan the BOT enjoys an outstanding reputation, it enjoys the trust of the public.
  - B. 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.
  - C. Financial holding company resources will be integrated to provide a comprehensive financial product line that will satisfy customers' diverse needs in financial 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. The Bank's huge customer base facilitates efforts to solicit new business.
    - 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. In addition, the Bank has been admitted as the 45th member of the Shanghai Gold Exchange. 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. Financial supervisory authorities are adopting increasingly stringent capital charge requirements. 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.
  - d. The Bank holds massive deposits, a large share of which are time deposits, so the cost of funds is relatively high.
- C. Countermeasures:
  - a. The Bank will continue communicating with the competent authority and the Legislative Yuan to seek easing of regulatory restrictions on its handling of such matters as budgets, human resources, and purchasing. A level playing field is needed so that the Bank can use its expertise and tap into its potential strengths to deal on fair terms with fierce market competition and challenges.
  - b. The Bank will adjust the allocation of assets and liabilities and the structure of its equity investments to enhance capital efficiency, and will actively seek approval to use valuable state-owned assets as backing for a capital increase; will seek permission to reduce or discontinue its contributions to the national treasury; will raise its retention ratio for special reserves; and will use diverse means, including capital increase plans, to strengthen capital.
  - c. The BOT will take advantage of the opportunities being brought about by the rise of Asia to accelerate deployment in the Asia-Pacific financial market and adopt diversified business management methods to strengthen its business.
  - d. The Bank will make optimum use of its big customer base, outstanding brand image, and the holding company's complete line of financial products to give full play to its integrated marketing capabilities and take advantage of group-wide market capabilities to generate operating revenues and profits.

#### 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 502 staff suggestions in 2015, of which 113 were adopted, in whole or in part, and incentives in the amount of NT\$60,000 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:
    - a. The Mumbai Representative Office in India was established on June 16, 2014.
    - b. The Shanghai JiaDing Sub-Branch in China was established on July 1, 2015.
    - c. The Guangzhou Branch in China was established on September 1, 2015.
    - d. The Yangon Representative Office in Myanmar opened for business on December 18, 2015.

- (2) R&D Expenditures and Results for the Past Two Years, and Future R&D Plans
  - R&D spending amounted to NT\$6,966,000 in 2015 and NT\$7,464,000 in 2014. 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.
- 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 expanded and optimized.
    - C. The Bank will further build up its e-banking business to consolidate its position as an industry leader.
    - D. The credit card service will be expanded to become more competitive.
    - E. The Bank will coordinate with deregulation of offshore banking business to heighten the contribution of the Bank's OBU.
    - F. The Bank will reinforce wealth management business, digital marketing, and innovative capacity.
    - G. Cross-strait business opportunities will be grasped 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

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 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 2015 the Bank held 189 in-house training courses with a total of 13,910 trainees participating, sent 2,059 employees for outside training in Taiwan, and subsidized domestic advanced training for 803 persons.

Items	Year	2014	2015	As of Mar. 31, 2016
	Staff	7,098	7,214	7,180
Number of	Guards	153	140	140
Employees	Janitors	685	636	629
	Total	7,936	7,990	7,949
Average Age		45.20	45.32	45.25
Average Years	of Service	18.30	18.32	18.23
	Ph.D.	0.06	0.06	0.05
	Master	15.10	16.61	16.93
Education (%)	Bachelor's Degree	74.39	73.52	73.40
	Senior High School	9.03	8.52	8.35
	Below Senior High School	1.42	1.29	1.27

#### **Employee Statistics**

Note: The above numbers do not include contract salespersons, contract workers, and overseas locally recruited staff.

### III. Corporate Responsibility and Ethical Behavior

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, the Bank will also participate in public welfare activities to pay back to the public and fulfill corporate social responsibility.

# IV. Numbers of Non-managerial Employees, Average Annual Benefit Expenditures per Employee, and Changes from the Preceding Year

The Bank had 7,764 non-managerial employees in 2014, and 7,809 in 2015. Average benefit expenditures came to NT\$1,472,435 per non-managerial employee (baseline date: 31 December 2014) in 2014, and NT\$1,478,536 in 2015 (31 December 2015), an increase of NT\$6,101 from 2014 to 2015.

#### V. 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 trust, credit card, bonds, and notes businesses; and an operations management support system. These systems are connected to an open-system server through the "Enterprise Application Integration, (EAI)" 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 2015 included the following:

- (1) The Financial Supervisory Commission is pushing the development of a digitized financial environment (Bank 3.0). The Bank has responded by rolling out procedures for customers to handle 12 types of banking services online. The BOT is among the first banks in Taiwan to achieve this policy goal of the FSC.
- (2) The Bank on 13 May 2015 launched the BOTPay, an online transaction collection and payment platform, and on 19 August 2015 was among the first banks that received a permit from the FSC to operate an electronic payments service as a side business.



The Bank launched an online transaction collection and payment platform—the BOTPay.



Wealth magazine handed BOT two "consumer finance brand" awards for 2015: Best Domestic Banking Brand Image and Best Wealth Management.

- (3) In response to the launch of a Gold Trading Platform, the Bank—in collaboration with the Taiwan Depository & Clearing Corporation and the Taipei Exchange—launched a service for trading in physical gold and added a "multi-currency gold passbook" function.
- (4) In November 2015, the Bank completed integration of systems used by seven of its overseas branches by operating them all out of the head office's Department of Information Management.
- (5) The Bank established a Mobile Payments Management System that provides functions for the issuance of mobile banking cards and mobile credit cards.
- (6) In order to strengthen monitoring and control of credit exposures in mainland China, the Bank adopted the following new forms: Table of Mainland China Credit Exposure Restrictions for Specific Industries; Table of Mainland China Investment Restrictions for Specific Industries; and Itemized List of Interbank Placements of Exposures to Mainland Chinese Industries.
- (7) To provide customers 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 (OBU)" function has been added.
- (8) The Bank established a Hong Kong Branch Credit Rating System; completed adoption of the internal ratings-based (IRB) approach to credit risk, and applied it to corporate and consumer banking models; and coordinated with regulatory needs and the ongoing move to paperless credit check operations by adding important new functions.

#### 2. Future Development or Procurement Plans

- (1) 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 and Enquiring System.
- (2) The Bank carried out a software upgrade for its risk management system (including the BIS system for the standardized approach to risk management, the IMA system for the market risk internal models method, the ORM system for the standardized approach to operational risk, and the FRMST system for financial risk stress tests), and upgraded its IMA system software suite and module settings. The Bank in 2015 also completed the first-phase upgrade of its operating systems and database systems, as well as setting adjustments for its BIS system, and is currently in the midst of second-phase upgrading of its IMA system.
- (3) The Bank optimized its Mobile Banking and Internet Banking functions, and added a new "BOT News of Credit Card" website section; and set up a push notification service for mobile banking apps.
- (4) The Bank launched a new trading function that allows customers to use mobile devices to purchase foreign currency cash and traveler's checks online.

#### 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 internet 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.

# BANK <sup>®</sup>F TAIWAN 2015 ANNUAL REPORT

#### (2) Safety Protection

- A. In order to continue strengthening management systems for information security, information services, business continuity, and the protection of personal information, the Bank smoothly passed semi-annual follow-up audits by international standards bodies in 2015, thus maintaining the following certifications: ISO 27001, ISO 20000, ISO 22301, and BS 10012.
- B. 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, a system to guard against advanced persistent threats (APTs), an email anti-virus and spam filter system, an email sensitive-information detection and protection system, and a Data Endpoint Protection System have been established to enhance information security control and better protect sensitive information.

#### VI. 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, resolve points of contention, and build consensus. The Bank seeks what is in the best interests of both labor and management, taking care always to cultivate mutual trust and respect.
  - (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. In the event of a large and relatively damaging labor-management dispute, the Bank is prepared to seek personnel support from the competent authority and work with the labor authority, engaging in talks, labor dispute arbitration procedures, or litigation to reach a resolution as quickly as possible and minimize losses.
- 2. Losses Due to Labor-Ownership Disputes, Estimated Possible Current and Future Amounts that Might Occur, and Countermeasures: None

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, 2015~ June 30, 2020	Commissioned collection of local taxes on behalf of the National Treasury

### VII. Important Contracts

Agreement	Counterparty	Period	Major Contents and Restrictions
Commissioning of the operation of the local tax collection system to the Financial Information Service Co.	Financial Information Service Co., Ltd.	July 1, 2015~ June 30, 2020	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
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	July 25, 2014~ Dec. 31, 2020	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	Full Lucky II Management Consultants Co., Ltd.	June 1, 2015~ May 31, 2016	Data processing
The BOT "Outsourcing of Main- land 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, 2015~ Mar. 31, 2016	Service: Fixed and irregular duties
"Outsourced Shipment of Cash for ATMs" procurement	LienAn Service Co., Ltd.	Apr. 1, 2015~ Mar. 31, 2016	Shipment of cash
Credit card service operations	Financial Information Service Co., Ltd.	Jan. 1, 2015~ Dec. 31, 2015	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. 10, 2014~ Apr. 9, 2016	Shipment of cash
Outsourced delivery of negotiable instruments procurement project	CHUNG HWA Express Corp.	Aug. 1, 2015~ July 31, 2016	Outsourced delivery of negotiable instruments
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

# Efficiency BANK OF

#### 058 Financial Information

- 058 I. Five-Year Financial Summary
- 064 II. Five-Year Financial Analysis
- 073 III. Financial Statements of Recent Years, and Independent Auditors' Report
- 177 IV. Individual Financial Statements of Recent Years, and Independent Auditors' Report

#### 184 Review of Financial Conditions, Operating Results, and Risk Management

- 184 I. Analysis of Financial Status
- 184 II. Financial Performance
- 184 III. Analysis of Cash Flow
- 185 IV. Investment Policy in Last Year
- <sup>186</sup> V. Risk Management
- <sup>195</sup> VI. Crisis Management Mechanism

**歡迎下載~臺灣銀行『網路銀行隨身版』App** 使用步驟:

隨身攜帶的

國軍利率

聯外服務

Bank 3.0

職本 25

24-JISTER BURGET

· 新闻的 · · · ·

用路銀い」

服務捕動

11

可以

銀行

iPhone用戶:請用手機進入「App Store」,搜尋「臺灣銀行」即可下載。 Android用戶:請用手機進入「Play商店」,搜尋「臺灣銀行」即可下載。 Windows Phone 用戶:請用手機進入「市集」,搜尋「臺灣銀行」即可下載。



# **Financial Information**

#### I. Five-Year Financial Summary

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

#### **Condensed Consolidated Balance Sheets**

	Condensed	Consolidated B	alance Sheets		Unit: NT\$1,000
Items	Year	2015	2014	2013	2012
Cash, cash equivalents, pl Bank and call loans to ban		721,386,220	738,816,618	704,709,365	622,440,273
Financial assets measured profit or loss	d at fair value through	173,005,205	208,646,968	166,714,218	146,534,038
Available-for-sale financial	assets	1,053,598,710	797,692,802	765,521,333	734,870,751
Hedging financial assets		15,970	25,613	5,443	3,543
Bills and bonds purchased	under resell agreements	50,040	1,956,563	6,173,451	4,980,621
Receivables, net		72,072,783	62,570,189	82,279,036	89,166,548
Current income tax assets		1,343,594	1,876,292	2,169,130	2,131,424
Assets held for sale, net		-	-	-	-
Loans and discounts, net		2,386,598,795	2,298,237,964	2,240,652,458	2,177,133,260
Held-to-maturity financial a	assets	113,786,391	77,372,697	73,044,728	62,009,085
Investments under equity	method, net	35,856,579	36,989,325	34,791,149	34,652,109
Restricted assets		-	-	-	-
Other financial assets, net		68,891,471	68,466,496	70,317,802	69,668,204
Property and equipment, r	net	96,733,221	97,108,785	97,502,611	98,086,367
Investment property, net		-	-	-	-
Intangible assets, net		853,946	941,417	1,048,025	1,164,105
Deferred tax assets, net		476,040	361,798	241,804	331,086
	Before distribution	7,820,324	11,400,793	9,229,150	10,620,513
Other assets	After distribution	7,820,324	7,750,867	5,630,335	6,026,501
	Before distribution	4,732,489,289	4,402,464,320	4,254,399,703	4,053,791,927
Total assets	After distribution	4,732,489,289	4,398,814,394	4,250,800,888	4,049,197,915
Deposits of Central Bank a	and other banks	225,425,517	156,988,830	252,738,244	213,374,465
Financing from Central Ba		-	-	-	-
Financial liabilities measur profit or loss		39,224,475	47,915,342	3,999,496	4,876,954
Hedging financial liabilities	;	243,967	103,024	225,806	301,390
Bills and bonds sold under	repurchase agreements	16,336,619	38,018,153	19,036,703	11,998,398
Payables		42,217,119	41,039,673	44,758,616	41,988,683
Current income tax liabilitie	es	394,875	240,379	162,430	96,083
Liabilities related to assets held for sale		-	-	-	-
Deposits and remittances		3,837,520,416	3,554,081,722	3,409,605,226	3,294,903,719
Bonds payable		24,997,826	24,997,612	15,998,240	-
Preferred stock liabilities		-	-	-	-
Other financial liabilities		1,785,430	1,756,954	1,243,698	8,198,013
Provision		264,199,252	257,745,112	232,874,066	210,325,476
Deferred tax liabilities		18,340,284	18,348,772	18,299,657	18,359,086
Other lightlitic -	Before distribution	6,954,757	7,202,222	7,491,439	7,671,101
Other liabilities	After distribution	7,354,757	7,297,671	7,491,439	7,844,210

Items	Year	2015	2014	2013	2012
Total liphilitian	Before distribution	4,477,640,537	4,148,437,795	4,006,433,621	3,812,093,368
Total liabilities	After distribution	4,478,040,537	4,148,533,244	4,006,433,621	3,812,266,477
Equity attributable to owr	ners of the parent company	-	-	-	-
Conital stack	Before distribution	95,000,000	95,000,000	70,000,000	70,000,000
Capital stock	After distribution	95,000,000	95,000,000	70,000,000	70,000,000
Capital surplus	'	80,453,034	80,521,742	105,496,092	105,453,034
Detained comings	Before distribution	59,291,717	54,966,997	50,945,002	48,562,682
Retained earnings	After distribution	58,891,717	51,221,622	47,346,187	43,795,561
Other equity	Other equity		23,537,786	21,524,988	17,682,843
Treasury stock		-	-	-	-
Non-controlling interests		-	-	-	-
Total abarabaldara' a multir	Before distribution	254,848,752	254,026,525	247,966,082	241,698,559
Total shareholders' equity	After distribution	254,448,752	250,281,150	244,367,267	236,931,438

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 and 2014 are readjusted by the CPA in accordance with figures approved by the National Audit Office; figures for 2015 are CPA approved.

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

Unit: NT\$1,000 Year 2015 2014 2013 2012 Items Interest income 64,758,332 65,232,885 59,252,283 56,039,716 Less: Interest expense 36,352,155 36,453,488 33,364,389 31,952,145 Net interest income 28,406,177 28,779,397 25,887,894 24,087,571 6,807,961 7,274,161 3,609,713 4,786,638 Non-interest income, net Net Revenue 35,214,138 36,053,558 29,497,607 28,874,209 3,107,865 4,404,468 Bad debt expense and reserve for guarantees 7,284,809 2,625,044 20,207,363 19,321,701 18,025,012 17.722.916 Operating expenses Income before tax from continued operations 10,602,307 9,447,048 8,847,551 8,043,428 Income tax expenses 1,730,137 1,245,800 1,429,623 862,560 Net income from continued operations 8,872,170 8,201,248 7,417,928 7,180,868 Gain (Loss) from discontinued operations 8,872,170 7,417,928 7,180,868 Net income 8,201,248 - 4,235,860 1,432,360 3,557,719 3,139,909 Other comprehensive income Total comprehensive income 4,636,310 9,633,608 10,975,647 10,320,777 Net income attributed to owners of the parent company 8.872.170 8,201,248 7,417,928 7.180.868 Net income attributed to non-controlling interests Total comprehensive income attributed to owners of 4,636,310 9,633,608 10,975,647 10,320,777 the parent company Total comprehensive income attributed to non-controlling interests 0.93 Earnings per share (NT\$) 0.86 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 and 2014 are readjusted by the CPA in accordance with figures approved by the National Audit Office; figures for 2015 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**

Condensed Individual Balance Sheets Unit: NT\$1,000					
Items	Year	2015	2014	2013	2012
Cash, cash equivalents, p Bank and call loans to bar		721,386,190	738,816,588	704,709,335	622,440,273
Financial assets measure profit or loss	d at fair value through	173,005,205	208,646,968	166,714,218	146,534,038
Available-for-sale financia	l assets	1,053,598,710	797,692,802	765,521,333	734,870,751
Hedging financial assets		15,970	25,613	5,443	3,543
Bills and bonds purchased	d under resell agreements	50,040	1,956,563	6,173,451	4,980,621
Receivables, net		72,046,562	62,547,115	82,258,188	89,166,548
Current income tax assets	3	1,343,594	1,876,292	2,169,130	2,131,424
Assets held for sale, net		-	-	-	-
Loans and discounts, net		2,386,598,795	2,298,237,964	2,240,652,458	2,177,133,260
Held-to-maturity financial	assets	113,786,391	77,372,697	73,044,728	62,009,085
Investments under equity		36,178,998	37,241,461	34,940,504	34,652,109
Restricted assets		-	_	_	-
Other financial assets, ne	t	68,891,471	68,466,496	70,317,802	69,668,204
Property and equipment,		96,728,064	97,103,753	97,497,978	98,086,367
Investment property, net		-	-	-	
Intangible assets, net		853,571	940,987	1,047,495	1,164,105
Deferred tax assets, net		472,085	357,844	237,929	331,086
	Before distribution	7,817,258	11,396,056	9,227,485	10,620,513
Other assets	After distribution	7,817,258	7,746,130	5,628,670	6,026,501
Total assets	Before distribution	4,732,772,904	4,402,679,199	4,254,517,477	4,053,791,927
	After distribution	4,732,772,904	4,399,029,273	4,250,918,662	4,049,197,915
Deposits of Central Bank		225,425,517	156,988,830	252,738,244	213,374,465
Financing from Central Ba		-	-	-	-
Financial liabilities measu profit or loss	red at fair value through	39,224,475	47,915,342	3,999,496	4,876,954
Hedging financial liabilities	S	243,967	103,024	225,806	301,390
Bills and bonds sold unde	r repurchase agreements	16,336,619	38,018,153	19,036,703	11,998,398
Payables		42,195,648	41,013,062	44,746,966	41,988,683
Current income tax liabiliti	es	367,898	213,270	132,072	96,083
Liabilities related to assets	s held for sale	-	-	-	-
Deposits and remittances		3,837,851,868	3,554,349,701	3,409,797,342	3,294,903,719
Bonds payable		24,997,826	24,997,612	15,998,240	-
Preferred stock liabilities		-	-	-	-
Other financial liabilities		1,785,430	1,756,954	1,243,698	8,198,013
Provision		264,199,252	257,745,112	232,850,278	210,325,476
Deferred tax liabilities		18,340,284	18,348,772	18,299,657	18,359,086
Other liabilities	Before distribution	6,955,368	7,202,842	7,482,893	7,671,101
	After distribution	7,355,368	7,298,291	7,482,893	7,844,210
Total liabilities	Before distribution	4,477,924,152	4,148,652,674	4,006,551,395	3,812,093,368
	After distribution	4,478,324,152	4,148,748,123	4,006,551,395	3,812,266,477
Equity attributable to owne	ers of the parent company	-	-	-	-
Capital stock	Before distribution	95,000,000	95,000,000	70,000,000	70,000,000
Capital stock	After distribution	95,000,000	95,000,000	70,000,000	70,000,000

Unit: NT\$1,000

Items	Year	2015	2014	2013	2012
Capital surplus		80,453,034	80,521,742	105,496,092	105,453,034
Detained cornings	Before distribution	59,291,717	54,966,997	50,945,002	48,562,682
Retained earnings	After distribution	58,891,717	51,221,622	47,346,187	43,795,561
Other equity	·	20,104,001	23,537,786	21,524,988	17,682,843
Treasury stock		-	-	-	-
Non-controlling interests		-	-	-	-
Total abarabaldara' aquitu	Before distribution	254,848,752	254,026,525	247,966,082	241,698,559
Total shareholders' equity	After distribution	254,448,752	250,281,150	244,367,267	236,931,438

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 and 2014 are readjusted by the CPA in accordance with figures approved by the National Audit Office; figures for 2015 are CPA approved.

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

Year 2015 2014 2012 2013 Items 64,758,332 65,232,885 59,252,283 56,039,716 Interest income 36,352,682 36,453,834 33,364,505 31,952,145 Less: Interest expense Net interest income 28,405,650 28,779,051 25.887.778 24,087,571 Non-interest income, net 6,651,342 7,111,700 3,513,757 4,786,638 35,056,992 35,890,751 29,401,535 28,874,209 Net Revenue Bad debt expense and reserve for guarantees 4,404,468 7,284,809 2,625,044 3,107,865 Operating expenses 20,098,410 19,201,141 17,955,435 17,722,916 Income before tax from continued operations 10,554,114 9,404,801 8,821,056 8,043,428 Income tax expenses 1,681,944 1,403,128 862,560 1,203,553 7,417,928 Net income from continued operations 8,872,170 8,201,248 7,180,868 Gain (Loss) from discontinued operations Net income 8,872,170 8,201,248 7,417,928 7,180,868 - 4,235,860 3,557,719 Other comprehensive income 1,432,360 3,139,909 Total comprehensive income 4,636,310 9,633,608 10,975,647 10,320,777 Net income attributed to owners of the parent 8,872,170 8,201,248 7,417,928 7,180,868 company Net income attributed to non-controlling interests Total comprehensive income attributed to owners of 4,636,310 9,633,608 10,975,647 10,320,777 the parent company Total comprehensive income attributed to noncontrolling interests Earnings per share (NT\$) 0.93 0.86 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 and 2014 are readjusted by the CPA in accordance with figures approved by the National Audit Office; figures for 2015 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 Sh	leels	Unit: NT\$1,000
Items	Year	2012	2011
Cash, cash equivalent, placement with Ce	ntral Bank and call loans to banks	622,440,273	564,981,579
Financial assets measured at fair value		146,534,038	110,886,008
Bonds and bills purchased under resell		4,980,621	3,231,949
Receivables		91,271,394	86,439,780
Loans and discounts		2,177,133,260	2,153,591,118
Available-for-sale financial assets		734,870,751	757,373,465
Held-to-maturity financial assets		61,999,046	50,942,589
Investments under equity method		35,393,882	32,479,598
Other financial assets		69,672,866	72,207,332
Fixed assets		97,253,304	97,864,904
Intangible assets		1,164,105	821,057
	Before distribution	11,934,505	15,119,109
Other assets	After distribution	7,340,493	10,747,702
	Before distribution	4,054,648,045	3,945,938,488
Total assets	After distribution	4,050,054,033	3,941,567,081
Deposits of Central Bank and other ban	ks	213,374,465	208,926,475
Financial liabilities measured at fair valu	e through profit or loss	4,876,954	3,902,885
Bonds and bills sold under repurchase a	agreements	11,998,398	14,906,165
Deposits and remittances		3,294,903,719	3,218,010,687
Borrowed from Central Bank and other payable	banks, and financial bonds	-	-
Preferred liability		-	-
Accrued pension liability		4,959,970	4,566,752
Other financial liabilities		8,499,403	5,756,183
	Before distribution	263,305,034	243,500,212
Other liabilities	After distribution	263,478,142	243,560,707
	Before distribution	3,801,917,943	3,699,569,359
Total liabilities	After distribution	3,802,091,051	3,699,629,854
	Before distribution	70,000,000	70,000,000
Common stock	After distribution	70,000,000	70,000,000
Capital surplus		105,682,871	106,077,872
	Before distribution	33,697,990	30,901,653
Retained earnings After distribution		28,930,870	26,469,751
Unrealized gain or loss on financial asse	ets	17,929,660	13,983,157
Cumulative translation adjustments		- 800,300	- 366,046
Other items in shareholders' equity		26,219,881	25,772,493
	Before distribution	252,730,102	246,369,129
Total shareholders' equity	After distribution	247,962,982	241,937,227

#### **Condensed Balance Sheets**

Note: Figures for 2011-2012 are readjusted by the CPA in accordance with figures approved by the National Audit Office.

#### **Condensed Income Statements**

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

Notes: 1. Figures for 2011-2012 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
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
2015	KPMG Certified Public Accountants	Yen-Ling Fang, Derek Hsu	Modified Unqualified Opinion

#### II. Five-Year Financial Analysis

	Consolidated Financial An			Uni	t: NT\$1,000; %
Items	Year	2015	2014	2013	2012
	Ratio of Loans to Deposits	62.79	65.25	66.02	66.26
	Non-Performing Loan Ratio*	0.23	0.31	0.44	0.52
	Ratio of Interest Cost to Annual Average Deposits	1.23	1.27	1.25	1.27
Operating Ability	Ratio of Interest Income to Annual Average Loans Outstanding	1.88	1.89	1.89	1.87
	Total Assets Turnover (Times) (Note 4)	0.77	0.83	0.71	0.72
	Average Operating Revenue per Employee	4,343	4,485	3,674	3,596
	Average Profit per Employee	1,094	1,020	924	894
	Return on Tier 1 Capital (%) (Note 4)	5.79	5.51	5.13	4.61
	Return on Assets (%) (Note 4)	0.19	0.19	0.18	0.18
Profitability	Return on Shareholders' Equity (%) (Note 4)	3.49	3.27	3.03	3.01
	Net Income Ratio (%)	25.19	22.75	25.15	24.87
	Earnings per Share (NT\$) (Note 8)	0.93	0.86	0.78	0.76
Financial	Ratio of Liabilities to Assets	94.59	94.20	94.16	94.02
Structure	Ratio of Property and Equipment to Shareholders' Equity	37.96	38.23	39.32	40.58
0	Rate of Asset Growth*	7.50	3.48	4.95	2.75
Growth Rate	Rate of Profit Growth* (Note 5)	12.23	6.78	10.00	-
	Cash Flow Ratio* (Note 6)	2.47	16.29	-	25.90
Cash Flow	Cash Flow Adequacy Ratio (Note 7)	683.66	674.42	582.05	1,196.38
	Cash Flow Satisfied Ratio* (Note 6)	244.81	6,178.17	-	20,351.29
Liquidity Rese	rve Ratio	44.97	39.90	42.81	40.07
Loans to Parti	es with Material Relationship with the Bank	38,403,189	34,864,509	34,267,212	20,181,252
Ratio of Loans to Parties with Material Relationship with the Bank to Total Loans		1.53	1.44	1.45	0.88
	Market Share of Assets	9.68	9.34	9.83	10.31
Operating	Market Share of Net Worth	7.72	8.39	9.10	9.59
Scale	Market Share of Deposits	10.72	10.59	10.80	11.12
	Market Share of Loans	8.90	8.78	9.06	9.29

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

\*a. The Bank's NPL ratio dropped because a total of NT\$4.2 billion in bad debts were written off in 2015 (NT\$800 million more than in 2014), while loans outstanding increased NT\$90.3 billion.

b. The growth rate of assets increased because asset growth in 2015 came to NT\$330.0 billion, versus NT\$148.1 billion in 2014.

c. The growth rate of profit increased because an increase of net income before tax came to NT\$1.2 billion in 2015, versus NT\$0.6 billion in 2014.

d. The cash flow ratio and cash flow satisfied ratio declined because the net cash inflow from operating activities in 2015 came to NT\$6.6 billion, versus NT\$38.1 billion in 2014.

- 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 and 2014 are readjusted by the CPA in accordance with figures approved by the National Audit Office; figures for 2015 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 = Net income before tax (Note 4) / 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 2015, 2014, 2013 and 2012 in the amounts of NT\$11,006,282,000, 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 2015, the average amounts of the preceding items for 2014 and 2015 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); for 2015 were calculated using net cash flows from operating activities for past three years/(capital expenditures + cash dividends); for 2015 were calculated using net cash flows from operating activities for past four 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.

				011	L. IN I \$ 1,000, 9
Items	Year	2015	2014	2013	2012
	Ratio of Loans to Deposits	62.79	65.25	66.02	66.26
	Non-Performing Loan Ratio*	0.23	0.31	0.44	0.52
	Ratio of Interest Cost to Annual Average Deposits	1.23	1.27	1.25	1.27
Operating Ability	Ratio of Interest Income to Annual Average Loans Outstanding	1.88	1.89	1.89	1.87
	Total Assets Turnover (Times) (Note 4)	0.77	0.83	0.71	0.72
	Average Operating Revenue per Employee	4,342	4,481	3,674	3,596
	Average Profit per Employee	1,099	1,024	927	894
	Return on Tier 1 Capital (%) (Note 4)	5.77	5.49	5.11	4.61
	Return on Assets (%) (Note 4)	0.19	0.19	0.18	0.18
Profitability	Return on Shareholders' Equity (%) (Note 4)	3.49	3.27	3.03	3.01
	Net Income Ratio (%)	25.31	22.85	25.23	24.87
	Earnings per Share (NT\$) (Note 8)	0.93	0.86	0.78	0.76
Financial	Ratio of Liabilities to Assets	94.59	94.20	94.16	94.02
Structure	Ratio of Property and Equipment to Shareholders' Equity	37.96	38.23	39.32	40.58
Crowth Data	Rate of Asset Growth*	7.50	3.48	4.95	2.75
Growth Rate	Rate of Profit Growth* (Note 5)	12.22	6.62	9.67	-
	Cash Flow Ratio* (Note 6)	2.45	16.30	-	25.90
Cash Flow	Cash Flow Adequacy Ratio (Note 7)	683.58	674.62	582.05	1,196.38
	Cash Flow Satisfied Ratio* (Note 6)	247.61	5,980.34	-	20,351.29
Liquidity Rese	rve Ratio	44.97	39.90	42.81	40.07
Loans to Parti	es with Material Relationship with the Bank	38,403,189	34,864,509	34,267,212	20,181,252
Ratio of Loans to Parties with Material Relationship with the Bank to Total Loans		1.53	1.44	1.45	0.88
	Market Share of Assets	9.68	9.34	9.83	10.31
Operating	Market Share of Net Worth	7.72	8.39	9.10	9.59
Scale	Market Share of Deposits	10.72	10.59	10.81	11.12
	Market Share of Loans	8.90	8.78	9.06	9.29

#### Individual Financial Analysis under IFRS

Unit: NT\$1,000; %

\*a. The Bank's NPL ratio dropped because a total of NT\$4.2 billion in bad debts were written off in 2015 (NT\$800 million more than in 2014), while loans outstanding increased NT\$90.3 billion.

b. The growth rate of assets increased because asset growth in 2015 came to NT\$330.1 billion, versus NT\$148.2 billion in 2014.

c. The growth rate of profit increased because an increase of net income before tax came to NT\$1.1 billion in 2015, versus NT\$0.6 billion in 2014.

d. The cash flow ratio and cash flow satisfied ratio declined because the net cash inflow from operating activities in 2015 came to NT\$6.6 billion, versus NT\$38.1 billion in 2014.

- 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 and 2014 are readjusted by the CPA in accordance with figures approved by the National Audit Office; figures for 2015 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 = Net income before tax (Note 4) / 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) / Before-tax 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 2015, 2014, 2013 and 2012 in the amounts of NT\$11,006,282,000, 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 2014 and 2015 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); for 2015 were calculated using net cash flows from operating activities for past three years/(capital expenditures + cash dividends); for 2015 were calculated using net cash flows from operating activities for past four years/(capital expenditures + cash dividends).
  - 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; %

Items		Year	2015	2014	2013
	Common Stocks Equity		176,651,076	173,517,616	169,355,190
Self-Owned	Other Total Tier	1 of Non-Common Stocks Equity			
Capital	Tier 2 Capital		50,075,363	50,204,345	34,157,947
	Self-Owned Cap	ital	226,726,439	223,721,961	203,513,137
		Standardized Approach	1,879,583,822	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
Total Risk- Weighted Assets		Standardized Approach/ Alternative Standardized Approach	56,853,725		
		Advanced Measurement Approach			
		Standardized Approach	89,149,500	86,770,575	71,523,188
	Market Risk	Internal Model Approach			
	Total Risk-Weighted Assets		2,025,587,047	1,980,664,841	1,896,533,180
Capital Adequacy Ratio		11.19%	11.30%	10.73%	
Ratio of Tier 1 Capital to Risk Assets			8.72%	8.76%	8.93%
Ratio of Common Stocks Equity to Risk Assets			8.72%	8.76%	8.93%
Leverage Ratio			3.64%	2.87%	3.58%

Notes: 1. Figures for 2015 are CPA approved.

- 2. 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  $\times 12.5$
  - 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 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."

Financial Analysis under ROC GAAP Unit: NT\$1,000; %				
Items	Year	2012	2011	
	Ratio of Loans to Deposits	66.26	67.16	
	Non-Performing Loan Ratio	0.52	0.44	
	Ratio of Interest Cost to Annual Average Deposits	1.27	1.21	
Operating Ability	Ratio of Interest Income to Annual Average Loans Outstanding	1.87	1.77	
Operating Ability	Total Assets Turnover (Times)	0.73	0.70	
	Average Net Interest and Non-Interest Income per Employee	3,634	3,477	
	Average Operating Revenue per Employee	-	-	
	Average Profit per Employee (Note 5)	900	461	
	Return on Tier 1 Capital	4.64	2.55	
	Return on Assets	0.18	0.09	
Profitability	Return on Shareholders' Equity	2.90	1.47	
	Net Income Ratio	24.77	13.27	
	Earnings per Share (NT\$) (Note 7)	0.76	0.39	
Financial Otructure	Ratio of Liabilities to Assets	93.75	93.74	
Financial Structure	Ratio of Fixed Assets to Shareholders' Equity	38.48	39.72	
Crewith Data	Rate of Asset Growth	2.75	0.78	
Growth Rate	Rate of Profit Growth (Note 6)	81.75	- 43.16	
	Cash Flow Ratio (Note 4)	5.72	-	
Cash Flow	Cash Flow Adequacy Ratio (Note 4)	174.77	388.64	
	Cash Flow Satisfied Ratio (Note 4)	- 38.43	-	
Liquidity Reserve Ratio		40.07	40.59	
Loans to Parties with Material Relationship with the Bank		20,181,252	19,419,003	
Ratio of Loans to Partie	s with Material Relationship with the Bank to Total Loans	0.88	0.86	
	Market Share of Assets	10.31	10.36	
Operating Secto	Market Share of Net Worth	10.03	10.67	
Operating Scale	Market Share of Deposits	11.12	11.29	
	Market Share of Loans	9.29	9.52	

Financial Analysis under ROC GAAP

Notes: 1. Figures for 2011-2012 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 = 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 = Net income before tax / 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 = (Net income 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.
- 4. Net cash inflow produced by operating activities in 2012; net cash outflows from operating activities were recorded in 2011.
- 5. Net income was higher in 2012 than in the previous year.
- 6. Net income before tax 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

		Adequacy of Capita		Unit: NT\$1,000; 9
Items		Year	2012	2011
		Common Stocks	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
		Legal Reserves	25,218,428	24,119,28
Self-Owned Capital	Tier 1 Capital	Special Reserves	98,322	518,56
		Accumulated Profit or Loss	8,385,156	6,301,07
		Minority Interests		
		Other Items in Shareholders' Equity	-3,947,909	-5,799,20
		Deducted: Goodwill		
		Deducted: Unamortized Loss for Sale of NPL		
		Deducted: Capital Deductions	29,544,165	28,336,29
		Total Tier 1 Capital	175,892,703	172,881,29
		Perpetual Cumulative Preferred Stocks		
		Cumulative Subordinated Debentures Without Maturity Dates		
		Fixed Asset Appreciation Surplus	27,383,086	26,581,67
		45% of Unrealized Gain of Available-for-Sale Financial Assets	8,961,329	8,373,21
		Convertible Bonds		
	Tier 2 Capital	Operating Reserve and Loan Provision	9,146,517	7,865,92
		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	28,336,28
		Total Tier 2 Capital	15,946,768	14,484,52
		Short-term Subordinated Debentures		
	Tier 3 Capital	Non-Perpetual Preferred Stocks		
		Total Tier 3 Capital		
	Self-Owned Ca	pital	191,839,471	187,365,81

# BANK <sup>®</sup>F TAIWAN 2015 ANNUAL REPORT

Year		Year	2012	2011
		Standardized Approach	1,631,099,532	1,525,347,746
	Credit Risk	Internal Rating Based Approach		
		Securitization	3,646,593	2,125,603
		Basic Indicator Approach	49,219,638	47,184,300
Total Risk- Weighted Assets	Operational Risk	Standardized Approach/ Alternative Standardized Approach		
		Advanced Measurement Approach		
	Market Risk	Standardized Approach	72,726,088	71,441,638
	INIAI KEL IKISK	Internal Model Approach		
	Total Risk-Weighted Assets		1,756,691,851	1,646,099,287
Capital Adequ	uacy Ratio		10.92	11.38
Ratio of Tier	1 Capital to Risk	Assets	10.01	10.50
Ratio of Tier 2	2 Capital to Risk	Assets	0.91	0.88
Ratio of Tier 3	3 Capital to Risk	Assets		
Ratio of Com	mon Stock to To	tal Assets	1.73	1.77

Notes: 1. Figures for 2011-2012 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 (the Bank) and its subsidiary, which comprise the consolidated balance sheet as of December 31, 2015 and 2014 and January 1, 2014, 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 is 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 of the consolidated financial statements, we did not audit the financial statements of investments in associates accounted for using equity method of the Bank and its subsidiary amounting to NT\$32,516,560 thousand, NT\$30,576,951 thousand, NT\$28,816,763 thousand as of December 31, 2015 and 2014, and January 1, 2014, respectively, constituting 0.69%, 0.69% and 0.68% of the related consolidated total assets; nor the related shares of investment profit in associates accounted for using equity method of NT\$2,993,548 thousand and NT\$2,790,972 thousand for the years then ended, respectively, constituting 28.23% and 29.54% of the related consolidated net income before tax. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts includes above, is based solely on the report of the 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, 2015 and 2014 and January 1, 2014, 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, 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 Ministry of Audit (the "MoA"). The financial statement for the financial year ended 2014 and 2013 have been audited and approved by the Ministry of Audit. The adjustments made by the MoA 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 2015 and 2014, and have issued the independent auditors' report with modified unqualified opinion.

KPMY

March 18, 2016

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, 2015 and 2014, and January 1, 2014 (expressed in thousands of New Taiwan dollars)

	December 31, 2	015	December 31, 2	014	January 1, 20	)14
	Amount	%	(Restated) Amount	%	(Restated) Amount	%
Assets						
Cash and Cash Equivalents (note 42 and 45)	\$ 135,422,448	3	155,902,597	4	119,265,293	3
Placement with Central Bank and Call Loans to Banks (note 7, 12, 42, 43 and 45)	585,963,772	13	582,914,021	13	585,444,072	14
Financial Assets Measured at Fair Value through Profit or Loss (note 8, 41, 42 and 44)	173,005,205	4	208,646,968	5	166,714,218	4
Hedging Derivative Financial Assets, Net (note 9 and 43)	15,970	-	25,613	-	5,443	-
Bills and Bonds Purchased under Resell Agreements (note 10 and 43)	50,040	-	1,956,563	-	6,173,451	-
Receivables, Net (note 11, 12, 42, 43 and 45)	72,072,783	2	62,570,189	1	82,279,036	2
Current Income Tax Assets	1,343,594	-	1,876,292	-	2,169,130	-
Loans and Discounts, Net (note 12, 42, 43 and 45)	2,386,598,795	50	2,298,237,964	52	2,240,652,458	53
Available-for-Sale Financial Assets, Net (note 13, 20, 42, 43 and 46)	1,053,598,710	22	797,692,802	18	765,521,333	18
Held-to-Maturity Financial Assets, Net (note 14, 42, 43 and 46)	113,786,391	2	77,372,697	2	73,044,728	2
Investments under Equity Method, Net (note 15)	35,856,579	1	36,989,325	1	34,791,149	1
Other Financial Assets, Net (note 11, 12, 16, 20, 42, 43 and 45)	68,891,471	1	68,466,496	2	70,317,802	1
Property and Equipment, Net (note 17 and 20)	96,733,221	2	97,108,785	2	97,502,611	2
Intangible Assets, Net (note 18)	853,946	-	941,417	-	1,048,025	-
Deferred Tax Assets	476,040	-	361,798	-	241,804	-
Other Assets, Net (note 19 and 45)	7,820,324	-	11,400,793	-	9,229,150	-
Total assets	<u>\$ 4,732,489,289</u>	<u>   100</u>	4,402,464,320	<u>    100</u>	4,254,399,703	<u>    100  </u>

	December 31, 2	015	December 31, 2	014	January 1, 20	)14
	Amount	%	(Restated) Amount	%	(Restated) Amount	%
Liabilities and Stockholders' Equity						
Liabilities:						
Deposits of Central Bank and other banks (note 21, 42 and 45)	\$ 225,425,517	5	156,988,830	4	252,738,244	7
Financial Liabilities Measured at Fair Value through Profit or Loss (note 22, 42 and 45)	39,224,475	1	47,915,342	1	3,999,496	-
Hedging Derivative Financial Liabilities, Net (note 9 and 42)	243,967	-	103,024	-	225,806	-
Bills and Bonds Sold under Repurchase Agreements (note 10)	16,336,619	-	38,018,153	1	19,036,703	-
Payables (note 23, 42 and 45)	42,217,119	1	41,039,673	1	44,758,616	1
Current Income Tax Liabilities	394,875	-	240,378	-	162,430	-
Deposits and Remittances (note 24, 42 and 45)	3,837,520,416	81	3,554,081,722	81	3,409,605,226	80
Financial bonds payable (note 25 and 42)	24,997,826	1	24,997,612	-	15,998,240	-
Other Financial Liabilities (note 26 and 42)	1,785,430	-	1,756,954	-	1,243,698	-
Provision (note 27 and 28)	264,199,252	6	257,745,112	6	232,874,066	5
Deferred Tax Liabilities	18,340,284	-	18,348,772	-	18,299,657	1
Other Liabilities (note 29 and 45)	6,954,757		7,202,223		7,491,439	
Total liabilities	4,477,640,537	95	4,148,437,795	94	4,006,433,621	94
Equity attributable to shareholders of the parent:						
Capital stock (note 31)	95,000,000	2	95,000,000	2	70,000,000	2
Capital surplus (note 31)	80,453,034	2	80,521,742	2	105,496,092	2
Retained earnings: (note 31)						
Legal reserve	31,822,306	1	29,526,951	1	27,386,900	1
Special reserve	19,513,499	-	17,503,142	-	16,489,571	-
Unappropriated retained earnings (note 31)	7,955,912		7,936,904		7,068,531	
	59,291,717	1	54,966,997	1	50,945,002	1
Other equity (note 31)	20,104,001		23,537,786	1	21,524,988	1
Total equity	254,848,752	5	254,026,525	6	247,966,082	6
Total liabilities and stockholders' equity	<u>\$ 4,732,489,289</u>	<u>   100</u>	4,402,464,320	<u>   100</u>	4,254,399,703	<u>   100 </u>

# BANK OF TAIWAN AND SUBSIDIARIES Consolidated Statements of Comprehensive Income For the year ended December 31, 2015 and 2014 (expressed in thousands of New Taiwan dollars)

		2015		2014		
		Americat	0/	(Restated)	0/	Percentage Change
		Amount	%	Amount	%	Change
Revenue and income:						
Interest income (note 32 and 45)	\$	64,758,332	184	65,232,885	181	(1)
Less: Interest expense (note 32 and 45)		(36,352,155)	(103)	(36,453,488)	(101)	-
Net interest income (note 32)		28,406,177	81	28,779,397	80	(1)
Non-interest income, net						
Service fees, net (note 33 and 45)		5,459,197	16	5,438,609	15	-
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss (note 34 and 45)		1,494,095	4	15,914,831	44	(91)
Realized gain (loss) on available-for-sale financial assets (note 35 and 45)		1,496,244	4	1,062,198	3	41
Foreign exchange gain (loss) (note 36 and 45)		4,714,349	13	6,250,104	17	(25)
Provision of impairment loss on assets (note 20)		17,323	-	(1,685)	-	1,128
Share of profit (loss) of associates and joint ventures accounted for using equity method (note 15)		4,108,527	12	3,042,880	8	35
Premiums loss (note 37)		(11,891,973)	(34)	(3,503,057)	(10)	(239)
Sales income (note 37)		499,423	1	450,651	1	11
Subsidized income from government (note 37 and 47)		16,970,331	48	12,946,954	36	31
Excess interest expenses (note 11 and 37)		(11,006,752)	(31)	(10,663,770)	(30)	(3)
Provisions for policyholders' reserve premium (note 37)		(5,529,029)	(16)	(23,874,056)	(66)	77
Other miscellaneous income (note 37 and 45)		476,226	1	210,502		126
Net Revenue		35,214,138	99	36,053,558	98	(2)
Bad debt expense and reserve for guarantees (note 12)		(4,404,468)	(13)	(7,284,809)	(20)	(40)
Expenses: (note 51)						
Employee benefits expenses (note 38)		(11,821,279)	(34)	(11,706,878)	(32)	1
Depreciation and amortization expenses (note 39)		(1,112,704)	(3)	(1,207,656)	(3)	(8)
Other general and administrative expenses (note 40 and 45)		(7,273,380)	(21)	(6,407,167)	(18)	14
Total Expenses		(20,207,363)	(58)	(19,321,701)	(53)	5
Operating Income, Net	-	10,602,307	28	9,447,048	25	12
Net income before income tax		10,602,307	28	9,447,048	25	12
Income Tax Expenses (note 30)		(1,730,137)	(5)	(1,245,800)	(3)	(39)
Net income		8,872,170	23	8,201,248	22	8
Other comprehensive income:						
Components of other comprehensive income that will not be reclassified to profit or loss						
Gains (losses) on remeasurements of the defined benefit plans		(704,656)	(2)	(450,839)	(1)	(56)
Shares of other comprehensive income of associates and joint ventures accounted for using equity method		(24,753)	-	(82,360)	-	70
Income tax related to items that will not be reclassified to profit or loss		-				-
Total items that will not be reclassified to profit or loss		(729,409)	(2)	(533,199)	(1)	(37)
Components of other comprehensive income that may be subsequently reclassified to profit or loss						
Exchange difference arising on translation of foreign operation		634,243	2	391,039	1	62
Unrealized gains (losses) on available-for-sale financial assets		(5,304,740)	(15)	1,007,487	3	(627)
Shares of other comprehensive income of associates and joint ventures accounted for using equity method		1,132,126	3	559,486	2	102
Income tax related to items that may be subsequently reclassified to profit or loss (note 30)	_	31,920		7,547		323
Subtotal		(3,506,451)	(10)	1,965,559	6	(278)
Other comprehensive income (net amount after tax)		(4,235,860)	(12)	1,432,360	5	(396)
Total comprehensive income	\$	4,636,310	11	9,633,608	27	(52)

BANK OF TAIWAN AND SUBSIDIARIES Consolidated Statements of Changes in Equity For the year ended December 31, 2015 and 2014 (expressed in thousands of New Taiwan dollars)

					Equity attributable to shareholders' of parent	e to shareholders	s' of parent				
				Retaine	Retained earnings			Other equity interest	ty interest		
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Deficit yet to be compensated	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for- sale financial assets	Change in fair value of financial liability attributable to change in credit risk of liability	Total	Total
Balance at January 1, 2014	\$ 70,000,000 105,496,092	105,496,092	27,386,900	16,489,571	7,176,585	51,053,056	(308,917)	21,833,905	1	21,524,988	248,074,136
Effects of retrospective application and retrospective restatement	'		'		(108,054)	(108,054)	'	1	1	'	(108,054)
Equity at beginning of period after adjustments	70,000,000	105,496,092	27,386,900	16,489,571	7,068,531	50,945,002	(308,917)	21,833,905	'	21,524,988	247,966,082
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	'	'	2,140,051		(2,140,051)		'	'	'	'	1
Special reserve appropriated Cash dividends			1 1	1,038,720 -	(1,038,720) (3.598.815)	- (3.598.815)					- (3.598.815)
Reversal of special reserve-sale of land	I	'	'	(25,149)	25,149		1	I	1	'	
Changes in equity of 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)	ľ	'	'			1		'	1
Consolidated net income	ı	'	'	'	8,201,248	8,201,248	'	'	'	'	8,201,248
Other comprehensive income (loss) for the period	'	'	'	'	(580,438)	(580,438)	582,615	1,382,878	47,305	2,012,798	1,432,360
Total comprehensive income	'	'		'	7,620,810	7,620,810	582,615	1,382,878	47,305	2,012,798	9,633,608
Balance at December 31, 2014	95,000,000	80,521,742	29,526,951	17,503,142	7,936,904	54,966,997	273,698	23,216,783	47,305	23,537,786	254,026,525
Effects of retrospective application and retrospective restatement	'	'	'	1		'			1		
Equity at beginning of period after adjustments	95,000,000	80,521,742	29,526,951	17,503,142	7,936,904	54,966,997	273,698	23,216,783	47,305	23,537,786	254,026,525
Appropriation and distribution of retained eamings:											
Legal reserve appropriated	1	'	2,295,355	'	(2,295,355)	'		'	•	'	1
Special reserve appropriated	'	'	'	2,034,602	(2,034,602)	'	•	'	•	'	'
Cash dividends	1	1	1	'	(3,745,375)	(3,745,375)	1	I	1	'	(3,745,375)
Reversal of special reserve-sale of land	1	'	'	(24,245)	24,245	'	'	'	'	'	1
Changes in equity of associates and joint ventures accounted for using equity method		(68,708)	'	I	I	1		'		ı	(68,708)
Consolidated net income	1	'	•	'	8,872,170	8,872,170		'		'	8,872,170
Other comprehensive income (loss) for the period	'	'	'	'	(802,075)	(802,075)	903,912	(4,312,944)	(24,753)	(3, 433, 785)	(4, 235, 860)
Total comprehensive income	1	'	'	'	8,070,095	8,070,095	903,912	(4, 312, 944)	(24,753)	(3,433,785)	4,636,310
Balance at December 31, 2015	\$ 95,000,000	80,453,034	31,822,306	19,513,499	7,955,912	59,291,717	1,177,610	18,903,839	22,552	20,104,001	254,848,752

Financial Information

# BANK OF TAIWAN AND SUBSIDIARIES Consolidated Statements of Cash Flows For the year ended December 31, 2015 and 2014 (expressed in thousands of New Taiwan dollors)

	2015	2014
sh flows from (used in) operating activities :		
Net income before income tax	\$ 10,602,307	9,447,048
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation expense	798,365	868,570
Amortization expense	357,259	377,639
Provision for bad debt expense and guarantee liabilities	4,404,468	6,721,37
Interest expense	36,352,155	36,453,488
Interest income	(64,758,332)	(65,232,885
Dividend income	(5,766,020)	(4,479,986
Net change in other provisions	5,529,412	24,438,66
Reversal of impairment loss on inventory	(13,942)	(1,351
Share of profit of associates and joint ventures accounted for using equity method	(2,636,176)	(3,042,880
(Loss) gain on disposal of property and equipment	(20,630)	16,10
Impairment loss on property and equipment (reversal of impairment loss on property and equipment)	(17,323)	(616
Others	(141)	(1,409
Total adjustments to reconcile profit (loss)	(25,770,905)	(3,883,289
Changes in operating assets and liabilities :		
Changes in operating assets:		
Decrease (increase) in placement with Central Bank and call loans to banks	7,416,537	(16,693,020
Decrease (increase) in financial assets measured at fair value through profit or loss	33,052,945	(60,521,919
Decrease (increase) in hedging financial assets	9,643	(20,170
(Increase) decrease in receivables	(9,842,022)	23,381,44
Increase in loans and discounts	(92,743,635)	(64,415,85
(Increase) decrease in available-for-sale financial assets	(244,404,702)	2,890,07
(Increase) decrease in held-to-maturity financial assets	(31,831,171)	814,24
Decrease in other financial assets	1,777,138	1,339,86
Increase in other assets	(207,584)	(1,751,03
Total changes in operating assets	(336,772,851)	(114,976,376
Changes in operating liabilities :		
Increase (decrease) in deposits of Central Bank and other banks	68,436,687	(95,749,414
(Decrease) increase in financial liabilities measured at fair value through profit or loss	(8,690,867)	43,915,84
Increase (decrease) in hedging financial liabilities	140,943	(122,782
(Decrease) increase in bills and bonds sold under repurchase agreements	(21,681,534)	18,981,45
Increase in payables	20,843	5,125,45
Increase in deposits and remittances	283,438,694	144,476,49
Increase in employee benefit obligations	950,872	458,53
Increase in other liabilities	96,196	89,62
Total changes in operating liabilities	322,711,834	117,175,20

	2015	2014
Total changes in operating assets and liabilities	(14,061,017)	2,198,831
Total adjustments	(39,831,922)	(1,684,458)
Cash (outflow) inflow generated from operations	(29,229,615)	7,762,590
Interest received	65,049,951	61,643,125
Dividends received	7,161,608	5,930,952
Interest paid	(35,195,338)	(36,298,512)
Income taxes paid	(1,165,672)	(945,892)
Net cash flows from (used in) operating activities	6,620,934	38,092,263
Cash flows from (used in) investing activities :		
Acquisition of property and equipment	(676,113)	(584,279)
Proceeds from disposal of property and equipment	291,406	95,451
(Increase) decrease in refundable deposits	151,920	(368,425)
Acquisition of intangible assets	(269,637)	(270,751)
(Increase) decrease in other financial assets	(2,202,113)	511,442
Net cash flows (used in) investing activities	(2,704,537)	(616,562)
Cash flows from (used in) financing activities :		
Increase in guarantee deposits received	(343,662)	(378,844)
Increase in other financial liabilities	28,476	513,256
Cash dividends paid	(95,450)	(3,649,926)
Net cash flows from financing activities	(410,636)	(3,515,514)
Effect of exchange rate changes on cash and cash equivalents	903,912	582,616
Net increase in cash and cash equivalents	4,409,673	34,542,803
Cash and cash equivalents at beginning of period	908,763,822	874,221,019
Cash and cash equivalents at end of period	<u>\$ 913,173,495</u>	908,763,822
Compose of cash and cash equivalents :		
Cash and cash equivalents reported in the statement of financial position	\$ 135,422,448	155,902,597
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	167,350,034	156,883,746
Investments qualifying for cash and cash equivalents under the definition of IAS 7	610,401,013	595,977,479
Cash and cash equivalents at end of period	<u>\$ 913,173,495</u>	908,763,822

# BANK OF TAIWAN AND ITS SUBSIDIARY COMPANIES

Notes to the Consolidated Financial Statements December 31, 2015 and 2014 (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 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 2008; \$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, 2015, 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, 9 overseas branches, 1 subbranch (in Shanghai Jiading), 2 representative offices (in Mumbai and Yangon) and 4 preparatory offices (in Sydney, Hanoi, Fuzhou, and Shanghai pilot free trade zone).

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 as of December 31, 2015 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 15, 2016 and were authorized for issue by the Board of Directors on March 18, 2016.

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

#### New standards and interpretations adopted by the Bank endorsed by the Financial Supervisory Commissions R.O.C ("FSC").

Starting 2015, the Bank fully adopted the 2013 annual version of IFRSs endorsed by the FSC (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

# BANK **BF** TAIWAN 2015 ANNUAL REPORT

Apart from the following items, the adoption of the 2013 annual version of IFRSs by the Bank would have no significant impacts on the financial statements:

1.IFRS 13 Fair value measurement

The standard redefines the definition of fair value, establishes a single framework for measuring fair value and requires disclosures about fair value measurements. The standard is applied prospectively at the beginning of 2014 in which it is initially applied, and additional information about fair value measurements is disclosed in accordance with new requirements (please refer to notes 41). The information regarding the fair value disclosures of comparative period is not required in the first year of transition to IFRS 13. There is no significant impact on how the Bank measures the fair values of its assets and liabilities.

2.IAS 1 Presentation of Financial Statements

The amendments to IAS 1 may result in changes with the presentation of other comprehensive income. An entity should split other comprehensive income between those items that will and will not be reclassified to profit or loss, and present in aggregate as single line items within these two groups. The amended standard has been applied by the Bank and the information of current and comparative period was adjusted accordingly.

3.IAS 19 "Employee Benefits"

The amendments to IAS 19 require the Company 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 plan assets used in the previous IAS 19. In addition, the amendments eliminate the accounting treatment of either the corridor approach or the immediate recognition of actuarial gains and losses in profit or loss when they occur, and instead require the Company 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 is incurred and will no longer be amortized over the average period before meeting vesting conditions on a straight-line basis. The Company shall recognize a termination benefit liability not only when it decides to terminate an employee's employment, but also at the earlier date when it can no longer withdraw the offer of those benefits or when it recognizes related costs for restructuring. In addition, the amendments also require a broader disclosure of defined benefit plans.

The amend IAS 19 was retrospectively applied by restating the start of comparative period (2014) with initial adjustments arising from the changes in the Bank's prior service cost being recognized in provisions and retained earnings. In addition, the disclosure of sensitivity analysis for the comparative period is optional and the Bank elects not to disclose it.

4. Recognition and measurement of the financial liability designation as at fair value through profit or loss

According to the amended version of the Regulations Governing the Preparation of Financial Reports by Public Banks, the changes in fair value of the financial liabilities resulting from the changes in credit risk are recognized in other comprehensive income and are not allowed to be reclassified to profit or loss in the subsequent periods. The rest of the changes in fair value are recognized in profit or loss.

If the accounting treatment mentioned above would otherwise incur or even aggravate a measurement or recognition inconsistency (referred to as 'accounting mismatch'), all the gains or losses arising from the changes in fair value of financial liabilities will be recognized in profit or loss.

# 5. The material impacts for the period 2014 arising from the adoption of the 2013 IFRSs and the amendment of the "Regulations Governing the Preparation of Financial Reports by Public Banks" were as follows:

Impacts on consolidated balance sheets	Amounts before restatement (after being audited by	Cumulative effect of changes in accounting principles	Amounts after restatement
	the MoA)	Defined benefit plans	
January 1, 2014			
Investments accounted for using equity method	\$ 34,792,041	(892)	34,791,149
Impact of assets	<u>\$ 34,792,041</u>	(892)	34,791,149
Provisions	\$ 232,766,904	107,162	232,874,066
Impact of liabilities	\$ 232,766,904	107,162	232,874,066
Retained earnings	\$ 51,053,056	(108,054)	50,945,002
Impact of equities	<u>\$51,053,056</u>	(108,054)	50,945,002

Impacts on consolidated	Amounts before restatement (after being	Cumulativ changes in princ	Amounts	
balance sheets	audited by the MoA)	Defined benefit plans	IFRS 9 Credit risk reclassification	after restatement
December 31, 2014				
Investments accounted for using equity method	\$ 36,990,117	(792)		36,989,325
Impact of assets	\$ 36,990,117	(792)		36,989,325
Provisions	<u>\$ 257,654,781</u>	90,331		257,745,112
Impact of liabilities	<u>\$ 257,654,781</u>	90,331		257,745,112
Retained earnings	\$ 55,105,425	(91,123)	(47,305)	54,966,997
Other equities	23,490,481		47,305	23,537,786
Impact of equities	<u>\$ 78,595,906</u>	(91,123)		78,504,783

Impacts on consolidated statement of comprehensive income	Amounts before restatement (after being audited by	Cumulative effect of changes in accounting principles	Amounts after restatement
	the MoA)	Defined benefit plans	i controlle
2014			
Share of profit of associates and joint ventures accounted for using equity method	3,042,845	35	3,042,880
Operating expenses	(19,338,532)	16,831	(19,321,701)
Impact of net income	8,184,382	16,866	8,201,248
Share of other comprehensive income of associates and joint ventures accounted for using equity method	477,061	65	477,126
Impact of other comprehensive income (losses) for the period, net of income tax	477,061	65	477,126
Impact of total comprehensive income (losses) for the period	<u>\$ 9,616,677</u>	16,931	9,633,608
Earnings per share (in New Taiwan Dollars)	<u>\$0.86</u>		0.86

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

A summary of the new standards and interpretations issued by the International Accounting Standards Board (the "IASB") but not yet endorsed by the FSC at the reporting date:

New issuances, 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)	Not yet decided
Amendments to IFRS 10, IFRS 12 and IAS 28 (Investing 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, 2018
IFRS 16 (Leases)	January 1, 2019
Amendment to IAS 1 (Disclosure Initiative)	January 1, 2016
Amendment to IAS 7 (Disclosure Initiative)	January 1, 2017
Amendment to IAS 12 (Recognition of Deferred Tax Assets for Unrealised Losses)	January 1, 2017
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
Annual Improvements to IFRSs 2010-2012 & 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
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 and its subsidiary are a public company. The Bank and its subsidiary 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 in 2014 and 2013 were approved by the MoA, and the opening balances of retained earnings in 2015 and 2014 are the same as those approved in the closing balances in 2014 and 2013, respectively. Please see note 51(2) for the government audit adjustments.

#### 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

			Shareho	ldings	
Name of Investor	Name of Subsidiary	Principal activities	December 31, 2015	December 31, 2014	Note
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) 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 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.

# BANK ©F TAIWAN 2015 ANNUAL REPORT

#### 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.

#### 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 accounts receivable and other receivables. 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'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 has 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.

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 amount of changes in the fair value of financial liabilities designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability shall be recognized initially in other comprehensive income, except for the recognition in profit or loss, in order to avoid accounting mismatch. Moreover, the changes in the fair value of loan commitments and financial guarantee contract shall also be recognized in profit or loss. The Bank 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.

(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 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 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, TFH 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.

# BANK **B**F TAIWAN 2015 ANNUAL REPORT

If the Bank 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 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 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'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 is 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 is lessors. 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:

Computer software	5 years
-------------------	---------

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 of Assets

#### 1. Impairment of financial assets

The financial assets with are not measured at fair value through ptofit 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 subsudary on terms that the Bank and its subsidiary would not consider otherwise, indications that a debtor or issuers, 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 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 assessin 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 judgement 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 reverdible in subsequent periods.

#### 2. 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 cash generating unit to which 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 reversed 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 and expense 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 and expense
  - (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.
- 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. Employee benefit

#### (a) Employee pension:

The grant of employees' pension compromise: a) the contributions made by the Bank at the rate from 4% to 8.5% of the employee's monthly wage (depending on the employee's 'salary point' and service period before the Labor Standards Act was applied) and the contributions made by the employee at the rate of 3% of his or her monthly wage under Article 9 and Article 8, respectively, of the aforementioned regulations. (The Bank ceased to continue the contributions mentioned above after the Labor Standards Act was applied.) The Bank also contributed 3% of the total amount of the wages as reserve ; b) the contributions calculated based on the employee's monthly wage and service period (after May 1, 1997) in accordance with Article 41.1 and the related regulations set forth in the Labor Standards Act. All the contributions are made to the fund managed by the Pension Supervision Committee for future payments.

#### (b)Labor pension:

Labor Pension is a defined contribution pension plan. The grant of labors' pension is conducted under the Bank's Work Rules before the Labor Standards Act was applied. Under Article 73 of the Rules, the service period before and after May 1, 1997 is accumulated in accordance with the Rules and the Labor Standard Act, respectively. The contributions calculated at a certain rate under Labor Pension are made to a designated Labor Retirement Reserve Account for future payments. In addition, the Bank is required to 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 effective July 1, 2005.

- (c) For defined contribution plan, the employer has no further legal or constructive obligation to pay further contributions in accordance with the Labor Pension Act.
- (d) 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.

Remeasurements of the net defined benefit liability or asset comprise: a) actuarial gains and losses; b) return on plan assets, excluding the amounts included in net interest on the net defined benefit liability (asset); and c) any changes in the effect of the asset ceiling, excluding the amounts included in net interest on the net defined benefit liability (asset). The remeasurements of the net defined benefit liability or asset are recognized in other comprehensive income and the subsequent reclassification to profit or loss is prohibited. However, the Bank and its subsidiary can, and have elected to transfer the amount (arising from remeasurement) to retained earnings. All actuarial gains and losses resulting from practical experiences and changes on actuarial assumptions are immediately recognized in other comprehensive income. Prior period servicing costs should immediately be recognized in profit or loss. Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations from that time and for significant curtailments, settlements, or other significant one-off events.

(e) 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 43.

#### 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.

## 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 the defined contribution retirement benefit plans are decided according to the current market conditions. Please see note 28 for further information.

# (6) Cash and Cash Equivalents

	December 31, 2015	December 31, 2014
Cash on hand	\$ 12,147,326	12,048,866
Foreign currency on hand	9,387,186	10,613,947
Notes and checks for clearing	5,039,875	7,240,754
Placement with banks	108,848,061	125,954,966
Cash in transit		44,064
Total	<u>\$ 135,422,448</u>	155,902,597

	December 31, 201	5 December 31, 2014
Cash and cash equivalents in consolidated balance sheets	\$ 135,422,	448 155,902,597
Placement with the Central Bank of R.O.C. and other banks that meet the definition of cash and cash equivalents in IAS 7	167,350,	034 156,883,746
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	610,401,	013 595,977,479
Total	<u>\$ 913,173,</u>	<u>495</u> <u>908,763,822</u>

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

	December 31, 2015	December 31, 2014
Call loans to banks	\$ 154,125,778	118,420,159
Less: allowance for doubtful accounts - call loans to banks	(55,427)	(25,494)
Deposit reserve – account A and account B	85,185,155	105,503,877
Deposit reserve – foreign – currency deposits	576,860	395,975
Deposits in Central Bank – oversea branches	3,322,191	11,473,277
Deposits in Central Bank	342,809,215	347,146,227
Total	<u>\$ 585,963,772</u>	582,914,021

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, 2015, and 2014, 60% of the reserve deposits collected on behalf of a government institution amounting to \$4,728,694 thousand and \$4,940,792 thousand, respectively, were deposited in the Central Bank and their use is restricted according to the regulations.

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

### 1) Financial assets measured at fair value through profit or loss were as follows:

	Dece	ember 31, 2015	December 31, 2014
Financial assets held for trading	\$	139,878,047	155,647,408
Add: Valuation adjustment		19,696,183	33,502,359
Subtotal		159,574,230	189,149,767
Financial assets designated as fair value through profit or loss		13,334,634	19,194,984
Add: Valuation adjustment		96,341	302,217
Subtotal		13,430,975	19,497,201
Total	\$	173,005,205	208,646,968

- 2) 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".
- 3) Details of financial assets held for trading were as follows:

	December 31, 2015	December 31, 2014
Commercial papers	\$ 9,993,145	23,778,638
Government bonds	493,311	619,935
Corporate bonds	4,244	7,457
Convertible bonds	147,549	-
Financial bonds	9,986	10,198
Foreign exchange call options	20,574	10,365
Structured time deposits	1,509,129	985,292
Treasury bills	3,405,242	1,997,506
Negotiable certificates of deposits	2,995,800	-
Stocks and beneficiary certificates	119,221,097	126,012,149
Foreign government bonds	2,077,970	2,225,868
Add: Valuation adjustment		
Non derivative financial instruments	5,481,777	11,211,115
Foreign exchange call options	610	11,893
Cross currency swaps	689,329	397,589
Swaps	13,381,103	21,430,734
Interest rate swaps	38,632	48,782
Forward foreign exchange	86,171	391,012
Fixed-rate commercial papers	11,338	(3,130)
Asset swaps	6,991	14,125
Structured time deposit	232	239
Total	\$ 159,574,230	189,149,767

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

	December 31, 2015		December 31, 2014
Foreign government bonds, corporate bonds, financial bonds and others	\$	13,334,634	19,194,984
Add: Valuation adjustment		96,341	302,217
Total	\$	13,430,975	19,497,201

# BANK **BF** TAIWAN 2015 ANNUAL REPORT

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

	Dec	ember 31, 2015	December 31, 2014
Foreign exchange call options	\$	3,566,272	2,894,574
Swaps		607,461,938	663,396,635
Interest rate swaps		17,294,607	21,727,886
Foreign exchange forward transactions		12,590,247	15,302,755
Fixed-rate commercial paper		1,500,000	1,000,000
Structured time deposit		1,509,129	985,292
Asset swaps		3,419,520	633,400
Cross currency swaps		6,849,000	6,599,600
Total	\$	654,190,713	712,540,142

# (9) Hedging Derivative Financial Instruments

The details of hedging derivatives financial assets were as follows:

	December 31, 2015	December 31, 2014
Fair value hedges:		
Interest rate swap	<u>\$ 15,970</u>	25,613

The details of hedging derivatives financial liabilities were as follows:

	December 31, 2015	December 31, 2014
Fair value hedges:		
Interest rate swap	\$ 243,967	103,024

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	Hedged Item Designated Hedging	Fair Value	
	Instruments	December 31, 2015	December 31, 2014
USD subordinated bonds	interest rate swap	\$-	(12,593)
USD financial bonds	"	(59,358)	(43,904)
USD corporate debts	"	(7,780)	(23,451)
USD government debts	"	(160,859)	2,537

The net loss of hedging instruments in 2015 and 2014 amounted to \$359,402 thousand and \$49,365 thousand , respectively. The net gains (losses) of hedged items embedded in hedging instrument in 2015 and 2014 amounted to \$152,609 thousand and \$(146,704) thousand, 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:

	December 31, 2015	December 31, 2014
Bills and bonds purchased under resell agreements:		
Commercial papers	\$-	1,746,077
Government bonds	50,040	210,486
Total	<u>\$ 50,040</u>	1,956,563

	December 31, 2015	December 31, 2014
Bills and bonds sold under repurchase agreements:		
Commercial papers	\$ 139,917	449,425
Government bonds	16,196,702	28,032,845
Corporate bonds	-	1,053,653
Financial bonds	-	8,044,877
Foreign government bonds		437,353
Total	<u>\$ 16,336,619</u>	38,018,153

# (11) Receivables, Net

	December 31, 2015	December 31, 2014
Notes receivable	\$ 2,076	786
Accounts receivable	903,094	992,445
Long-term receivables – payment on behalf of the government	21,521,114	22,148,817
Accrued revenues	840,217	893,620
Interests receivable	16,531,178	16,822,797
Premiums receivable	118,228	258,923
Acceptance notes receivable	2,095,832	2,544,902
Non-recourse factoring	9,973,985	4,777,703
Others – replenishment of national treasury	17,738,453	11,826,581
Others – undelivered spot exchanges	698	7,150
Other – ATM temporary receipts, payments and interbank differences	1,698,101	1,753,987
Others – FX Swaps	39,637	50,899
Others	1,927,740	779,766
Subtotal	73,390,353	62,858,376
Less: allowance for doubtful accounts	1,317,570	288,187
Total	<u>\$ 72,072,783</u>	62,570,189

In accordance with Executive Yuan Tai-79-JEN-Cheng-SZU-tsu No. 14525, the Bank paid an excess preferential interest rate of 1.8053% and 1.8005%, respectively, and excess preferential interest expenses were \$8,245,628 thousand and \$8,177,552 thousand in 2015 and 2014, respectively, due to executing the government premium savings policy.

As of the year ended December 31, 2015 and 2014, the Bank had paid the following premium savings interest expenses on behalf of the government:

	December 31, 2015	December 31, 2014
Long-term receivables	\$ 21,521,114	22,148,817
Short-term advances (booked under other financial assets, net)	51,284,809	53,150,559
Total	<u>\$ 72,805,923</u>	75,299,376

# (12) Loans and Discounts, Net

	December 31, 2015	December 31, 2014
Discounts and export / import negotiations	\$ 4,562,863	6,646,452
Overdrafts	31,083,412	39,498,991
Secured overdrafts	1,310,384	1,181,740
Short-term loans	393,047,077	269,649,975
Short-term secured loans	106,190,288	100,861,809
Accounts receivable financing	416,348	472,703
Accounts receivable secured financing	5,733	2,544
Medium-term loans	615,794,231	627,197,926
Medium-term secured loans	257,747,275	283,824,183
Long-term loans	174,758,213	187,028,177
Long-term secured loans	825,160,313	801,658,508
Non-performing loans	4,408,128	6,279,226
Subtotal	2,414,484,265	2,324,302,234
Less: allowance for doubtful accounts	27,885,470	26,064,270
	<u>\$ 2,386,598,795</u>	2,298,237,964

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

	2015	2014
Loans:		
Beginning balance	\$ 26,064,270	19,816,086
Allowance for doubtful accounts	4,382,804	6,830,349
Write-off	(4,046,220)	(2,946,129)
Recovery from written-off	1,427,952	2,248,621
Effects of exchange rate changes and others	56,664	115,343
Ending balance	<u>\$ 27,885,470</u>	26,064,270
Receivables (including other financial assets and so on):		
Beginning balance	\$ 370,178	931,739
Reversal of doubtful accounts	47,809	(82,833)
Write-off	(13,400)	(525,345)
Recovery from written-off	15,295	17,529
Effects of exchange rate changes and others	1,024,593	29,088
Ending balance	<u>\$ 1,444,475</u>	370,178
Total	<u>\$ 29,329,945</u>	26,434,448

Details of allowance for doubtful accounts were as follows:

	December 31, 2015	December 31, 2014
Call loans to banks	\$ 55,427	25,494
Receivables	1,317,570	288,187
Loans and discounts	27,885,470	26,064,270
Other financial assets	71,478	56,497
Total	<u>\$ 29,329,945</u>	26,434,448

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

	2015	2014
Bad debts	\$ 4,430,613	6,747,516
Reserves for guarantee liabilities	(26,145)	537,293
Total	\$ 4,404,468	7,284,809

As of December 31, 2015 and 2014, the amounts of loans and receivables on which the interests stopped to accrue were \$4,456,007 thousand and \$6,310,952 thousand, respectively, which were booked under loans and discounts—non-performing loans and other financial assets-overdue receivables. As of December 31, 2015 and 2014, the non accrued interests were \$343,454 thousand and \$517,921 thousand, respectively.

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

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

	December 31, 2015	December 31, 2014
Negotiable certificates of deposits	\$ 888,310,000	658,400,000
Government bonds	35,653,007	29,037,809
Foreign government bonds, corporate bonds, financial bonds and negotiable certificates of deposits	48,414,914	38,863,890
Financial bonds	514,684	1,521,204
Corporate bonds	31,081,473	22,109,886
Financial asset securitization investments	-	995,505
TSEC and OTC stocks and certificates	30,262,708	23,402,461
Add: Adjustment valuation	19,361,924	24,516,164
Less: accumulated impairment		(1,154,117)
Total	<u>\$ 1,053,598,710</u>	797,692,802

Please see note 42, "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, 2015	December 31, 2014
Domestic:		
Financial bonds	\$ 14,058,173	11,422,573
Corporate bonds	8,826,249	8,527,671
Negotiable certificates of deposits	2,503,296	3,405,511
Commercial papers	18,132,757	8,990,254
Government bonds	34,369,330	14,244,765
	77,889,805	46,590,774
Foreign:		
Corporate bonds and financial institution bonds	24,727,265	20,941,060
Financial bonds	8,211,845	7,940,683
Negotiable certificates of deposits	1,600,170	1,900,180
Treasury bills	1,357,306	
	35,896,586	30,781,923
Total	<u>\$ 113,786,391</u>	77,372,697

# (15) Investments Accounted for Using Equity Method-Net

	December	31, 2015	December 31, 2014		January 1, 2014	
Associates	Amount	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)
Hua Nan Financial Holdings Co., Ltd.	\$ 32,496,294	21.23	30,558,153	21.23	28,799,574	21.23
Taiwan Life Insurance Co., Ltd.	-	-	2,840,938	17.77	2,311,109	17.96
Kaohsiung Ammonium Sulfate Co., Ltd.	2,158,300	91.86	2,193,752	91.86	2,328,632	91.86
Tang Eng Iron Works Co., Ltd.	1,181,719	21.37	1,377,684	21.37	1,334,645	21.37
Tai Yi Real Estate Management Co., Ltd.	20,266	30.00	18,798	30.00	17,189	30.00
	<u>\$ 35,856,579</u>		36,989,325		34,791,149	

# 1) The Bank and its subsidiary use equity method for investments in associates and the other comprehensive income:

	2015	2014
Hua Nan Financial Holdings Co., Ltd.	\$ 176	,637 316,698
BankTaiwan Life Insurance Co., Ltd	927	,861 192,334
Tang Eng Iron Works Co., Ltd.	2	,875 (31,905)
Total	<u>\$ 1,107</u>	,373477,127

# 2) The Bank and its subsidiary use equity method for investments in associates, and Investment gains and losses recognized in the following table:

		2015	2014
Hua Nan Financial Holdings Co., Ltd.	\$	2,989,380	2,787,814
BankTaiwan Life Insurance Co., Ltd.		1,349,270	311,844
Kaohsiung Ammonium Sulfate Co., Ltd.		(35,452)	(134,880)
Tang Eng Iron Works Co., Ltd.		(198,839)	74,944
Tai Yi Real Estate Co., Ltd.		4,168	3,158
Total	<u>\$</u>	4,108,527	3,042,880

# 3) Individually significant associate(s)

The Bank acquired up to 21.23% voting rights of outstanding shares of Hua Nan Financial Co., Ltd. on December 27, 2011, from which, its significant the influence has commenced. Hence, the investment has been accounted for using the equity method. Related information was as follows:

		Principal	The percentage of s	shareholding interes	ts and voting rights
Associate(s)	The relationship with the Bank	operating place/ registration country	December 31, 2015	December 31, 2014	January 1, 2014
Hua Nan Financial Holdings Co., Ltd.	Enterprises permitted to invest Financial Holding Company Act, such as banks and bill finance companies	Taiwan	21.23%	21.23%	21.23%

The fair value of the equity accounting for listed companies (major associates) is as follows:

	Dec	ember 31, 2015	December 31, 2014	January 1, 2014
Hua Nan Financial Holdings Co., Ltd.	\$	32,074,293	35,152,895	33,456,057

#### 1. Summarized Financial Information

	De	cember 31, 2015	December 31, 2014	January 1, 2014
Total Assets	\$	2,350,288,574	2,259,951,646	2,164,728,571
Total Liabilities		(2,197,219,247)	(2,116,011,599)	(2,029,067,821)
Net Assets	\$	153,069,327	143,940,047	135,660,750
Attributable to the Bank	<u>\$</u>	32,496,294	30,558,153	28,799,574

		2015	2014
Net income	\$	14,080,661	13,131,187
Other comprehensive income		832,014	1,491,746
Total comprehensive income	<u>\$</u>	14,912,675	14,622,933
Attributable to the Bank			
Investment income	\$	2,989,380	2,787,814
Other comprehensive income		176,637	316,697

- 2. There are no significant restrictions on the ability of Hua Nan Financial Holding Co., Ltd. to transfer funds to its investors by distributing dividends, or repaying loans or advances.
- 3. The summarized financial information of Hua Nan Financial Holding Co., Ltd. has been adjusted to align its accounting results with those of the Bank accounted for using the equity method.
- 4. Hua Nan Financial Holdings Co., Ltd.'s financial statements were audited by other auditors. The related investment gains were \$2,989,380 thousand and \$2,787,814 thousand in 2015 and 2014, respectively.

#### 4) All other non-individually-significant associates

1. Summarized Financial Information- Attributable to the Bank

	December 31, 2015	December 31, 2014	January 1, 2014
Investment in non-individually-significant associates in aggregate	\$ 3,360,285	6,431,172	5,991,575

	2015	2014
Investment income	\$ (353,204)	255,066
Other comprehensive income	930,736	160,429

- 2. Some of the associates accounted for using the equity method were not audited by auditors. The related investment losses of such associates were \$(35,452) thousand and \$(134,880) thousand in 2015 and 2014, respectively.
- 3.Kaohsiung Ammonium Sulfate Co., Ltd., one of the associates accounted for using the equity method, is in process of liquidation. The Bank has no control over it since the liquidators and supervisors are both assigned by the Ministry of Economic Affairs.
- 4. Taiwan Life Insurance Co., Ltd., one of the associates accounted for using the equity method, issued new shares on March 6, 2014 due to the maturity of its unsecured subordinated convertible bonds conducted in a private placement. The shareholding of the Bank dropped to 17.77% as the Bank did not recognize new shares proportionally by original shareholding percentage.
- 5. Taiwan Life Insurance Co., Ltd. agreed to be acquired as a subsidiary of CTBC Financial Holding Co., Ltd. ('CTBC') through swapping shares and both of these two companies have obtained approval from their boards of directors for the deal on June 29, 2015. Under the agreement, the baseline date was set

on October 15, 2015, and every 1 equity share of Taiwan Life Insurance Co., Ltd. can be exchanged for 1.6129 equity shares of CTBC.

On the baseline date, the Bank held 172,012 thousand shares of Taiwan Life Insurance Co., Ltd. and could be exchanged for 277,437 thousands of CTBC. After the exchange, the shareholding of the Bank dropped to 1.54%, which makes Taiwan Life Insurance Co., Ltd. no longer an associate accounted for using the equity method of the Bank due to lack of significant influence. As such, the Bank reclassified the investment to available-for-sale financial assets amounting to \$5,049,361 thousand and recognized the \$1,472,351 thousand gain on disposal as CTBC's stock price was \$18.2 per share on the base date.

## 5) Collateral

No investment in associates was used as collateral on December 31, 2015

# (16) Other Financial Assets, Net

	December 31, 2015	December 31, 2014
Short-term advances	\$ 54,833,878	56,675,763
Less: allowance for doubtful accounts - short-term advances	(34,816)	(33,467)
Debt investments without quoted price in active markets	5,406,715	1,015,013
Financial assets carried at cost	8,596,825	10,786,413
Less: cumulative impairment - financial assets carried at cost	(15,000)	(15,000)
Remittances purchased	7,739	10,448
Less: allowance for doubtful accounts - remittances purchased	(77)	(105)
Overdue receivables	47,879	31,726
Less: allowance for doubtful accounts - overdue receivables	(36,585)	(22,925)
Others	84,913	18,630
Total	<u>\$ 68,891,471</u>	68,466,496

- 1) Please see note 42, "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, 2015, and 2014, and January 1, 2014.
- 2) Concerning for the payment of excess preferential interest on behalf of the government, booked under "short-term advances" for December 31, 2015, and 2014, and January 1, 2014, please refer to note 11 for further information.
- The Bank received \$2.5 billion from Taiwan High Speed Rail Corporation for the repurchase of convertible preferred stocks (recognized as financial assets carried at cost) as part of its capital reduction.

## (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 2015 and 2014 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, 2015	\$86,467,228	14,682,751	6,487,743	1,057,539	997,682	686,282	310,926	110,690,151
Additions	-	7,682	298,099	38,520	29,223	36,931	265,658	676,113
Disposals	(175,065)	(137,334)	(384,948)	(61,365)	(42,739)	-	-	(801,451)
Reclassification	-	5,595	75,491	4,799	805	15,165	(102,175)	(320)
Effect of change in exchange rates			(716)	(431)	248	2,382		1,483
Balance at December 31, 2015	\$86,292,163	14,558,694	6,475,669	1,039,062	985,219	740,760	474,409	110,565,976
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
Accumulated depreciation:								
Balance at January 1, 2015	\$ 14,061	6,257,656	4,909,023	884,676	808,157	616,874	-	13,490,447
Depreciation	362	277,593	416,937	41,826	34,408	27,239	-	798,365
Disposal	-	(71,847)	(359,518)	(60,397)	(38,913)	-	-	(530,675)
Effect of change in exchange rates			(625)	(359)	61	1,945	-	1,022
Balance at December 31, 2015	\$ 14,423	6,463,402	4,965,817	865,746	803,713	646,058		13,759,159
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)
Effect of change in exchange rates			286	224	832	1,288		2,630
Balance at December 31, 2014	<u>\$ 14,061</u>	6,257,656	4,909,023	884,676	808,157	616,874		13,490,447
Accumulated impairment:								
Balance at January 1, 2015	\$ 90,919	-	-	-	-	-	-	90,919
Reversal of impairment loss	(17,323)							(17,323)
Balance at December 31, 2015	\$ 73,596							73,596
Balance at January 1, 2014	\$ 91,535	-	-	-	-	-	-	91,535
Impairment loss	(616)							(616)
Balance at December 31, 2015	\$ 90,919							90,919
Carrying amounts:								
December 31, 2015	\$86,204,144	8,095,292	1,509,852	173,316	181,506	94,702	474,409	96,733,221
January 1, 2014	\$ 86,457,272	8,699,268	1,654,213	192,700	191,632	77,778		97,502,611
December 31, 2014	\$86,362,248	8,425,095	1,578,720	172,863	189,525	69,408	310,926	97,108,785

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, 2015, and 2014, the total revaluation increments for land were \$81,739,784 and \$81,907,570, respectively. The total revaluation increments for Buildings were \$34,307, both.

As of December 31, 2015, 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 2015 and 2014 were as follows:

	Computer software	
Costs:		
Balance at January 1, 2015	\$ 2,64	5,653
Additions	26	9,637
Balance at December 31, 2015	<u>\$2,91</u>	5,290
Balance at January 1, 2014	\$ 2,37	4,902
Additions	27	0,751
Balance at December 31, 2014	<u>\$2,64</u>	<u>5,653</u>
Amortization:		
Balance at January 1, 2015	\$ 1,70	4,236
Amortization for the year	35	7,108
Balance at December 31, 2015	<u>\$2,06</u>	1,344
Balance at January 1, 2014	\$ 1,32	6,877
Amortization for the year	37	7,359
Balance at December 31, 2014	<u>\$ 1,70</u>	4,236
Carrying amounts:		
December 31, 2015	<u>\$85</u>	3,946
January 1, 2014	<u>\$ 1,04</u>	8,025
December 31, 2014	<u>\$ 94</u>	1,417

## (19) Other Assets

	December 31, 2015	December 31, 2014
Foreclosed collaterals and residuals taken over, net	\$ 1,076,959	1,076,959
Advance payments	5,436,620	8,770,186
Operating guarantee deposits and settlement funds	10,000	10,000
Refundable deposits	303,059	504,979
Temporary Payments and Suspense Accounts	247,191	188,832
Inventories	746,112	849,303
Others	383	534
Total	\$ 7,820,324	11,400,793

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

	December 31, 2015	December 31, 2014
Foreclosed collaterals and residuals taken over	<u>\$ 1,076,959</u>	1,076,959

## 2) Advance payments

	December 31, 2015	December 31, 2014
Prepaid expenses	\$ 341,775	375,707
Prepaid interests	11,871	1,446
Overpaid sales tax	775	466
Prepaid stock dividends and bonus	-	3,649,926
Other prepayments	5,082,199	4,742,641
Total	\$ 5,436,620	8,770,186

## 3) Inventories

	December 31, 201	5 December 31, 2014
Inventories	\$ 749,	866,675
Less: allowance for inventory valuation	3,	17,372
Total	<u>\$</u> 746,	849,303

The effects on the cost of goods sold derived from the inventory write-off or reversal for the year ended 2015 and 2014 were as follows:

	2015	2014
Net sales gain	<u>\$ 13,94</u>	2 1,351

## (20) Impairment

For the year ended 2015 and 2014, the movements of the accumulated impairment were as follows:

	2015	2014
Beginning balance	\$ 1,260,036	1,248,612
Impairment losses recognized for the current period	-	46,421
Reversal of impairment losses for the current period	(17,323)	(44,736)
Reclassification	(1,158,875)	-
Effect of foreign exchange rate changes	4,758	9,739
Ending balance	<u>\$ 88,596</u>	1,260,036

Note: It was mainly because the financial bonds and the beneficiary certificates of financial asset securitization had reached their maturity, and hence, were reclassified to accounts receivable – other receivables, as well as the accumulated impairment were all reclassified to allowance for doubtful accounts – other receivables.

Details of accumulated impairment were as follows:

	December 31, 2015	December 31, 2014
Available-for-sale financial assets	\$-	1,154,117
Other financial assets	15,000	15,000
Property and Equipment	73,596	90,919
Total	<u>\$ 88,596</u>	1,260,036

## (21) Deposits of Central Bank and other banks

	December 31, 2015	December 31, 2014
Deposits from Central Bank	\$ 10,108,456	11,041,140
Deposits from banks – others	43,422,012	37,780,561
Postal deposits transferred	1,213,859	1,263,357
Bank overdrafts	787,631	2,066,604
Call loans from bank	169,893,559	104,837,168
Total	<u>\$ 225,425,517</u>	156,988,830

## (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:

	December 31, 2015	December 31, 2014
Financial liabilities held for trading	\$ 33,763	14,846
Add: Valuation adjustment	5,915,308	16,160,553
Subtotal	5,949,071	16,175,399
Financial liabilities designated as fair value through profit or loss	33,537,600	32,303,400
Add: Valuation adjustment	(262,196)	(563,457)
Subtotal	33,275,404	31,739,943
Total	\$ 39,224,475	47,915,342

2) For valuation of financial liabilities measured at fair value through profit or loss, please refer to note 42 "Fair Value And Fair Value Hierarchy of the Financial Instruments".

## 3) Financial liabilities held for trading

	December 31, 2015	December 31, 2014
Foreign exchange options premium	\$ 33,763	14,846
Add: Valuation adjustment		
Foreign exchange options premium	2,419	9,456
Swaps	5,076,386	14,733,442
Interest rate swaps	128,911	278,764
Forward foreign exchanges	409,278	560,263
Asset swaps	227,492	578,495
Cross currency swaps	70,822	-
Credit default swaps		133
Total	<u>\$ 5,949,071</u>	16,175,399

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

	December 31, 2015	December 31, 2014
Financial bonds	\$ 33,537,600	32,303,400
Add: Valuation adjustment	(262,196)	(563,457)
Total	\$ 33,275,404	31,739,943

The Bank has been approved by the FSC to issue USD \$1.5billion of 2014-2 Senior Unsecured Financial Bonds, denominated in U.S. dollar, within one year starting October 23, 2014. The authorized, but not publicly offered and issued, amount of USD \$0.48 billion had expired automatically on October 23, 2015.

#### The details of the financial bonds were as follow:

	Conditions		Bond				
Name of bond	Beginning	Maturity	Coupon	n Face value		Amo	unt
	date	date	Coupon rate		Туре	December 31, 2015	December 31, 2014
2014-2 Senior unsecured financial bonds-A	2014/11/26	2034/11/26	0%	USD \$100 million	Senior unsecured financial bond	\$ 3,288,000	3,167,000
2014-2 Senior unsecured financial bonds-B	2014/11/26	2044/11/26	0%	USD \$480 million	Senior unsecured financial bond	15,782,400	15,201,600
2014-2 Senior unsecured financial bonds-C	2014/12/01	2044/12/01	0%	USD \$440 million	Senior unsecured financial bond	14,467,200	13,934,800
				Valuation adjustment		(262,196)	(563,457)
						<u>\$33,275,404</u>	31,739,943

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, 2015	December 31, 2014
Foreign exchange options premium	\$ 3,799,753	3,283,323
Swaps	461,169,732	545,836,898
Interest rate swaps	9,905,676	23,921,204
Forward foreign exchanges	16,559,297	13,981,671
Credit default swaps	-	192,700
Asset swaps	32,207,933	31,477,085
Cross currency swaps	1,972,800	
Total	\$ 525,615,191	618,692,881

# BANK ®F TAIWAN 2015 ANNUAL REPORT

## (23) Payables

	December 31, 2015	December 31, 2014
Accounts payables	\$ 5,921,084	7,723,199
Receipts under custody	1,201,376	1,015,478
Accrued expenses	2,536,880	2,487,611
Other tax payables	539,603	564,650
Interests payables	12,922,565	11,765,747
Banker's acceptances payables	2,143,698	2,552,753
Payables to representative organizations	440,521	634,982
Construction payables	14,244	7,949
Accounts payables – non-recourse factoring	316,680	338,219
Other payables – undelivered spot exchange	47	24
Other payables – collection bills	2,319,808	2,459,106
Other payables – payments awaiting transfer	5,783,459	5,476,557
Other payables – ATM temporary receipts, payments and inter branch differences	1,722,094	1,790,707
Other payables – foreign exchange awaiting transfer	500,296	320,889
Other payables – amounts awaiting settlement	5,209,211	3,057,003
Other payables – overdue accounts	168,143	424,423
Other payables – checking accounts	122,753	109,184
Other payables – collection	81,425	7,496
Other payables – others	273,232	303,696
Total	<u>\$ 42,217,119</u>	41,039,673

## (24) Deposits and Remittances

	December 31, 2015	December 31, 2014
Cheques deposits	\$ 32,920,985	34,679,592
Government deposits	247,463,233	227,835,069
Demand deposits	385,667,170	338,415,763
Time deposits	661,801,152	588,825,757
Remittances	587,182	2,901,582
Savings account deposits:		
Demand savings deposits	807,918,761	699,193,320
Staff accounts	24,230,401	23,964,049
Club saving deposits	1,009,183	1,012,102
Non-drawing time savings deposits	346,590,130	358,167,407
Interest withdrawal on principal deposited	865,905,386	818,933,212
Preferential Interest deposits	463,426,833	460,153,869
Total	<u>\$ 3,837,520,416</u>	3,554,081,722

## (25) Financial Bonds Payable

	Condition			Bond		
Name of bond	Beginning	Maturity			Amo	ount
	date	date	Interest rate	Туре	December 31, 2015	December 31, 2014
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	2014/06/25	2024/06/25	TAIBOR 3M plus 0.30%	Subordinated unsecured financial bond	5,500,000	5,500,000
2014-1 TWD subordinated unsecured financial bonds-B	2014/06/27	2024/06/27	1.70%	Subordinated unsecured financial bond	2,000,000	2,000,000
2014-1 TWD subordinated unsecured financial bonds-C	2014/06/27	2024/06/27	The Bank listed annual fixed deposit interest rate of time deposits plus 0.15%	Subordinated unsecured financial bond	1,500,000	1,500,000
			Unamortized discount amount		(2,174)	(2,388)
Total					<u>\$ 24,997,826</u>	24,997,612

## (26) Other Financial Liabilities

	December 31, 2015	December 31, 2014
Appropriated loan funds	\$ 64,900	99,410
Principal from structured products	1,720,530	1,657,544
Total	<u>\$ 1,785,430</u>	1,756,954

## (27) Provision

	December 31, 2015	December 31, 2014	January 1, 2014
Employee benefit obligations	\$ 17,082,412	16,131,540	15,673,010
Guarantee reserve	1,119,204	1,144,965	606,505
Reserve for government employees insurance	245,997,636	240,468,607	216,594,551
Total	\$ 264,199,252	257,745,112	232,874,066

## (28) Provisions-Employee benefits

	Decem	ber 31, 2015	December 31, 2014	January 1, 2014
Recognized in Consolidated Balance Sheet:				
Defined benefit plan	\$	9,025,034	8,384,659	8,022,244
Employees preferential interest		8,057,378	7,746,881	7,650,766
Total	\$	17,082,412	16,131,540	15,673,010

# BANK ©F TAIWAN 2015 ANNUAL REPORT

## 1) Defined contribution plans

The Bank and its subsidiary have established the defined contributions plans in accordance with the provision of the Labor Pension Act since July 1, 2005. The Bank and its subsidiary allocate 6% of each employee's monthly wages to his or her individual account of labor pension from which he or she is entitled to claim the principal and accrued dividends in fixed installments or in lump sum in the future. The pension costs recognized under the defined contribution plans were \$1,467 thousand and \$1,408 thousand for the years ended December 31, 2015 and 2014, respectively.

## 2) Defined benefit plans

The Bank and its subsidiary have established the defined contributions plans in accordance with the provision of the Labor Standards Act, including the service periods of all the regular employees before the Labor Pension Act was adopted on July 1, 2005 and the service periods of regular employees electing to continue to apply the Labor Standards Act after July 1, 2005.

The payment of pension to an employee who is qualified for retirement is based on his or her years of service and 6- month average wages before retirement. Two bases are given for each full year of service until the service period is longer than 15 years. Those having served over 15 years are given one base for each full year of service, and the total number of bases shall be no more than 45.

The Bank and its subsidiary allocate 8% of all the qualified employees' gross wages to the labor pension account in the name of Labor Pension Supervision Committee in the Bank's Trust Department. The portfolio of this account is built up carefully with diversified investments and strengthened risk management and will adjust timely to stabilize income when the market changes. The portfolio is also regularly supervised and reviewed by the Ministry of Labor. Please refer to the website of the Ministry of Labor for information on the portfolio, such as fair value or percentages of assets.

The Bank and its subsidiary have established the criteria for the payment to retired employees pursuant to the interpretations made by the Executive Yuan (Tai-Ren-Jen-Cheng-Szu-Tsu No. 6378, Tai-Ren-Jen-Cheng-Ji-Tsu No. 211191, Chu-Ji-Tsu No. 210226 and Chu-Ji-Tsu No. 211434), Examination Yuan (Kao-Tai-Mi-Yi No 3271 'Regulations for Taking Care of the Family of Deceased Civil Servant' and Kao-Tai-Tzu-Er-Er-Tsu No.10400039491 'Regulations for Taking care of the Retired Civil Servant Claiming Lump-Sum Pensions before December 31, 1979' ) and the Ministry of Finance (Tai-Tsai-Ren No. 0890850993).

Every Spring Festival, Dragon Boat Festival, and Mid-Autumn Festival, the Bank and its subsidiary are obligated to grant two thousand to each of those who are at the age of 60 or older, those who are at the age of 55 but have already served the Bank for 25 years, and those who are retired due to incapacity.

The Bank and its subsidiary are obliged to grant \$18 thousand to those who retired before December 31, 1979 and claim pensions at one time every Spring Festival, Dragon Boat Festival and Mid-Autumn Festival. The amount will be raised to \$31 thousand if there are dependents.

The balances of pension account were \$1,161,502 thousand and \$1,067,750 thousand as of December 31, 2015 and 2014, respectively. Bank and its subsidiaries expect to contribute \$826,782 thousand to the account within one year after the balance date.

Weighted average duration of the defined contribution plans were as follows:

	Employee	Labor
Defined Benefit Plans	11.20 year	8.99 year
Employee care bonuses during the three Chinese festivals	7.92 year	8.45 year

1. The reconciliation of recognized liabilities for the defined benefit obligations, present value of the defined benefit obligations, fair value of the plan assets, and the limit of assets adjustment are as follows:

	December 31, 2015	December 31, 2014	January 1, 2014
Present value of the defined benefit obligations	\$ 16,181,900	15,294,824	14,740,781
Less: fair value of the plan assets	(7,156,866)	(6,910,165)	(6,742,325)
	9,025,034	8,384,659	7,998,456
Limit of assets adjustment			
Recognized liabilities for the defined benefit obligations	<u>\$ 9,025,034</u>	8,384,659	7,998,456

2. The movements in present value of the defined benefit obligations

	2015	2014
Defined benefit obligation at January 1	\$ 15,294,824	14,740,781
Current service costs	577,059	584,712
Interest expense	330,368	303,412
Remeasurements of the defined benefit plans of other comprehensive income		
- Actuarial gains and losses in demographic changes in assumptions	-	132,778
- Changes in actuarial gains and losses in financial assumptions	353,840	26,586
<ul> <li>Experience adjustments</li> </ul>	316,057	244,810
Benefit payments	(690,248)	(738,255)
Defined benefit obligation at December 31	<u>\$ 16,181,900</u>	15,294,824

3. The movements of fair value of defined benefit plan assets

	2015	2014
Fair value of plan assets at January 1	\$ 6,910,165	6,742,326
Interest revenue	149,260	140,457
Remeasurements of defined benefit plans of other comprehensive income		
<ul> <li>Return on plan assets</li> </ul>	(34,759)	(46,665)
Contribution made by the Bank	735,326	724,524
Benefit payments	(603,126)	(650,477)
Fair value of plan assets at December 31	\$ 7,156,866	6,910,165

4. Expense recognized in profit or loss

		2015	2014
Current service cost	\$	577,059	584,712
Net interest of defined benefit obligations		181,108	162,955
Total	<u>\$</u>	758,167	747,667

The actual returns of the plan assets were 34,759 thousand and 46,665 thousand for the year ended on December 31, 2015 and 2014, respectively.

The amounts of remeasurement effect on the defined benefit obligations recognized in other comprehensive income were 704,656 thousand and 450,839 thousand for the year ended December 31, 2015 and 2014, respectively. The cumulative amount of remeasurement effect on the defined benefit obligations recognized in other comprehensive income were 704,656 thousand and 450,839 thousand on December 31, 2015 and 2014, respectively.

#### 5. Portfolio analysis of plan asset

	2015	2014
Bonds instruments	\$-	750,000
Others	7,156,865	6,160,165
Total	<u>\$ 7,156,865</u>	6,910,165

The overall expected rate of return on assets is based on the historical trend of returns and the estimation of return on the portfolio as a whole. The Bank also refers to the return of the funds supervised by the Labor Pension Supervision Committee and then uses judgments and estimations to determine the rate which should not be lower than the two-year time deposits rate set by the local banks.

#### 6.Actuarial assumptions

	December 31, 2015	December 31, 2014
Discount rate	1.96%	2.16%
Inflation rate	1.96%	2.16%
Future of salary increases	2.00%	2.00%

The estimated future mortality rate used in calculating of the defined benefit plan of The Bank and its subsidiary is based on the fifth round of the Taiwan Life Experience Life Table.

#### 7. Sensitivity analysis

The following are the sensitivity analysis of how the present value of the defined benefit obligation in the financial statement will be impacted when the major actuarial assumptions change:

Present value		Impacts on the present value of the defined benefit obligation		
		Changes in actuarial assumptions(%)	Positive	Negative
Papaian Plana	Employee	0.25%	the present value of the defined benefit obligation decrease by 2.8%	the present value of the defined benefit obligation increase by 2.9%
Pension Plans	Labor	0.25%	the present value of the defined benefit obligation decrease by 2.2%	the present value of the defined benefit obligation increase by 2.3%
Three festival	Employee	0.25%	the present value of the defined benefit obligation decrease by 2.0%	the present value of the defined benefit obligation increase by 2.0%
employee care bonus	Labor	0.25%	the present value of the defined benefit obligation decrease by 2.1%	the present value of the defined benefit obligation increase by 2.2%

The aforementioned sentivitiy analysis is used to analyze what the impact could be when one variable changes while all other variables remain constant. In practice, however, this hypothesis may not exist as changes in variables could be correlative. Projected unit benefit method is also utilized in calculating the changes in present value of the defined benefit obligations when the Bank conducts the sentivitiy analysis.

Methods and variables used in preparing the sensitivity analysis are consistent with those of the previous period.

### 3) Employee preferential interest plan

In accordance with Tai-Cha-Ku-Tzu No.09601013320 'The Improvement program of Preferential Deposits of Employees of State-owned banks', the Bank is obligated to pay preferential interests generated from a fixed amount of deposit to each retired and in-service employee.

The subsidiary, BankTaiwan Insurance Broker Co., Ltd., is also obligated to pay preferential interests generated from a fixed amount of deposit to each retired and in-service employee in accordance with Tai-Cha-Ku-Tzu No.10103675500 and the agreement between the Bank and its subsidiary.

1. The reconciliation of recognized liabilities for employee preferential interest plan, fair value of the plan, and limit of assets adjustment are as follows:

	December 31, 2015	December 31, 2014	January 1, 2014
Fair value of the Employees preferential interest plan	\$ 8,057,378	7,746,881	7,650,766
Limit of assets adjustment			
Recognized liabilities for the defined benefit obligations	\$ 8,057,378	7,746,881	7,650,766

2. The movements of present value of employees preferential interest plan

	2015	2014
Present value of employees preferential interest plan at January 1	\$ 7,746,881	7,650,766
Interest expense	309,875	290,982
Remeasurement of net employees preferential deposit		
- Actuarial gains and losses in financial assumptions change	58,538	-
<ul> <li>Experience adjustments</li> </ul>	1,883,176	1,680,319
Benefit payments	(1,941,092)	(1,875,186)
Present value of employees preferential interest plan at December 31	<u>\$ 8,057,378</u>	7,746,881

3. Expense recognized in profit or loss

	2015	2014
Net interest of employees preferential deposit	\$ 309,875	290,982
Prior service costs and settlement of losses	 1,941,714	1,680,319
Total (booked under employee benefits expense, note 38)	\$ 2,251,589	1,971,301

#### 4. Actuarial assumptions

	2015	2014
Discount rates of the employee preferential interest	4.00%	4.00%
Return on deposit	2.00%	2.00%
Pension preferential ratios deposit for withdrawal	1.00%	1.00%
The probability of changes in the policy of employee preferential interest plan	50.00%	50.00%
Rate of same type deposit offered to general customers	1.375%	1.445%

# BANK **BF** TAIWAN 2015 ANNUAL REPORT

### 5. Sensitivity analysis

The following are the sensitivity analysis of the present value of the employees preferential interest plan will be impacted as of the financial statement date when the major actuarial assumptions change:

		Impacts on the present value of the defined benefit obligation		
Present value		Changes in actuarial assumptions(%)	Positive	Negative
Employees	Employee	0.25%	the present value of Employees preferential interest plan decrease by 1.93%	the present value of Employees preferential interest plan increase by 2.00%
preferential interest plan	Labor	0.25%	the present value of Employees preferential interest plan decrease by 2.02%	the present value of Employees preferential interest plan increase by 2.09%

The aforementioned sentivitiy analysis is used to analyze what the impact could be when one variable changes, while all other variables remaind constant. In practice, however, this hypothesis may not exist as changes in variables could be correlative. Projected unit benefit method is also utilized in calculating the changes in present value of the defined benefit obligations when the Bank conducts the sentivitiy analysis.

The methods and variable used in preparing the sensitivity analysis are consistent with those of the previous period.

### 6. Future cash flow of Employees preferential interest plan

The Bank and its subsidiary monitor and review the contributions to employee preferential interest plan annually to ensure the ability of payments. Within one year after the financial statement date, the Bank and its subsidiary expect to contribute \$1,955,450 thousand to the plan.

The weighted average duration of the employees preferential interest plan are as follows:

	Employee	Labor
Employees preferential interest plan	7.78 year	8.16 year

## (29) Other Liabilities

	December 31, 2015	December 31, 2014
Advance collections	\$ 2,373,421	2,265,707
Guarantee deposits received	3,276,005	3,619,667
Temporary receipt awaiting transfer	32,289	43,807
Other liabilities	8,239	8,239
Compensation arising from land revaluation	1,264,803	1,264,803
Total	<u>\$ 6,954,757</u>	7,202,223

## (30) Income Tax Expenses

## 1) Income Tax expenses (benefits)

The income tax expenses for 2015 and 2014 were as follow:

	2015	2014
Current income tax expense	\$ 1,8	20,946 1,309,133
Deferred tax expense (benefit)		(63,333)
Income tax expenses	<u>\$ 1,7</u>	30,137 1,245,800

Income tax (expenses) benefits recognized directly in other comprehensive income for 2015 and 2014 were as follows:

	2015	2014
Components of other comprehensive income that will be reclassified to profit or loss:		
Unrealised gains (losses) on valuation of available-for-sale financial assets	<u>\$ (31,920)</u>	(7,547)

The amount of expense (income) tax recognized in other comprehensive income for in 2015 and 2014 were as follows:

	2015	2014
Profit before tax	\$ 10,602,307	9,447,048
Income tax using the company's domestic tax rate	1,802,392	1,605,998
Income tax expenses of overseas branches	636,074	623,063
Net movements of deferred tax assets	(90,809)	(63,332)
Tax-exempt effects and others	(617,520)	(919,929)
Total	<u>\$ 1,730,137</u>	1,245,800

#### 1. Unrecognized Deferred Tax Assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2015	December 31, 2014
Deductible Temporary Differences	\$ 3,644,949	2,981,486

## 2. Recognised Deferred Tax Assets and Liabilities

Changes in the amount of deferred tax assets and liabilities for 2015 and 2014 are as follows: Deferred Tax Assets:

	F	air Value Gains	Others	Total
Balance at January 1, 2015	\$	262,451	99,347	361,798
Recognized in profit or loss		54,572	(490)	54,082
Recognized in other comprehensive income		60,160		60,160
Balance at 31 December, 2015	\$	377,183	98,857	476,040
Balance at 1 January, 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

### Deferred Tax Liabilities:

	Land Value Increment Tax	Fair Value Gains	Others	Total
Balance at January 1, 2015	\$ 18,143,200	110,179	95,393	18,348,772
Recognized in profit or loss	(36,238)	-	(490)	(36,728)
Recognized in other comprehensive income		28,240		28,240
Balance at 31 December, 2015	<u>\$ 18,106,962</u>	138,419	94,903	18,340,284
Balance at 1 January, 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	<u>\$ 18,143,200</u>	110,179	95,393	18,348,772

- 2) The Bank and its subsidiary's income tax returns have been audited by the MoA up until 2014 and examined by the National Tax Administration up until 2010.
- 3) Information related to the unappropriated earnings and deduction tax account were summarized below:

	December 31, 2015		December 31, 2014	January 1, 2014
Unappropriated earnings of 1998 and after	\$	7,955,912	7,936,904	7,068,531
Balance of deductible tax account	\$	715,632	729,451	548,807

After the Bank's filing of the income tax return, the imputed tax creditable ratio for appropriating the net income for 2015 and 2014 were 8.86% and 7.64% (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, 2015 and 2014, and January 1, 2014 the Bank's authorized and issued shares of common stock were 9,500,000 thousand shares, 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	Effect of credit risk changes in financial liabilities measured at fair value	Total
Balance at January 1, 2015	\$	273,698	23,216,783	47,305	23,537,786
Exchange differences arising on translation of foreign operations		903,912	-	-	903,912
Unrealized gain (loss) on available-for-sale		-	(4,312,944)	-	(4,312,944)
Effect of credit risk changes in financial liabilities measured at fair value sale financial assets	_			(24,753)	(24,753)
Balance at December 31, 2015	\$	1,177,610	18,903,839	22,552	20,104,001

		Financial statements translation differences of foreign operations	Unrealized gain (loss) on available- for-sale financial assets	Effect of credit risk changes of financial liabilities measured at fair value	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		-	1,382,878	-	1,382,878
Effect of credit risk changes in financial liabilities measured at fair value sale financial assets	_			47,305	47,305
Balance at December 31, 2014	\$	273,698	23,216,783	47,305	23,537,786

### 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.

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

# BANK ©F TAIWAN 2015 ANNUAL REPORT

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.

Please refer to Consolidated Statement of Change in Equity about the change of equity.

## (32) Net interest income

	2015	2014
Interest income:		
Loans and discounts	\$ 43,712,134	44,033,225
Placement with Central Bank and call loans to banks	9,048,237	10,441,262
Securities investment	10,845,972	9,701,598
Credit cards	30,693	32,524
Bonds purchased under resell agreements	2,466	13,192
Others	1,118,830	1,011,084
	64,758,332	65,232,885
Interest expense:		
Deposits from customers	33,780,014	32,726,729
Deposits of Central Banks and other banks	2,032,233	3,167,445
Bonds sold under repurchased agreements	140,625	226,976
Financial bonds	364,053	327,108
Structured deposits	27,345	5,230
Others	7,885	
	36,352,155	36,453,488
Total	\$ 28,406,177	28,779,397

## (33) Service fees, net

	2015	2014
Service fees revenue:		
Trust services	\$ 875	,016 890,149
Custody services	136	,382 132,300
Foreign exchange business	289	,708 318,826
Credit business	713	,129 890,098
Credit card services	126	,942 139,149
Deposit, remittance and other services	3,896	,176 3,650,253
Subtotal	6,037	,353 6,020,775
Service fees expense:		
Trust services	91	,371 89,190
Custody services	11	,357 12,891
Credit card services	102	,458 102,357
Deposit, remittance and other services	372	,970 377,728
Subtotal	578	,156 582,166
Total	<u>\$5,459</u>	,197 5,438,609

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

	2015	2014
Gain on financial assets or liabilities measured at fair value through profit or loss:		
Dividend income	\$ 3,871,451	2,995,469
Net interest (loss) income	(492,351)	840,253
Net gain on disposal	5,411,601	6,101,140
	8,790,701	9,936,862
Gain on financial assets or liabilities measured at fair value through profit or loss – evaluation:		
Net (loss) gain on valuation	(7,296,606)	5,977,969
Total	\$ 1,494,095	15,914,831

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

	2015	2014	
Dividend income	\$ 1,671,718	1,260,429	
Gain on disposal	415,525	283,592	
Subtotal	2,087,243	1,544,021	
Loss on disposal	(590,999)	(481,823)	
Total	<u>\$ 1,496,244</u>	1,062,198	

## (36) Foreign exchange gain or loss

	2015	2014
Foreign exchange gains	\$ 13,144,448	8,817,206
Foreign exchange losses	(8,430,099)	(2,567,102)
Foreign exchange gains or losses	<u>\$ 4,714,349</u>	6,250,104

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

	2015		2014
Premiums income	\$ 20	,918,138	20,948,956
Sales revenue	126	,636,755	140,485,498
Subsidized income from government	16	,970,331	12,946,954
Benefits and claims	(32,	,810,111)	(24,452,013)
Cost of goods sold	(126,	137,332)	(140,034,847)
Provisions for policy holders' reserve premium	(5,	529,029)	(23,874,056)
Excess preferential interest expenses	(11,	006,752)	(10,663,770)
Others		476,226	210,502
Total	<u>\$ (10, </u>	481,774 <u>)</u>	(24,432,776)

## (38) Employee benefits expenses

	2015	2014
Salaries	\$ 10,295,264	10,194,310
Labor and health insurances	492,723	544,850
Pensions	776,218	782,029
Others	257,074	185,689
Total	<u>\$ 11,821,279</u>	11,706,878



## (39) Depreciation and amortization expenses

	2015	2014
Depreciation expenses	\$ 755,445	830,017
Amortization expenses	357,259	377,639
Total	\$ 1,112,704	1,207,656

## (40) Other general and administrative expenses

	2015	2014
Taxes	\$ 3,634,722	2,828,823
Rental expenses	701,298	694,476
Insurance expenses	879,922	837,189
Postage and phone / fax expenses	210,109	206,928
Utilities	216,508	231,256
Supplies expenses	168,361	165,896
Repair and maintenance expenses	407,753	399,413
Marketing expenses	320,267	295,561
Professional service fees	362,335	388,489
Cashes transferring expenses	69,573	62,158
Others		296,978
Total	\$ 7,273,380	6,407,167

## (41) Earnings per Share

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

Unit: thousand dollars / thousand share							
2015 2014							
	Before-Tax	After-Tax	Before-Tax	After-Tax			
Consolidated net income	<u>\$ 10,602,307</u>	8,872,170	9,447,048	8,201,248			
Weighted average outstanding shares	9,500,000	9,500,000	9,500,000	9,500,000			
Basic earnings per share (In dollars)	\$ 1.12	0.93	0.99	0.86			

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

### 1) Fair value information

### 1. Overview

Fair value is the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments are recognized initially at fair values. In many case, they usually refer to transaction prices. Subsequent to initial recognition, they are also measured at fair value except for those that are measured at amortized cost. The best evidence of fair value is the quoted price in an active market. If financial instruments do not have a quoted market price in an active market, the Bank uses the valuation techniques or refers to the quoted prices set by Bloomberg, Reuters or the Counterparties to determine the fair value.

#### 2. The Three-level Definition

(a)Level 1

Inputs are quoted prices of same financial instruments in an active market. An active market indicates the market that is in conformity with all the following conditions: (i) the products in the market are

identical; (ii) it is easy to find a willing party; (iii) the price information is attainable for the public. The equity investments, beneficiary certificates, certain Taiwan government bonds, and derivatives with quoted prices in an active market are classified as level 1.

(b)Level 2

Inputs are those that are observable for asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices), other than quoted prices included within Level 1. The non-popular government bonds, corporate bonds, financial bonds, convertible bonds, most of the derivatives, and financial bonds issued by the Bank and its subsidiary are classified as level 2.

(c) Level 3

Inputs are not based on observable market data (unobservable inputs parameters), i.e., historical volatility which cannot represent an expected value of all the market participators but is used as a model for the calculation of options. Certain derivatives and equity investments without a non-active market belong to level 3.

### 2) Measure at fair value measurement

1. Fair value hierarchy

Financial instruments measured at fair value and investment property are measured at fair value, while assets held for sale are measured at the lower of carrying value and fair value, minus, cost of disposal. The table below analyses the financial instruments carried at fair value by their levels in the fair value hierarchy.

	December 31, 2015				
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	157,261,096	126,808,496	30,452,600	-	
Financial assets held for trading	143,830,121	126,808,496	17,021,625		
Investment in stocks	58,619,775	58,619,775	-	-	
Investment in bonds	2,833,834	2,245,952	587,882	-	
Others	82,376,512	65,942,769	16,433,743	-	
Financial assets designated as fair value through profit or loss	13,430,975	-	13,430,975	-	
Available-for-sale financial assets	1,053,598,710	54,271,012	999,327,698		
Investments in stocks	48,312,732	48,312,732	-	-	
Investment in bonds	114,648,153	5,307,106	109,341,047	-	
Others	890,637,825	651,174	889,986,651	-	
Liabilities:					
Financial liabilities measured at fair value through profit or loss	33,275,404	-	33,275,404	-	
Financial liabilities designated as fair value through profit or loss	33,275,404	-	33,275,404	-	
Derivative financial instruments					
Assets:					
Financial assets measured at fair value through profit or loss	15,744,109	-	15,744,109	-	
Hedging derivatives financial assets	15,970	-	15,970	-	
Liabilities:					
Financial liabilities measured at fair value through profit or loss	5,949,071	-	5,949,071	-	
Hedging derivatives financial liabilities	243,967	-	243,967	-	

# BANK ®F TAIWAN 2015 ANNUAL REPORT

		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		
Investment 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 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	-	

#### 2. Financial instruments measured at fair value

Fair value of an assets or liability is the amount at which the asset could be bought or sold in a current transaction between both willing parties who have full understanding, or transferred to an equivalent party.

Financial instruments are recognized initially at fair values. In many case, they usually refers to transaction price. Subsequent to initial recognition, they are also measured at fair value except for those that are measured at amortized cost. The best evidence of fair value is the quoted price in an active market. If a financial instrument do not have a quoted market price in an active market, the Bank uses the valuation techniques or refers to the quoted prices set by Bloomberg, Reuters or the Counterparties to determine the fair value.

The fair value of financial instruments is based on the quoted prices in an open market. These include trading prices of equity instruments listed on a major stock exchange or of the government bonds in an over the counter ("OTC") market.

When a quoted price of a financial instrument is timely available in a stock exchange or an OTC market or from brokers, underwriter, industry associations, pricing service organizations and the authorities and the price is often used in a arm's length transaction, the financial instrument is considered to have a quoted price in an active market. If the above criteria are not met, the market is considered inactive. In general, a large or significantly increasing bid-ask spread and very low transaction volume indicate that the market where the financial instrument is trade is not active.

Other than those traded in an active market, the fair value of all other financial instruments is determined by using a valuation model or referring to the quoted price of the counterparty. The Bank refers to the

present values, the discounted cash flow or the values calculated under other valuation methods of financial instruments with similar terms and characteristics, including the one calculated by a model which uses the available market data at the financial statement day as inputs. (i.e. the applicable yield curve of bonds traded in the Taipei exchange and average prices of commercial papers quoted on Reuters) When measuring a financial instrument which no specific techniques can be applied to but do not create challenge in valuation, such as bonds traded in an inactive market, interest rate swap, FX swaps and options, the Bank and its subsidiary adopt the valuation methods which are widely used and accepted by other market participants. The parameters used are usually the observable market data or information. For complex financial instruments, the Bank not only refers to the valuation methods which are widely used and accepted by other banks but also develops its own valuation models to determine the fair value. These valuation models are usually applied to the valuation of derivatives, debt instruments with embedded derivatives, or securitization products. The parameters used in such models are usually not observable in a market, and therefore, the Bank has to make proper estimates based on assumptions and judgments.

- 3. Fair value adjustment
  - (a) Limitations of valuation models and uncertainty input

Outputs of valuation models are approximate values and valuation techniques may not be able to reflect critical factors of all the financial and non-financial instruments. As such, additional parameters shall be incorporated into the fair value measurement, such as modeling risk and liquidity risk, when necessary. The management of the Bank believes that the adjustments made to the fair value of financial and non-financial instruments are appropriate and necessary since they are performed in accordance with the Bank's policies governing the fair value of valuation models and related internal controls. All the information and parameters are based on current market conditions and thoroughly reviewed by the Bank.

#### (b)Credit risk valuation adjustment

Credit risk valuation adjustment consists of credit valuation adjustments and debit valuation adjustments to the derivatives traded in an OTC market instead of a stock exchange market. The definitions are as follows:

- a) Credit value adjustments (CVA): adjust the valuation on transactions that occurs outside the exchange market, which refers to OTC derivative contracts, to reflect the possibility of the counter parties' delayed payment and default into fair value.
- b) Debit value adjustments (DVA): adjust the valuation on transactions that occurs outside the exchange market, which refers to OTC derivative contracts, to reflect the possibility of the Company and its subsidiaries' delayed payment and default into fair value.

The key inputs of the measurement of credit risk and the quality of the Bank's counterparties are the probability of default (PD), loss given default (LGD) and exposure at default (EAD).

CVAs are calculated by considering the counterparty's probability of default (PD) under the condition that the Bank is not in default, Loss give default (LGD) and Exposure at default (EAD). On the contrary, DVAs are calculated by considering the Bank' s PD under the condition that the counterparty is not in default, LGD and EAD.

The Banks refers to the counterparty's default rate graded by Moody's, experiences of John Gregory (scholar), and foreign financial institutions, to determine the PD at 60%. The Bank may also use other alternative PD assumptions if data availability is limited. Moreover, the Bank also takes the credit risk valuation adjustments into consideration when calculating fair value by referring to the Mark-to-Market values of derivatives traded in the OTC markets to reflect the counterparty's credit risk and the Bank's creditworthiness.

December 31, 2014								
		Evaluation	Incr	ease	Dec	rease		
Account	Balance at January 1, 2014	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, 2014
Financial assets measured at fair value through profit or loss								
Financial assets designated as fair value through profit or loss	<u>\$ 297,056</u>	744	18,900		316,700			

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

Unit: In thousand of TWD

There were no financial instruments categorized in level 3 as of December 31.2015.

5. The process of fair value measurements in Level 3

Referring to IFRS 13, the Trading Department should inform the Risk Management Department regarding the related valuation methods before any financial instruments categorized in Level 3 are bought or sold. The valuation result of such financial instruments is quarterly reported to Asset and Liability Management Committee.

6. Fair value measurements in Level 3 - sensitivity analysis of reasonably possible alternative assumptions

The Bank considers the valuation techniques used by the Bank for fair value measurements in Level 3 reasonable. However, any changs in one or more of the parameters or assumptions may lead to a different result.

The favorable and unfavorable effects represent the changes in fair value, and the fair value are based on a variety of unobservable inputs calculated using a valuation technique. There are no such effects as of December 31, 2015 and 2014. The analysis only reflects the effects of changes in a single input, and it does not include the inter-relationships with another input.

### 3) Hierarchy information of financial instruments not measured at fair value

1. Fair Value Information

In addition to the following items, the Bank's financial instruments that are not measured at fair value include cash and cash equivalents, due from the central bank and call loans to banks, securities purchased under resell agreements, receivables, other financial assets, discounts and loans, deposit from and due to the central bank and banks, securities sold under repurchase agreements, commercial papers issued, payables, deposits, other borrowings and other financial liabilities. Since their book value is a reasonable approximation to fair value, there is no fair value disclosure.

Item	Book value	Fair value
December 31, 2015		
Financial Assets:		
Held-to-maturity financial assets	\$ 113,786,391	114,956,097
Other financial assets-Debt investments without quoted price in active markets	5,406,715	5,327,273

Item	Book value	Fair value
December 31, 2014		
Financial Assets:		
Held-to-maturity financial assets	\$ 77,372,697	78,038,625
Other financial assets-Debt investments without quoted price in active markets	1,015,013	1,016,047

#### 2. Fair value hierarchy

	December 31, 2015							
Assets and liabilities item	Total	Quoted prices in active markets for identical asset (Level1)	Significant other observable inputs (Level2)	Significant observable inputs (Level3)				
Financial Assets:								
Held-to-maturity financial assets	\$ 114,956,097	64,017,115	50,938,982	-				
Other financial assets – Debt investments without quoted price in active markets	5,327,273	-	5,327,273	-				

	December 31, 2014							
Assets and liabilities item		Total	Quoted prices in active markets for identical asset (Level1)	Significant other observable inputs (Level2)	Significant observable inputs (Level3)			
Financial Assets:								
Held-to-maturity financial assets	\$	78,038,625	50,880,979	27,157,646	-			
Other financial assets – Debt investments without quoted price in active markets		1,016,047	-	1,016,047	-			

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

- (a) 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.
- (b) The discounts and loans (including non-performing loans): The Bank 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.
- (c) 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.
- (d) 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.

- (e) 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.
- (f) 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.
- (g) 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.

## (43) Financial Risk Management

### 1) Overview

The Bank's activities has 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 is the risk of financial loss to the Bank if a borrower, issuer or a counterparty to a financial instrument fails to meet its contractual obligations principally due to their credit deterioration or other factors (i.e. disputes between a loanee and its counterparty). Credit risk is derived both from on- and off- balance sheet items. On-balance-sheet items include loans, placement with banks, call loans to banks, acceptance bills, debt instruments, derivatives, etc. Off-balance sheet items include guarantees, acceptances, letter of credits, loan commitments, etc.

#### 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 detailed information of how major businesses of the Bank measure and manage credit risk.

#### (a) Credit business (including loan commitments and deposit)

a) Credit assets categories and post-loan management

The Bank has established 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" 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 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.

## BANK @F TAIWAN 2015 ANNUAL REPORT

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.

(b) Due from Banks and Call Loans to Banks

The Bank will assess the counterparty's creditworthiness, and refer to external ratings, provided by domestic and international credit rating agencies, to set up different credit risk limits before any transactions are carried out.

(c) Investment in debt instruments and derivative

The Bank identifies and manages credit risk of debt instruments by reviewing the external ratings, bonds' creditworthiness, and geographic region of its counterpartys.

Most of the Bank's derivative contracts with its counterparties are financial institutions with good credit ratings. For those financial institutions whose ratings are not available, the Bank reviews the transactions individually. All the counterparties, including non-financial institutions, are managed based on their lines of credit (including loans at call).

- 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
  - (a)Collateral

The Bank has established policy and procedures to mitigate credit risk. Among them, one of the most common ways, is to demand for collateral. In terms of collateral management and valuation, the Bank established policies governing the scope of collateral and related procedures to secure debts. Moreover, the Bank also requires the provisions that secure debts and collateral should be contained within a credit agreement to reduce credit risk by clearly defining the amounts the Bank can cut and the grace periods the banks can offer or even requesting for a prepayment.

Non-credit businesses are not required to collect collateral, depending on the nature of the financial instruments. Only asset-backed securities and other similar financial instruments are required to pledge an asset pool of financial instruments as collateral.

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.

(b) Master netting agreement

The Bank's transactions are usually settled individually without bundling or netting with any other transactions. However, the Banks also enters into netting agreements or chooses to settle net and terminates the deal if the counterparty is in default.

Unit: In million of TWD

(c) Other credits enhancement

The Bank's credit contract contains the term that the Banks are entitled to offset the obligation by claiming the deposits of the borrower who are in default to mitigate credit risk.

- 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

	C	ecembe	r 31, 2015	Decen	nber 31, 2014
Item	Bo Val		Maximum credit exposure (Note 1)	Book Value	Maximum credit exposure (Note 2)
Cash and cash equivalents	\$	102,648	76,074	126,2	259 96,311
Placement with Central Bank and call loans to banks		586,019	157,448	582,9	940 129,894
Financial assets measured at fair value through profit or loss		46,449	42,623	69,8	67,301
Available-for-sale financial assets	1,	053,599	128,998	797,6	691 110,148
Hedging derivatives financial assets		16	16		26 26
Bonds and bills purchased under resell agreements		50	50	1,9	957 1,957
Receivables		55,952	33,159	51,4	81 27,940
Loans and discounts	2,	414,484	2,323,111	2,324,3	2,197,992
Held-to-maturity financial assets		50,617	19,252	27,5	527 17,168
Other financial assets		68,897	21,051	74,8	302 27,432
Total	<u>\$4,</u>	<u>378,731</u>	2,801,782	4,056,8	2,676,169

Note 1: December 31, 2015

(1) The amount of non-performing loans which included the department of loan management was \$4,408 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 (\$26,574 million).
- Placement with Central Bank and call loans to banks exclude placement with Central Bank and deposits in Central Bank (\$428,571 million).
- Financial assets measured at fair value through profit or loss exclude treasury bonds (\$3,401 million) and government bonds (\$425 million).
- Available-for-sale financial assets exclude government bonds (\$36,587 million) and negotiable certificate of deposits (\$888,014 million).
- 5) Receivables exclude tax receivables (\$1,272 million) and long-term receivables (\$21,521 million).
- 6) Loans and discounts exclude loans to government (\$91,373 million).
- 7) Held-to-maturity financial assets exclude government bonds (\$31,365 million).
- 8) Other financial assets exclude short-term advances to government (\$47,846 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, 2014

- (1) The amount of non-performing loans which included the department of loan management was \$4,408 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, the national health insurance administration and central bank. Explanations are as follows:

1) Cash and cash equivalents exclude cash and notes and checks for clearing (\$29,948 million).

- 2) Placement with central bank and call loans to banks excludes placement with central bank and deposits in central bank (\$453,046 million).
- 3) Financial assets at fair value through profit or loss exclude government bonds (\$535 million) and treasury securities (\$1,996 million).

# BANK <sup>®</sup>F TAIWAN 2015 ANNUAL REPORT

- 4) Available-for-sale financial assets exclude government bonds (\$29,217 million) and negotiable certificate of deposits (\$658,326 million).
- 5) Held-to-maturity financial assets exclude government bonds (\$10,359 million).
- 6) Receivables exclude tax receivable (\$1,392 million) and paid for government premium savings interest expense, under long-term receivable (\$22,149 million).
- 7) Discount and loan exclude loan to government (\$126,310 million).
- 8) Other financial assets exclude short term advance to government (\$47,370 million).
- (3) The greatest impact of the credit exposure is the fair value at the balance sheet date; 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) The carrying amounts excluded the assets of the Department of Government Employees Insurance.

#### (b)Off-balance sheet Items

		December	r 31, 2015	December 31, 2014					
Item		Book Value	Maximum credit exposure (Note 1)	Book Value	Maximum credit exposure (Note 2)				
Irrevocable loan commitment (with lines of credit)	\$	526,250	23,950	453,152	22,612				
Letter of credit receivables		30,734	28,568	29,146	28,308				
Deposits receivables		80,330	80,330	83,522	83,522				
Total	\$	637,314	132,848	565,820	134,442				

Note 1: December 31, 2015

(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 \$502,300 million.
- 2) Letter of credit receivables exclude \$2,166 million.
- (2) This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.
- Note 2: 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.
- (c)The assets in the balance sheet and off-balance sheet items held as collateral, master netting arrangement and other credit enhancements related information on the financial impact the maximum amount of the violence risk in credit risk shows in the following table:

#### Unit: In million of TWD

Linit: In million of TWD

December 31, 2015	Collateral	General agreement of net amount settlement	Enhancement of other credits	Total
In balance sheet:				
Receivables				
Others	\$ 1,087	31	8,287	9,405
Loans and discounts	1,311,093	-	1,102,382	2,413,475
Off-balance sheet				
Irrevocable loan commitments	7,943	-	518,146	526,089
Standby letters of credit	1,966	-	28,768	30,734
Financial guarantees	6,435		73,895	80,330
Total	<u>\$ 1,328,524</u>	31	1,731,478	3,060,033

December 31, 2014	Collateral	General agreement of net amount settlement	Enhancement of other credits	Total
In balance sheet:				
Receivables				
Others	\$ 1,082	69	9,334	10,485
Loans and discounts	1,313,532	-	1,009,557	2,323,089
Off-balance sheet				
Irrevocable loan commitments	5,469	-	447,520	452,989
Standby letters of credit	2,091	-	27,055	29,146
Financial guarantees	5,891		77,631	83,522
Total	<u>\$ 1,328,065</u>	69	1,571,097	2,899,231

The Management believes that the reason why the Bank can continuously manage and minimize the exposure of credit risk to off-balance sheet items is because a stricter review process is adopted, and cases are reviewed regularly in subsequent periods.

#### 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

	Decembe	r 31, 2015	December 31, 2014		
Industry type	Book Value (Note 1)	%	Book Value (Note 2)	%	
Finance and insurance	\$ 1,371,945	35.80%	1,097,493	31.71%	
Individuals	833,697	21.76%	827,607	23.91%	
Manufacturing	375,421	9.80%	390,431	11.28%	
Government Agencies	520,066	13.57%	403,944	11.67%	
Electricity and gas supply	122,013	3.18%	117,160	3.39%	
Shipping, warehousing and communications	108,289	2.83%	126,265	3.65%	
Others	500,636	13.06%	497,826	14.39%	
Total	\$ 3,832,067	100.00%	3,460,726	100.00%	

Unit: In million of TWD; %

Note 1: December 31, 2015

- (1) The carrying amounts include loans (\$2,414,484 million), call loans to banks, overdraft of banks and placement with banks (\$230,200 million), security investments (\$1,187,383 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 (\$4,408 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, 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.

#### (b)Region

#### Unit: In million of TWD; %

Unit: In million of TWD: %

	December	31, 2015	December 31, 2014		
Areas type	Book Value (Note 1)	%	Book Value (Note 2)	%	
Domestic	\$ 3,369,995	87.94%	3,080,445	89.01%	
Foreign	462,072	12.06%	380,281	10.99%	
Total	\$ 3,832,067	100.00%	3,460,726	100.00%	

Note 1: December 31, 2015

- (1) The carrying amounts include loans (\$2,414,484 million), call loans to banks, overdraft of banks and placement with banks (\$230,200 million), security investments (\$1,187,383 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 (\$4,408 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, 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.

#### (c) Collateral

			Onit. In		
	Decembe	r 31, 2015	December 31, 2014		
Type of collateral	Book Value (Note 1)	%	Book Value (Note 1)	%	
Non-secured	\$ 1,103,390	45.70%	1,011,065	43.50%	
Secured	1,311,094	54.30%	1,313,237	56.50%	
Guarantee	164,626	6.82%	164,527	7.08%	
Securities	101,862	4.22%	97,631	4.20%	
Real estate	966,540	40.03%	967,901	41.64%	
Chattel	77,840	3.23%	82,895	3.57%	
Valuables	226	0.01%	283	0.01%	
Total	<u>\$ 2,414,484</u>	100.00%	2,324,302	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 (\$4,408 million at December 31, 2015; \$6,279 million at December 31, 2014).

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

Unit: In thousand of TWD

#### 7. The analysis of credit quality and impairment of financial instruments

The financial instruments held by the Bank, such as cash and cash equivalents, due to the Central Bank and other banks, financial assets measured at fair value through profit, bills and bonds purchased under resell agreements, guarantees deposits paid, operating guarantee deposits and settlement funds, are considered to have "very low risk" since all counterparties have good credit ratings.

### (a) The credit quality of loans and receivables

	Performing loans			Performing loans		NPL but			Total	Impairme	nt loss(D)	Net	
December 31, 2015	Very good	Good	Medium	Weak	Non-evaluate	Subtotal(A)	not impair amount(B)		•	(A)+(B)+(C)	With objective	No objective	(A)+(B)+(C)-(D)
Account receivables													
Credit card business	178,934	56,749	92,601	72,150	472,541	872,975	26,205	7,618	906,798	4,692	733	901,373	
Others	783,181	5,028,261	2,289,334	690,514	578,137	9,369,427		144,835	9,514,262	89,033	93,344	9,331,885	
Loans and Discounts	200,281,483	1,285,867,727	585,447,137	176,583,911	147,845,769	2,396,026,027		18,458,238	2,414,484,265	9,294,867	18,590,603	2,386,598,795	

			Performi	ng loans			NPL but		- Impairmen	NPL but	NPL but		NPL but		NPL but		NPL but		NPL but			NPL but Impairment loss(D)				Net
December 31, 2014	Very good	Good	Medium	Weak	Non-evaluate	Subtotal(A)	not impair l	Amount(C)	(A)+(B)+(C)	With objective	No objective	(A)+(B)+(C)-(D)														
Account receivables																										
Credit card business	156,611	93,939	111,819	490,966	504	853,839	26,495	12,268	892,602	3,633	4,599	884,370														
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 Discounts	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														

### (b)Credit quality analysis for either overdue nor impaired bill purchases discounts and loans by customers

#### Unit: In thousand of TWD

December 31, 2015	Performing loans										
December 31, 2013	Very good	Good	Medium	Weak	Non-evaluate	Total					
Government agencies	91,373,411	352,188,283	-	-	-	443,561,694					
Financial, investment, and insurance industries	17,050,000	13,330,517	33,424,359	678,637	187,194	64,670,707					
Corporate and business	88,604,410	108,358,106	480,833,271	142,431,885	21,680,262	841,907,934					
Individuals	-	788,888,251	7,010,729	-	29,599,112	825,498,092					
Others	3,253,662	23,102,570	64,178,778	33,473,389	96,379,201	220,387,600					
Total	200,281,483	1,285,867,727	585,447,137	176,583,911	147,845,769	2,396,026,027					

December 21, 2014			Performi	ng loans		
December 31, 2014	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



## (c) Credit quality analysis for security investments

December 31, 2015

									I	Jnit: In thous	and of TWD
	Performing loans					NPL but	Impairment	Total	(D)	Net	
Item	Very good	Good	Medium	Weak	Non-evaluate	Subtotal(A)	not impair amount(B)	Amount(C)	(A)+(B)+(C)	With objective evidence	(A)+(B)+(C)-(D)
Available-for-sale Financial Assets											
Bond investment	72,856,020	27,456,586	12,559,564	976,992	798,992	114,648,154	-	-	114,648,154	-	114,648,154
Stock investment	1,207,484	34,192,868	11,215,052	-	1,697,328	48,312,732		-	48,312,732	-	48,312,732
Others	888,013,335	658,246	1,315,068	-	651,175	890,637,824		-	890,637,824	-	890,637,824
Held-to-maturity Financial Assets											
Bond investment	80,297,028	3,352,805	4,625,106	927,755	-	89,202,694		-	89,202,694	-	89,202,694
Others	21,993,358	-	1,604,128	986,211	-	24,583,697		-	24,583,697	-	24,583,697
Other financial assets											
Stock investment	-	-	6,805,780	12,501	1,750,857	8,569,138		27,687	8,596,825	15,000	8,581,825
Bond investment	3,122,135	2,284,580	-	-	-	5,406,715		-	5,406,715	-	5,406,715

## December 31, 2014

#### Unit: In thousand of TWD

			Performin	g loans			NPL but	Impairment	Total	(D)	Net
Item	Very good	Good	Medium	Weak	Non-evaluate	Subtotal(A)	not impair amount(B)	Amount(C)	(A)+(B)+(C)	With objective evidence	(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

## 8. Aging analysis of overdue but not impaired financial assets

## Unit: In thousand of TWD

Item	December 31, 2015						
litem	Overdue less than 1 month	Overdue 1 to 3 months	Total				
Accounts Receivable							
- Credit Card Business	\$ 2,715	3,065	5,780				
			Unit: In thousand of TWD				

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

## 9. The analysis of allowance for doubtful accounts of loans and receivables

### Loans

December 31, 2015									
Item		Total Loans	Allowance for doubtful accounts						
There is objective evidence of impairment on individual asset	Individual assessment of impairment	6,702,400	1,585,017						
	Collective assessment of impairment	11,755,838	3,542,567						
There is no objective evidence of impairment on individual asset	Collective assessment of impairment	2,396,026,027	22,757,886						
Subtotal		2,414,484,265	27,885,470						

Receivables (including other financial assets)

December 31, 2015									
Item		Total Loans	Allowance for doubtful accounts						
There is objective evidence of impairment on individual asset	Individual assessment of impairment	1,194,223	1,185,506						
	Collective assessment of impairment	160,240	84,618						
There is no objective evidence of impairment on individual asset	Collective assessment of impairment	281,039,030	174,351						
Subtotal		282,393,493	1,444,475						
Total			29,329,945						

#### 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	237,553,971	108,519						
Subtotal		237,973,377	370,178						
Total			26,434,448						

# BANK ®F TAIWAN 2015 ANNUAL REPORT

- 10. Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks
  - (a) Asset Quality of overdue loans and receivables

	December 31, 2015							
	Type / Ite	em	Amount of overdue loans (Note 1)	Total amount of loans	Ratio (%) (Note 2)	Allowance for doubtful debt	Coverage ratio(%) (Note 3)	
Enterprise	Secured		1,706,533	575,321,952	0.30%	9,185,538	538.26%	
	Non secur	ed	619,452	1,065,158,902	0.06%	10,140,647	1,637.04%	
Consumer	House mo	rtgage (Note 4)	1,765,865	525,972,421	0.34%	5,529,527	313.13%	
finance	Cash card		-	-	-	-	-	
	Micro cred	it (Note 5)	27,166	5,486,791	0.50%	108,010	397.59%	
	Others	Secured	1,254,761	209,799,744	0.60%	2,450,531	195.30%	
	(Note 6)	Non secured	229,168	32,744,455	0.70%	471,217	205.62%	
Total			5,602,945	2,414,484,265	0.23%	27,885,470	497.69%	
		Overdue receivables	Account receivable	Ratio (%)	Allowance for bad debt	Cover ratio		
Credit card I	ousiness		2,593	864,717	0.30%	11,446	441.42%	
Non-recours	e factoring (	Note 7)	-	7,004,063	-	71,026	-	

	December 31, 2014							
	Type / Ite	m	Amount of overdue loans (Note 1)	Total amount of loans	Ratio (%) (Note 2)	Allowance for doubtful debt	Coverage ratio(%) (Note 3)	
Enterprise	Secured		2,909,662	587,106,404	0.50%	9,004,821	309.48%	
	Non secure	ed	870,004	973,869,570	0.09%	8,988,137	1,033.11%	
Consumer	House more	rtgage (Note 4)	1,838,618	517,234,676	0.36%	4,891,391	266.04%	
	Cash card		-	-	-	-	-	
	Micro cred	it (Note 5)	22,325	5,830,031	0.38%	90,330	404.61%	
	Others	Secured	1,317,729	208,896,043	0.63%	1,965,368	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%	26,064,271	361.42%	
		Overdue receivables	Account receivable	Ratio (%)	Allowance for doubtful debt	Cover ratio		
Credit card I	Credit card business		2,058	982,600	0.21%	11,740	570.46%	
Non-recours	se factoring (	Note 7)	-	4,777,703	-	47,777	-	

- 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.

Note 8: Include secured and non secured loans for government institutions.

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

			Unit: In	thousand of TWD
	December	<sup>.</sup> 31, 2015	December	<sup>-</sup> 31, 2014
	Excluded NPL	Excluded overdue receivables	Excluded NPL	Excluded overdue receivables
As a result of debt consultation and loans agreement	950	-	1,388	-
As a result of debt solvency and restart plan	50,562	22,703	63,399	22,034
Total	51,512	22,703	64,787	22,034

## (c) Concentration of Credit Risk

December 31, 2015								
Rank	Group Name	Credit Extensions Balance						
1	A company – Transport via Railways	70,068	27.49%					
2	B group – Manufacture of Petroleum and Coal Products	38,541	15.12%					
3	C group – Air Transport	35,762	14.03%					
4	D group – Smelting and Refining of Iron and Steel	27,704	10.87%					
5	E group – Real Estate Development Activities	16,682	6.55%					
6	F group – Other Retail Sale in Non-specialized Stores	16,131	6.33%					
7	G group – Manufacture of Made-up Textile Articles	15,337	6.02%					
8	H group – Manufacture of Liquid Crystal Panel and Components	14,511	5.69%					
9	I group – Real Estate Activities for Sale and Rental with Own or Leased Property	12,949	5.08%					
10	J group – Ocean Transportation	12,633	4.96%					

December 31, 2014							
Rank	Group Name	Credit Extensions Balance	% of Net Asset Value				
1	A Company – Transport via Railways	71,250	28.05%				
2	B group – Manufacture of Petroleum and Coal Products	49,357	19.43%				
3	C group – Smelting and Refining of Iron and Steel	31,400	12.36%				
4	D group – Air Transport	26,244	10.33%				
5	E group – Real Estate Development Activities	17,507	6.89%				
6	F group – Manufacture of Liquid Crystal Panel and Components	15,814	6.23%				
7	G group – Real Estate Development Activities	14,606	5.75%				
8	H group – Other Retail Sale in Non-specialized Stores	12,106	4.77%				
9	I group – Real Estate Activities for Sale and Rental with Own or Leased Property	12,021	4.73%				
10	J group – Real Estate Development Activities	11,749	4.63%				

Unit: In million of TWD; %

# BANK ®F TAIWAN 2015 ANNUAL REPORT

#### (d) Average balance and current average interest rates of interest-bearing assets and liabilities

Unit: In thousand of TWD; %

	December 31, 2015		December 31, 2014				
	Average	Average interest rate (%)	Average	Average interest rate (%)			
Interest earnings assets							
Call loans and placement with banks	\$ 249,166,134	1.75	287,765,491	2.06			
Placement with Central Bank	524,503,383	0.82	462,737,139	0.90			
Financial assets	962,565,401	1.07	806,539,814	1.16			
Negotiation, discounts and total loans	2,329,836,513	1.88	2,355,987,982	1.88			
Interest bearing liabilities							
Deposit of Central Bank	13,754,794	-	13,043,141	-			
Deposits and call loans from banks	210,878,248	0.62	300,108,502	0.81			
Demand deposits	361,926,476	0.13	326,446,304	0.14			
Demand savings	812,223,369	0.71	722,802,793	0.73			
Time savings	1,656,096,915	1.85	1,628,630,007	1.87			
Time deposits	617,584,497	1.27	538,520,450	1.35			
Government deposits	231,531,208	0.31	214,753,786	0.34			
Structured products	2,543,629	1.07	1,701,807	1.21			
Financial bonds	25,000,000	1.46	20,454,842	1.50			

Note:1. Each average balance is calculated by respectively summing up the daily average balances and then dividing the number of days in the year starting from January to the financial statement date.

2. The balances are derived from the Department of banking, credit cards, trusts and securities.

3. The interest rates used in calculation include preferential interests.

4. Financial bonds do not include those recognized in financial liabilities measured at fair value through profit or loss.

#### 4) Liquidity Risk

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

The definition for liquidity risk is the Bank 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 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 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 TWD 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) Liquidity coverage ratio: calculate their liquidity coverage ratio and report it to the authorities on a monthly basis. In accordance with the "Standards Implementing the Liquidity Coverage Ratio of Banks" announced by FSC and Central Bank, the ratio shall be higher than 100%.
- e) 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%.
- f) 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 TWD fund management, the bank maintains appropriate cash and cashable securities on hand, draw up notice about TWD 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.
- g) 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, 2015	0~30days	31~90days	91days~1year	Over one year	Total
Cash and cash equivalents	26,574,387	-	-	-	26,574,387
Placement with Central Bank and call loans to banks	100,381,382	245,760,589	236,305,247	112,420,041	694,867,259
Financial assets measured at fair value through profit or loss, net	13,578,657	3,879,989	5,655,286	149,891,273	173,005,205
Bonds and bills purchased under resell agreements	50,040	-	-	-	50,040
Available-for-sale financial assets, net	609,671,736	54,123,756	260,718,506	129,084,712	1,053,598,710
Held-to-maturity financial assets, net	1,108,095	7,001,402	4,309,493	101,367,401	113,786,391
Hedging derivatives financial assets	15,970	-	-	-	15,970
Financial assets carried at cost	-	-	-	8,581,825	8,581,825
Debt investments without quoted price in active markets	-	-	-	5,406,715	5,406,715
Investments under equity method, net	-	-	-	35,856,579	35,856,579
Receivables, net	29,664,877	989,312	1,278,057	19,924,859	51,857,105
Loans and discounts, net	209,868,308	221,996,610	478,162,348	1,495,486,008	2,405,513,274
Non-performing loans	-	-	-	4,456,007	4,456,007
Total assets	990,913,452	533,751,658	986,428,937	2,062,475,420	4,573,569,467
Deposits of Central Bank and other banks	113,824,750	44,216,680	37,964,942	29,419,145	225,425,517
Payables	26,757,952	63	943,623	14,927,044	42,628,682
Financial liabilities measured at fair value through profit or loss	12,636	3,479	3,858	39,204,502	39,224,475
Bonds and bills sold under repurchase agreements	10,912,656	4,847,062	576,901	-	16,336,619
Hedging derivatives financial liabilities	243,967	-	-	-	243,967
Other financial liabilities	1,619,185	101,345	-	64,900	1,785,430
Deposits and remittances	345,202,053	420,489,720	1,211,842,618	1,859,986,025	3,837,520,416
Total liabilities	498,573,199	469,658,349	1,251,331,942	1,943,601,616	4,163,165,106

# BANK <sup>®</sup>F TAIWAN 2015 ANNUAL REPORT

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	-	-	-	36,989,325	36,989,325
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	2,218,115,250	4,231,709,573
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

## 4. Maturity analysis of derivatives

## Unit: In thousand of TWD

December 31, 2015 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 liabilitie	s measured at fa	ir value through	profit or loss, De	rivative instrume	nts (Foreign excl	nange)				
Foreign exchange outflow	12,238,343	11,849,387	4,757,998	1,453,250	451,401	-	30,750,379			
Foreign exchange inflow	12,237,184	11,849,108	4,757,998	1,453,250	451,401	-	30,748,941			
Financial assets and liabilitie	Financial assets and liabilities measured at fair value through profit or loss, Derivative instruments (Interest)									
Interest outflow	491,134,568	360,085,322	136,310,158	49,807,068	(480,455)	245,021	1,037,101,682			
Interest inflow	510,231,283	373,468,010	142,805,598	76,366,129	3,496,416	-	1,106,367,436			

## Unit: In thousand of TWD

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 liabilitie	s measured at fa	ir value through	profit or loss, De	rivative instrume	nts (Foreign excl	nange)	
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 liabilitie	s measured at fa	ir value through	profit or loss, De	rivative instrume	nts (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

#### 5. Maturity analysis of off-balance sheet items

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 TWE
--------------------------

December 31, 2015	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Irrevocable loan commitment	487,650	16,628,101	1,415,396	289,399,670	218,158,086	526,088,903
Irrevocable credit card commitment	-	-	-	-	160,645	160,645
Unused letter of credit	14,265,854	1,215,206	5,617,940	6,944,844	2,689,992	30,733,836
Guarantee receivables	62,026,841	2,578,657	4,640,207	1,839,581	9,244,810	80,330,096
Total	76,780,345	20,421,964	11,673,543	298,184,095	230,253,533	637,313,480

#### Unit: In thousand of TWD

December 31, 2014	0-30 days	31-90 days	91-180 days	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

### 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, 2015	Less than 1 year	1-5 years	Over 5 years	Total
Lease agreements				
Operating lease payments (Lessee)	(378,372)	(627,858)	-	(1,006,230)
Operating lease income (Lessor)	137,953	151,245	-	289,198
Total	(240,419)	(476,613)	-	(717,032)

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)	160,174	133,115	-	293,289
Total	(187,341)	(535,736)	(423)	(723,500)

7. Disclosures required by the "Regulations Governing the Preparation of Financial Reports by Public Banks" (a) Maturity analysis of assets and liabilities (New Taiwan Dollars)

#### December 31, 2015

#### Unit: In thousand of TWD Amount for each remaining period to maturity Total Less than 10 11~30 days 31~90 days 91~180 days 181~365 days days Major matured capital \$ 3,984,098,202 337,915,856 652,414,855 565,558,126 361,230,114 546,056,749 1,520,922,502 inflow Major matured capital 500,876,175 4,252,497,044 165,729,525 347,433,709 561,235,640 938,030,784 1,739,191,211 outflow Capital gap (268,398,842) 172,186,331 304,981,146 4,322,486 (139,646,061) (391,974,035) (218,268,709)

### December 31, 2014

#### Unit: In thousand of TWD

		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)		

#### (b)Maturity analysis of assets and liabilities (United State Dollars)

### December 31, 2015

#### Amount for each remaining period to maturity Total Less than 30 91~180 days 181~365 days 31~90 days days 45,983,000 16,709,602 5,826,801 8,821,758 Major matured capital inflow 9.740.900 4,883,939 S 20,038,883 4,260,065 4,001,894 6,926,356 Major matured capital outflow 45.983.000 10.755.802 Capital gap (3,329,281) (1,014,902)1.566.736 882.045 1.895.402

## December 31, 2014

#### Unit: In thousand of USD

Unit: In thousand of USD

			Amount for ea	ch remaining peri	iod 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

## 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 net operating income and the value of investment portfolio will have volatility risk.

The main market risks of the Bank 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 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. Procedures 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's market risk exposure can be classified into trading book and banking book. The financial instruments classified in trading book are measured at market value every day; those classified in banking book are measured at market value at least once a month. Following IFRS 13, the Bank ensures that Level-1 inputs (i.e. quoted prices in an active market, such as OTC or Bloomberg) and Level-2 inputs (those which can be directly or indirectly observed in the market) are available. When the aforementioned inputs are not available, the related instruments shall be classified to Level 3. The sources from which the Bank obtains inputs largely remain the same as prior periods and the Bank will check if a financial instrument can be reasonably measured before entering into a transaction.

(c) Monitor and Report

The Bank 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 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 Bank's market risk exposure can be classified into trading book and banking book. Following IFRS 13, the Bank ensures that Level-1 inputs (i.e. quoted prices in an active market, such as OTC or Bloomberg) and Level-2 inputs (which can be directly or indirectly observed in the market) are available. When the aforementioned inputs are not available, the related instruments shall be classified to Level 3. The sources from which the Bank obtains inputs largely remain the same as prior periods and the Bank will check if a financial instrument can be reasonably measured before entering into a transaction.

#### (c) Measurement Method

- a) The Bank conduct stress test every quarter under unfavorable economic scenarios which are set up risk factors: equity securities, interest rate, foreign exchange and commodities, setting the scene to calculate possible impacts by inputting different on profit or loss of each risk factor.
- 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 flexibility in order to measure, manage and hedge the interest rate risk. The Bank 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 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 TWD 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 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 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 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 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 assume that other factors did not change and the yield curve of the whole world moves upward by 100 bps at December 31, 2015 and 2014. Under this assumption, the income after tax will decrease \$1,253 million and \$170 million, respectively, and the other comprehensive income will decrease \$5,339 million and \$3,170 million, respectively. If the yield curve moves downward by 100 bps, the income after tax will increase \$1,382 million and \$377 million, respectively, and the other comprehensive income will increase \$5,588 million and \$3,377 million, respectively.

(b) Exchange rate risk sensitivity

The Bank assume that other factors did not change and the foreign currency to New Taiwan Dollars exchange rate appreciates by 3% at December 31, 2015 and 2014. Under this assumption, the income after tax will increase \$2,365 million and \$1,889 million, respectively, and the other comprehensive income will increase \$1,977 million and \$1,474 million, respectively.

If the exchange rate depreciates by 3%, the income after tax will decrease \$2,367 million and \$1,889 million, respectively, and the other comprehensive income will decrease \$1,977 million and \$1,474 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, 2015 and 2014. Under this assumption, the income after tax will increase \$7,244 million and \$8,202 million, respectively, and the other comprehensive income will increase \$7,346 million and \$7,112 million, respectively.

If the market prices decrease by 15 %, the income after tax will decrease \$7,244 million and \$8,202 million, respectively, and the other comprehensive income will decrease \$7,346 million and \$7,112 million, respectively.

(d) Sensitivity analysis is as follows:

### Unit: In million of TWD

December 31, 2015									
Main risk	Range of changes	Amount Influence							
IVIAILITISK	Range of changes	Equity	Gain or loss						
Interest rate risk	Interest rate curve rise 100BPS	(5,339)	(1,253)						
Interest rate risk	Interest rate curve fall 100BPS	5,588	1,382						
Exchange rate risk	Other foreign currency/ TWD rise3%	1,977	2,365						
Exchange rate risk	Other foreign currency / TWD fall 3%	(1,977)	(2,367)						
Price of equity stock risk	Price of equity stock rise 15%	7,346	7,244						
Price of equity stock risk	Price of equity stock fall 15%	(7,346)	(7,244)						

#### Unit: In million of TWD

December 31, 2014						
Main risk	Range of changes	Amount Influence				
IVIAITI 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/ TWD rise 3%	1,474	1,889			
Exchange rate risk	Other foreign currency / TWD 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)			

## 10. Information of currency risk concentrate

### Net position of major foreign currencies

Unit: In thousand of stated currencies

December 31, 2015					
Amount in or	Amount in New Taiwan Dollars				
USD	989,862	32,546,663			
RMB	622,838	3,109,830			
GBP	18,482	900,998			
JPY	3,032,924	827,988			
SGD	15,120	351,540			

Unit: In thousand of stated currencies

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

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.

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, 2015 and 2014, respectively.

December 31, 2015							
Assets	USD to TWD	Other currencies to TWD	Total TWD				
Cash and cash equivalents	\$ 19,772,703	68,977,974	88,750,677				
Placement with Central Bank and call loans to banks	98,992,797	58,961,605	157,954,402				
Financial assets measured at fair value through profit or loss	55,179,375	25,831,689	81,011,064				
Available-for-sale financial assets	11,658,438	53,075,783	64,734,221				
Hedging derivatives financial assets	-	15,970	15,970				
Receivables, net	6,482,558	5,436,136	11,918,694				
Current income tax assets	192,281	208,835	401,116				
Loans and Discounts, net	165,978,982	89,623,578	255,602,560				
Held-to-maturity financial assets, net	7,297,402	29,622,750	36,920,152				
Other financial assets, net	986,387	4,507,368	5,493,755				
Property and equipment, net	73,655	17,932	91,587				
Intangible assets, net	3,960	1,260	5,220				
Deferred income tax assets, net	169,284	99,211	268,495				
Other assets, net	191,504	72,187	263,691				
Total assets	\$ 366,979,326	336,452,278	703,431,604				

Unit: In thousand of TWD

Liabilities	USD to TWD	Other currencies to TWD	Total TWD
Deposits of Central Bank and other banks	\$ 43,715,878	99,097,384	142,813,262
Financial liabilities measured at fair value through profit or loss	286,207	33,603,281	33,889,488
Hedging derivatives financial liabilities	-	243,967	243,967
Payables	5,574,702	446,041	6,020,743
Current income tax liabilities	8,836	81,375	90,211
Deposits and remittances	362,585,053	228,309,341	590,894,394
Other financial liabilities	213,642	1,506,888	1,720,530
Provisions	11,083	2,630	13,713
Deferred income tax liabilities	-	90,992	90,992
Other liabilities	 92,273,593	27,893,506	120,167,099
Total liabilities	\$ 504,668,994	391,275,405	895,944,399

Unit: In thousand of TWD

December 31, 2014						
Assets		USD to TWD	Other currencies to TWD	Total TWD		
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		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 TWD	Other currencies to TWD	Total TWD
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

## BANK ®F TAIWAN 2015 ANNUAL REPORT

11. Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public banks(a) Interest rate sensitivity assets and liabilities analysis (New Taiwan Dollars)

Unit: In thousand of TWD

December 31, 2015						
Item	1~90 days	91~180 days	181 days to one year	Over one year	Total	
Interest rate sensitive assets	\$ 1,629,531,364	1,472,564,685	254,393,149	252,371,479	3,608,860,677	
Interest rate sensitive liabilities	344,060,000	2,737,548,699	337,299,385	121,934,922	3,540,843,006	
Interest rate sensitive gap	1,285,471,364	(1,264,984,014)	(82,906,236)	130,436,557	68,017,671	
Net worth	Net worth					
Ratio of interest rate sensitive assets to liabilities (%)						
Ratio of interest rate sensitive g	gap to net worth (%	b)			26.98	

Unit: In thousand of TWD

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 25							
Ratio of interest rate sensitive assets to liabilities (%) 101							
Ratio of interest rate sensitive g	gap to net worth (%	b)			13.53		

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).

## Unit: In thousand of USD

December 31, 2015							
Item	1~90 days	91~180 days	181 days to one year	Over one year	Total		
Interest rate sensitive assets	\$ 24,519,105	5,689,805	3,104,461	1,060,503	34,373,874		
Interest rate sensitive liabilities	24,075,527	5,990,444	2,055,545	1,223,067	33,344,583		
Interest rate sensitive gap	443,578	(300,639)	1,048,916	(162,564)	1,029,291		
Net worth							
Ratio of interest rate sensitive assets to liabilities (%)							
Ratio of interest rate sensitive g	ap to net worth (%	<b>b</b> )			(1,723.01)		

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	Net worth						
Ratio of interest rate sensitive assets to liabilities (%)							
Ratio of interest rate sensitive g	gap to net worth (%	<b>)</b> )			1,375.65		

<sup>(</sup>b) Assets and liabilities interest rate sensitivity analysis (United State Dollars)

- 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).

#### 6) Transfer of Financial Assets - Transferred financial assets that are not completely derecognized

The transferred financial assets of the Bank and its subsidiary that are not qualified for de-recognition in the daily operation are mainly debt securities under repurchase agreements. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at a fixed price in the future period, the Bank and its subsidiary cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since the Bank and its subsidiary still bear the interest rate risk and credit risk, their transferred financial assets are not completely derecognized. Analysis of financial assets that are not completely derecognized and the associated liabilities are as follows.

	December 31, 2015						
Type of financial assets	Carrying amount of the transferred financial assets	Carrying amount of the Financial liability	Fair value of transferred financial assets	Fair value of financial liabilities	Fair value net position		
Financial asset measured at fair value through profit or loss							
Under repurchase agreements Available for sale-financial assets	\$ 282,767	299,050	282,767	299,050	(16,283)		
Under repurchase agreements	15,130,960	16,037,569	15,130,960	16,037,569	(906,609)		

	December 31, 2014								
Type of financial assets	Carrying amount of the transferred financial assets	Carrying amount of the Financial liability	Fair value of transferred financial assets	Fair value of financial liabilities	Fair value net position				
Financial asset measured at fair value through profit or loss									
Under repurchase agreements	\$ 4,311,574	4,205,629	4,311,574	4,205,629	105,945				
Available for sale-financial assets									
Under repurchase agreements	31,921,129	33,812,524	31,921,129	33,812,524	(1,891,395)				
Securities lending agreement	31,100	-	31,100	-	31,100				

#### 7) Offsetting of financial assets and financial liabilities

Bank of Taiwan and its subsidiary hold financial instruments which meet Section 42 of the IAS 32 endorsed by FSC. Therefore, the financial instrument will be offset on the balance sheet.

Although the Bank and its subsidiary do not engage in transactions that meet the offsetting condition in IFRSs, they have signed the net settlement contracts of similar agreements with counterparties, such as global master repurchase agreement, global securities lending agreement and similar repurchase agreement or reverse-repurchase agreement. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could opt for net settling.

## BANK ®F TAIWAN 2015 ANNUAL REPORT

December 31, 2015									
Financi	ial assets under o	ffsetting or gener	ral agreement of r	net amount settler	ment or similar no	orms			
		Total recognized	Net amount of	Relevant amount not offset on the balance sheet (d)					
Financial assets	Total recognized financial assets (a)	financial financial assets	Financial instrument (note)	Cash received as collaterals	Net amount (e)=(c)-(d)				
Derivative financial assets	<u>\$ 14,239,009</u>		14,239,009	1,907,055	294,919	12,037,035			

## The offsetting information of financial assets and financial liabilities is shown below:

December 31, 2015								
Financia	l liabilities under o	offsetting or gene	ral agreement of	net amount settle	ement or similar r	norms		
Financial liabilities Financial (iabilities financial liabilities (a)	Total	Total recognized	Net amount of financial	Relevant amount not offset on the balance sheet (d)				
	liabilities	financial assets offsetting on the balance sheet (b)	liabilities on the balance sheets (c)=(a)-(b)	Financial instrument (note)	Pledged cash Collaterals	Net amount (e)=(c)-(d)		
Derivative financial liabilities	<u>\$ 6,180,612</u>		6,180,612	1,907,055	121,656	4,151,901		

December 31, 2014									
Financi	Financial assets under offsetting or general agreement of net amount settlement or similar norms								
	Total recognized		Net amount of	Relevant amou the balance					
Financial assets	tial assets Total financial recognized liabilities financial assets offsetting or (a) the balance sheet	liabilities offsetting on the balance	financial assets on the balance sheets (c)=(a)-(b)	Financial instrument (note)	Cash received as collaterals	Net amount (e)=(c)-(d)			
Derivative financial assets	<u>\$ 22,330,113</u>		22,330,113	170,966	339,394	21,819,753			

Financia	Financial liabilities under offsetting or general agreement of net amount settlement or similar norms									
	Total		Total recognized	Net amount of financial	Relevant amou the balance					
Financial liabilities		recognized financial liabilities (a)	financial assets offsetting on the balance sheet (b)	liabilities on the balance sheets (c)=(a)-(b)	Financial instrument (note)	Pledged cash Collaterals	Net amount (e)=(c)-(d)			
Derivative financial liabilities	\$	16,278,423	-	16,278,423	118,428	356,288	15,803,707			
Securities sold under repurchase agreements		38,018,153	-	38,018,153	38,018,153	-	-			
Total	\$	54,296,576		54,296,576	38,136,581	356,288	15,803,707			

## (44) 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 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 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 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 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.

# BANK ®F TAIWAN 2015 ANNUAL REPORT

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 has adopted the Basic Indicator Approach since the first quarter of 2015 after obtaining the approval from the authorities.
- 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	ms	Year	December 31, 2015	December 31, 2014
	Common sto	ock capital	176,651,076	173,517,616
Eligible	Other tier 1 of	capital	-	-
capital	Tier 2 capita	I	50,075,363	50,204,345
	Eligible capit	al	226,726,439	223,721,961
		Standardized approach	1,879,583,822	1,836,910,103
	Credit risk	Internal rating based approach	-	-
		Securitization	-	-
Risk	Operational risk	Basic indicator approach	-	56,984,163
assets weighted		Standardized approach/Alternative standardized approach	56,853,725	-
assets		Advance measurement approach	-	-
	Market risk	Standardized approach	89,149,500	86,770,575
	Marketrisk	Internal models approach	-	-
	Total risk we	ighted assets	2,025,587,047	1,980,664,841
Capital ade	equacy ratio		11.19%	11.30%
Common st	tock based ca	pital ratio	8.72%	8.76%
Tier 1 risk b	based capital	ratio	8.72%	8.76%
Leverage ra	atio		3.64%	2.87%

Note 1: The calculation of eligible capital, risk-weighted assets, and the total amount of risk exposure shall follow the Regulations Governing the Capital Adequacy and Capital Category of Banks, and Calculation of Equity Capital and Risk Assets.

Note 2: The annual report shall disclose the current and preceding period of BIS ratio. The semi-annual report (beside the current and preceding period) shall disclose the information one year before.

Note 3: The table shall disclose the calculation formula as follows:

1.Equity Capital = shareholders' equity + other tier 1 capital + tier 2 capital

2.Risk-weighted assets = credit risk-weighted assets + (capital requirement for operational risk + capital requirement for market risk) × 12.5

3.Capital adequacy ratio = equity capital / internal models approach

4.Common stock - based capital ratio = shareholders' equity / total risk weighted assets

5.Tier 1 risk based capital ratio = (shareholders' equity + Other tier 1 capital)/ weighted risk

6.Leverage ratio = tier 1 capital / total risk exposure

Note 4: The table may choose not to disclose in Q1 and Q3 financial report.

## (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
Land Bank of Taiwan	Related- Party
The Export-Import Bank of the Republic of China	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 2015 and 2014 were as follows:

	2015	2014
Short-term employee benefits	\$ 10,25	5 10,207
Retired benefits		- 298
	<u>\$ 10,28</u>	5 10,505

## 3) Other related-party transactions

### 1.Placement with banks

		December	r 31, 2015	December 31, 2014		
Name		Amount	Percentage of account balance	Amount	Percentage of account balance	
Hua Nan Financial Holdings Co., Ltd	\$	5,235		5,578		

## 2. Call loans to banks

		December 31, 2015					
	н	ighest balance	Ending balance	Interest rate range (%)	Interest income		
Hua Nan Financial Holdings Co., Ltd.	\$	23,027,270	657,600	0.03~5.00	13,246		

	December 31, 2014					
	Hi	ghest balance	Ending balance	Interest rate range (%)	Interest income	
Hua Nan Financial Holdings Co., Ltd.	\$	21,346,139	4,433,800	0.03~1.50	26,331	

## 3. Receivables

Name		December	r 31, 2015	December 31, 2014		
		Amount	Percentage of account balance	Amount	Percentage of account balance	
Taiwan Financial Holding Co., Ltd.	\$	1,989	-	1,629	-	
BankTaiwan Life Insurance Co., Ltd.		136,451	0.19	123,314	0.20	
BankTaiwan Securities Co., Ltd.	_	14		137		
Total	\$	138,454	0.19	125,080	0.20	

### 4. Other assets

	Decembe	r 31, 2015	December 31, 2014		
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	
BankTaiwan Life Insurance Co., Ltd.	6,780	0.09	6,425	0.06	
BankTaiwan Securities Co., Ltd.	14		14		
Total	<u>\$ 6,794</u>	0.09	3,656,365	32.07	

## 5. Securities lending (classified as other financial assets)

	Decembe	r 31, 2015	December 31, 2014	
Name	Amount	Percentage of account balance	Amount	Percentage of account balance
BankTaiwan Securities Co., Ltd.	<u>\$ 65,760</u>	0.10		

## 6.Deposits of banks

	Decembe	r 31, 2015	December 31, 2014	
Name	Amount	Percentage of account balance	Amount	Percentage of account balance
Hua Nan Financial Holdings Co., Ltd.	<u>\$5,685</u>	0.01	182,879	0.48

## 7.Call loans from banks

		December 31, 2015						
	F	lighest balance	Ending balance	Interest rate range (%)	Interest expense			
Hua Nan Financial Holdings Co., Ltd.	\$	17,517,100	10,743,050	0.14~9.50	24,248			

		December 31, 2014						
	Н	ighest 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			

## 8.Deposits

		Decembe	r 31, 2015	December 31, 2014		
Name		Amount	Percentage of account balance	Amount	Percentage of account balance	
Taiwan Financial Holding Co., Ltd.	\$	256,640	0.01	529,522	0.01	
BankTaiwan Life Insurance Co., Ltd.		3,457,654	0.09	10,972,299	0.31	
BankTaiwan Securities Co., Ltd.		730,410	0.02	325,409	0.01	
Hua Nan Financial Holdings Co., Ltd.		438,928	0.01	693,025	0.02	
Taiwan Life Insurance Co., Ltd.		-	-	15,574	-	
Kaohsiung Ammonium Sulfate Co., Ltd.		735,999	0.02	42,568	-	
Tang Eng Iron Works Co., Ltd.		4,852	-	333	-	
Tai Yi Real Estate Management Co., Ltd.		10,966		25,885		
Total	\$	5,635,449	0.15	12,604,615	0.35	

## 9.Payables

	Decem	ber 31, 2015	December 31, 2014		
Name	Amount	Percentage of account balance	Amount	Percentage of account balance	
Taiwan Financial Holding Co., Ltd.	\$	- 24	35	-	
BankTaiwan Life Insurance Co., Ltd.	1	7 -	2,694	0.01	
BankTaiwan Securities Co., Ltd.			140		
Total	<u>\$ 2</u>		2,869	0.01	

## 10.Other liabilities

		Decembe	r 31, 2015	December 31, 2014		
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.	_	1,664	0.02	1,663	0.02	
Total	\$	4,372	0.06	4,371	0.06	

## 11.Interest income

		20	15	2014		
Name		Amount	Percentage of account balance	Amount	Percentage of account balance	
Taiwan Financial Holding Co., Ltd.	\$	130,308	0.20	118,493	0.18	
BankTaiwan Securities Co., Ltd.		2,965		2,736		
Total	<u>\$</u>	133,273	0.20	121,229	0.18	

## 12.Interest expense

	20	15	2014		
Name	Amount	Percentage of account balance	Amount	Percentage of account balance	
Taiwan Financial Holding Co., Ltd.	\$ 656	-	519	-	
BankTaiwan Life Insurance Co., Ltd.	32,710	0.09	130,721	0.36	
BankTaiwan Securities Co., Ltd.	 2,140	0.01	2,754	0.01	
Total	\$ 35,506	0.10	133,994	0.37	

## 13.Service fee income

		20	15	2014		
Name		Amount	Percentage of account balance	Amount	Percentage of account balance	
BankTaiwan Life Insurance Co., Ltd.	\$	990,340	16.40	631,487	10.49	
BankTaiwan Securities Co., Ltd.		2,201	0.04	3,297	0.05	
Total	<u>\$</u>	992,541	16.44	634,784	10.54	

## 14.Service fee expense

	20	15	2014	
Name	Amount	Percentage of account balance	Amount	Percentage of account balance
BankTaiwan Securities Co., Ltd.	\$ 8,697	1.50	19,392	3.33

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

Name		20	15	2014	
		Amount	Percentage of account balance	Amount	Percentage of account balance
BankTaiwan Life Insurance Co., Ltd.	\$	35,907	2.40	243,178	1.53
BankTaiwan Securities Co., Ltd.		(2,017)	0.13	(2,032)	0.01
Taiwan Life Insurance Co., Ltd.		-		142,239	0.89
Total	\$	33,890	2.53	383,385	2.43

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

		201	15	2014	
Name		Amount	Percentage of account balance	Amount	Percentage of account balance
BankTaiwan Securities Co., Ltd.	\$	(2,752)	0.18	3,027	0.28

## 17.Other non-interest income (expense)

		20	15	2014	
Name		Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$	26,675	0.30	29,688	0.12
BankTaiwan Life Insurance Co., Ltd.		40,573	0.45	38,806	0.16
BankTaiwan Securities Co., Ltd.		35,579	0.39	34,758	0.14
Total	\$	102,827	1.14	103,252	0.42

## 18.Other general and administrative expenses

	20	)15	2014	
Name	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 847	0.01	990	0.02
BankTaiwan Life Insurance Co., Ltd.	40,087	0.55	38,603	0.60
BankTaiwan Securities Co., Ltd.	86		86	
Total	\$ 41,020	0.56	39,679	0.62

## 19. Loans

	December 31, 2015								
	House holder	Highest		Status of pe	erformance		Differences in transaction terms between related and non related parties		
Category	amount or name of related party	balance in current period	Ending balance	Performing loans	Non- performing loans	Type of collateral			
Consumer loans	37	16,189	9,138	9,138	-	None	None		
House mortgages	109	655,660	548,130	548,130	-	Land and buildings	None		
Long-term secured loans	Tai Yi Real Estate Co., Ltd.	27,362	3,162	3,162	-	Land and buildings	None		
Short-term secured loans	Taiwan financial Holding Co., Ltd.	17,050,000	17,050,000	17,050,000	-	Government (or financial institutions) guarantee	None		
Secured overdrafts loans	Tang Eng Iron Works Co., Ltd.	237,807	237,807	237,807	-	Land and factory	None		
Short-term secured loans	Tang Eng Iron Works Co., Ltd.	100,000	100,000	-	-	Land and factory	None		
Short-term secured loans	Tang Eng Iron Works Co., Ltd.	400,000	350,000	350,000	-	Land and factory	None		
Short-term secured loans	Tang Eng Iron Works Co., Ltd.	151,482	110,140	110,140	-	Land and factory	None		
Medium-term secured loans	Tang Eng Iron Works Co., Ltd.	1,000,000	1,000,000	1,000,000	-	Land and factory	None		
Medium-term secured loans	Tang Eng Iron Works Co., Ltd.	800,000	600,000	600,000	-	Land and factory	None		
Short-term secured loans	BankTaiwan Securities Co., Ltd.	281,579	-	-		Real estate and government (or financial institutions) guarantee	None		

December 31, 2014								
	House holder	Highest		Status of performance			Differences in transaction terms	
Category	amount or name of related party	balance in current period	Ending balance	Performing loans	Non- performing loans	Type of collateral	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 Management 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	
Midterm-term secured loans	Tang Eng Iron Works Co., Ltd.	500,000	500,000	500,000	-	Land and factory	None	
Midterm-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.	313,533	313,533	313,533	-	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.

## 20.Derivative financial instruments

December 31, 2015								
Name of related	Subject	Agreement	Agreement Notional Current	Balance s	heet			
party	Subject	period	amounts	valuation adjustment	Account name	Amount		
BankTaiwan Life Insurance Co., Ltd.	Swap agreement	2008.4.30~ 2015.04.26	21,812,257	366,113	Valuation adjustment of financial assets measured at fair value through profit or loss - swap	366,113		

	December 31, 2014							
Name of related	Name of related	Agreement	Notional	Current valuation	Balance sheet			
party	Subject	period	amounts	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	2008.04.30~ 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		

21. The expenses of shared assets allocated to Taiwan Financial Holding Co., Ltd, BankTaiwan Life Insurance Co., Ltd, BankTaiwan Securities Co., Ltd, by the Bank were as follows:

Name		20	15	2014	
		Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$	10,424	0.12	13,438	0.05
BankTaiwan Life Insurance Co., Ltd.		40,573	0.45	38,806	0.16
BankTaiwan Securities Co., Ltd.		25,487	0.28	24,718	0.10
Total	<u>\$</u>	76,484	0.85	76,962	0.31

## (46) Pledged assets

Pledged assets	Purpose of pledge	December 31, 2015	December 31, 2014
Available-for-sale financial assets – bonds	Guarantee deposit for provisional seizure against defaulted loans and others	\$ 367,900	368,800
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	18,400,000	11,000,000
Available-for-sale financial assets – negotiable certificate of deposit	Payment and settlement systems of Central Bank	29,000,000	36,000,000
		\$ 48,367,900	47,968,800

## (47) Commitments and contingencies

## 1) Commitments and contingencies

	December 31, 2015	December 31, 2014
Consignment collection	\$ 52,812,682	52,183,034
Contract guarantee on behalf of counter parties	1,379,679	1,498,483
Traveler's checks held on consignment	1,253,747	1,269,239
Marketable securities held as custodian	1,662,667,807	1,840,395,253
Letters of credit	30,733,836	29,145,605
Goods held in custody	42,281,496	21,295,601
Issuance of New Taiwan Dollars	1,806,647,559	1,708,743,226
Trustee of behalf of Lenders	873,077,721	921,947,680
Registered government bonds for sale	580,631,100	566,858,100
Registered short term bills for sale	182,643,500	248,507,999
Consigned sales of goods	2,206,661	2,280,236
Trust liabilities	570,833,022	546,438,060
Guarantees	80,330,097	83,521,712
	\$ 5,887,498,907	6,024,084,228

# BANK ®F TAIWAN 2015 ANNUAL REPORT

## 2) Balance sheet, income statement and details of assets under trust

Trust assets	December 31, 2015	December 31, 2014
Deposits		
Deposits in the BOT	\$ 24,287,546	30,455,662
Deposits in other banks	5,788,482	4,240,140
Short term investment		
Investment in funds	175,157,433	178,853,246
Investment in bonds	215,848,838	203,435,186
Common stock investment – marketable securities	43,093,483	40,506,379
Receivables		
Interest receivables	1,790,606	1,516,687
Cash dividend receivables	3,366	3,356
Receivables from trading securities	1,521,948	393,953
Receivables from forward contracts	8,441,462	1,552,508
Prepaid expenses	99	40
Real estate		
Land	16,010,620	13,953,770
Buildings	125,026	119,280
Construction in progress	18,912,209	13,581,464
Marketable securities under custody	59,851,904	57,826,390
Total of trust assets	<u>\$ 570,833,022</u>	546,438,061

Trust liabilities	December 31, 2015	December 31, 2014
Payables		
Payables from trading securities	\$ 180,594	404,081
Payables from forward contracts	8,505,100	1,561,500
Payables from management fee	4,184	3,938
Payables from supervision fee	324	324
Other payables	1,151	862
Tax payable	180	203
Securities held in custody payable	59,851,904	57,826,390
Trust capital		
Money trust	364,450,599	371,939,184
Marketable securities trust	142,701	119,262
Real estate investment trust	40,771,057	35,041,987
Other reserve and accumulated income		
Accumulated loss	57,815,457	43,116,285
Foreign currency translation	14,643,149	10,833,032
Deferred unrealized income	5,665,046	4,258,025
Current income	18,801,576	21,332,988
Total of trust liabilities	\$ 570,833,022	546,438,061

Note: Including fund investments of the offshore branch amounting to \$345,045 and \$316,436 as of December 31, 2015 and 2014, respectively.

Details of trust	December 31, 2015	December 31, 2014
Deposits		
Deposits in the Bank	\$ 24,287,546	30,455,662
Deposits in other banks	5,788,482	4,240,140
Short term investment		
Investment in funds	175,157,433	178,853,246
Investment in bonds	215,848,838	203,435,186
Common stock investment – marketable securities	43,093,483	40,506,379
Real estate		
Land	16,010,620	13,953,770
Buildings	125,026	119,280
Construction in progress	18,912,209	13,581,464
Marketable securities under custody	59,851,904	57,826,390
Trust capital	\$ 559,075,541	542,971,517

Income statement for assets under trust	2015	2014
Trust revenue		
Capital interest revenue	\$ 10,325,917	10,284,346
Cash dividend revenue	752,049	909,254
Donation revenue	490,863	736,644
Realized capital gain – shares	61,186	1,124,155
Realized capital gain – fund	1,967,041	3,832,346
Realized exchange gain – bond	1,848,237	1,022,769
Realized foreign exchange gain	529,644	315,459
Realized gain on property exchange	640,818	1,312,929
Income from beneficiary certificates	3,309,256	2,771,898
Total trust revenue	19,925,011	22,309,800
Trust expense		
Capital management fee	495,159	511,283
Tax expense	7,094	5,542
Supervisory fee	337	335
Custodian fee	9,216	9,736
Commission fee	32	17
Donation cost	490,417	398,040
Other expense	121,180	51,859
Total turst expense	1,123,435	976,812
Net income	<u>\$ 18,801,576</u>	21,332,988

## (48) Profitability

Item -		December	<sup>-</sup> 31, 2015	December 31, 2014	
		Before adjusting	After adjusting	Before adjusting	After adjusting
Return on total assets	Before income tax	0.23	0.44	0.22	0.44
(Note 6)	After income tax	0.19	0.40	0.19	0.41
Return on net worth	Before income tax	4.17	7.41	3.76	7.02
(Note 7)	After income tax	3.49	6.73	3.27	6.53
Profit margin			25.19		22.75

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 2015 and 2014.

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, 2015 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 0.41%.)
- 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, 2015 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 7.71% and 7.03%.)

## (49) Losses due to major disasters: None.

## (50) Subsequent events

Kaohsiung Ammonium Sulfate Co., Ltd., an investee of the Bank under the equity method, has been liquidated on January 15, 2016; and the shareholders resolved to distribute the residual surplus in proportion to its shareholding. The Bank can receive \$179,000 thousand in cash and a piece of land which was estimated to be worth \$15,238,530 thousand by an independent appraisal institution. As of the reporting date, the legal procedures of the distribution are still in process.

## (51) Other

# 1) The employee benefit expenses, depreciation, depletion and amortization, categorized by function, were as follows:

By function	De	cember 31, 20	15	December 31, 2014		
By nature	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expenses						
Salaries	70,943	10,295,264	10,366,207	58,952	10,194,310	10,253,262
Labor and health insurances	104,835	492,723	597,558	116,452	544,850	661,302
Pensions	3,465	776,218	779,683	2,938	782,029	784,967
Others	-	257,074	257,074	-	185,689	185,689
Depreciation expenses	42,920	755,445	798,365	38,553	830,017	868,570
Amortization expenses	-	357,259	357,259	-	377,639	377,639

The number of employees in 2015 and 2014 were 8,057 and 7,999, respectively.

## 2) Financial Statements Audited adjustment

The accounting records as at and for the year ended December 31, 2014 and 2013, have been audited and examined by the MoA, and the resulting adjustments are summarized as follows:

Government audit adjustments for fiscal year ended December 31, 2014

Balance Sheet	As Previously Reported December 31, 2013	Adjustments –Increase (Decrease)	As Audited by the MoA, December 31, 2014
Assets			
Current income tax assets	\$ 1,878,465	(2,173)	1,876,292
Other assets, net	11,404,016	(3,223)	11,400,793
Liabilities			
Current income tax liabilities	181,948	58,430	240,378
Stockholders' equity			
Retained earnings	55,169,251	(63,826)	55,105,425

Income statement	As Previously Reported 2014	Adjustments –Increase (Decrease)	As Audited by the MoA, 2014
Interest revenue	\$ 65,232,863	22	65,232,885
Other miscellaneous income (loss), net	210,472	30	210,502
Other General and Administrative Expenses Abstra	6,403,944	3,223	6,407,167
Income tax expense	1,185,145	60,655	1,245,800
Net income	8,248,208	(63,826)	8,184,382

Revised entries by the MoA in 2014 were as follows:

Item	Adjustment accounts	Amount revise	ed by the MoA	Explanation of revision by the MoA
1.	Current income tax assets	\$ 30		Heping Branch revise on a net rental income.
	Other miscellaneous income (loss), net		30	
2.	Current income tax assets Interest revenue	22	22	Finance Department to revise the account of net interest income.
3.	Current income tax assets Income tax expense Current income liabilities	4,972 53,570	58,542	Adjustment for the tax collector's income tax of Singapore Branch.
4.	Other general and administrative expenses abstract Other assets	3,223	3,223	Neihu Branch revise the amortization of rental costs.
5.	Current income tax liabilities Current income assets	82	82	Adjustment for the tax collector's income tax of Hong Kong Branch.
6.	Current income tax liabilities Income tax expense Current income assets	30 7,085	7,115	Head department adjustment by Amendments taxable income.
7.	Unappropriated retained earnings Special reserve	744	744	Adjustment to timing recognition of the disposal of the land.

# BANK <sup>®</sup>F TAIWAN 2015 ANNUAL REPORT

Government audit adjustments for fiscal year ended December 31, 2014

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	\$ 2,301,08	3 (131,953)	2,169,130
Other financial assets	70,317,91	7 (115)	70,317,802
Deferred tax assets	208,40	6 33,398	241,804
Other assets, net	9,031,70	6 197,444	9,229,150
Liabilities			
Payables	\$ 44,813,38	4 (54,768)	44,758,616
Current income tax liabilities	127,50	6 34,924	162,430
Deposits and remittances	3,409,612,03	9 (6,813)	3,409,605,226
Deferred tax liabilities	18,266,25	9 33,398	18,299,657
Stockholders' equity			
Retained earnings	50,961,02	3 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	ed by the MoA	Explanation of revision by the MoA
1.	Income tax expense Current income tax liabilities	\$ 305	305	Adjustment to the income tax from the South Africa Branch.
2.	Current income tax liabilities Income tax expense	38	38	Adjustment for the tax collector's income tax of Hong 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 accounts.
	Bad debt expense and reserve for guarantees		65,796	
6.	Deposits and remittances	6,813		Bad debt recovery.
	Other financial assets		115	
	Bad debt expense and reserve for guarantees		6,698	
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 earnings	1,275		Adjustment to timing recognition of the disposal of the land.
	Special reserve		1,275	

## 3) Supplementary information for government employees' insurance department

### 1.Balance sheets

	Government employees' insurance department		
	December 31, 2015	December 31, 2014	
Cash and cash equivalents	\$ 32,774,199	29,643,920	
Financial assets measured at fair value through profit or loss	126,556,389	139,064,547	
Receivables, net	18,670,370	12,744,906	
Held-to-maturity financial assets	63,168,922	49,845,846	
Property and equipment, net	9,613	9,488	
Intangible assets, net	3,070	2,906	
Other assets, net	5,054,709	9,621,079	
Total assets	\$ 246,237,272	240,932,692	

	Government empl depart	2
	December 31, 2015	December 31, 2014
Payables	239,502	464,029
Provisions	245,997,636	240,468,607
Other liabilities	134	56
Total liabilities	\$ 246,237,272	240,932,692

#### 2. Income statement

	Government emp depar	· ·
	December 31, 2015	December 31, 2014
Net interest income	\$ 1,635,156	1,582,659
Service fee expenses	(6,680)	(24,106)
Gain (loss) on financial assets and liabilities at fair value through profit or loss	(1,857,901)	10,426,444
Foreign exchange gain (loss)	852,232	2,592,250
Premium income	20,918,139	20,948,956
Government subsidy	16,970,330	12,946,954
Insurance payments	(32,810,111)	(24,452,013)
Recovered premium reserve	-	-
Provision for insurance premium reserve	(5,529,029)	(23,874,056)
Miscellaneous expense	(92,675)	(91,790)
Miscellaneous revenue	57,432	84,701
Net revenue	136,893	139,999
Bad debt expenses and reserve for guarantees	(219)	-
Employee benefits	119,336	122,054
Depreciation and amortization expenses	3,633	3,796
Other general and administrative expenses	14,143	14,149
	136,893	139,999
Net income	\$	

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 \$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 \$300 million or 10% of the Bank's paid-in capital: None.

## BANK ®F TAIWAN 2015 ANNUAL REPORT

3.Information on the disposal of real estate for which the sale amount exceeded \$300 million or 10% of the Bank's paid-in capital:

Unit: In thousand of TWD

											i. III iII0usaliu	
Name of company	Name of assets	Date	Original purchase date	Book value	Amount	Detail of receiving payment	Gain (loss) on disposal of assets	Transaction person	Relation with transaction person	Purpose of disposal assets	Determine method	Others
Bank of Taiwan	26 land about No.516-1, Shuanglian St., Datong Dist., Taipei City 103, Taiwan (R.O.C.)		36.05.01	128,387	500,461	A bidder should submit at least 10% of the minimum bidding price when tendering a bidding proposal, and the bidder who wins the bid should submit the final price in full within 30 days staring from the day the payment notice is received.	372,074	Zhisheng Real Estate Co., Ltd.	None	Executing budget	The final minimum bidding price of the building and land amounting to \$500,460 thousand was determined by the following procedures: (1) The procurement department proposed a minimum bidding price by referring to the appraisal value and then submitted it to the commissioners (who are responsible for reviewing the reasonableness of the price) and the General Manager for further discussion. (2) The General Manager approved the final minimum bidding price after consulting the commissioners. The Department of Internal Audit was required to oversee the independence and integrity of all the individuals involved during the procedures.	

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) Selling non-performing loans: None.

(b) 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.

			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	281,452	Same as regular transaction	0.01%
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Placement with banks	281,452	"	0.01%
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Cheques deposits	50,000	ű	-%
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Placement with banks	50,000	u	-%
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Other receivables	92,633	ű	-%
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Other payables	92,633	ű	-%
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Service fees revenue	1,466,716	ű	4.20%
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Service fees expenses	1,466,716	ű	4.20%
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Miscellaneous revenues	480	и	-%
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Administrative expense	480	u	-%
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Refundable deposits	699	и	-%
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Guarantee deposits paid	699	u	-%
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Miscellaneous revenue	11,797	и	0.03%
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Operating expenses	11,797	u	0.03%
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Other operating income	4,188	ű	0.01%
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Operating expenses	4,188	u	0.01%
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Interest payables	11	и	-%
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Interest receivables	11	"	-%
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Interest expenses	528	**	-%
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Interest incomes	528	"	-%

### 8. Information on significant transactions between parent and subsidiary company were as follow:

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 during 2015:

#### Unit: In thousand of TWD

				Original	Gain(Loss)	Held by the	arty at			
Name of the investee	Investee Location	stee Major % or investment recognized					Subtotal			
invesiee	Location	Operation	shares	amount	during the period	Shares		Shares	% of Shares	
Hua Nan Financial Holdings Co., Ltd.	NO.38, Sec. 1, Chung-King South Road, Taipei, Taiwan	Financial Holding	21.23%	32,496,294	2,989,380	2,103,232,337	-	2,483,656,839	25.07%	
Tang Eng Iron Works Co., Ltd.	5F., No.53, Zhonghua 4th Rd., Kaohsiung City, Taiwan	Iron Industry	21.37%	1,181,719	(198,839)	74,802,414	-	74,802,414	21.37%	
Kaohsiung Ammonium Sulfate Co., Ltd.	No.4, Yanhai 2nd Rd., Kaohsiung City, Taiwan	Liquidation	91.86%	2,158,300	(35,452)	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%	20,266	4,168	1,500,000	-	1,500,000	30.00%	
BankTaiwan Insurance Brokers Co., Ltd.	4F, No. 49, Wu Chang St., Taipei City, Taiwan	Insurance Brokers	100.00%	322,419	232,295	2,000,000	-	2,000,000	100.00%	

Note 1: The shares held or to be held by The Bank or its directors, supervisors, president, vice president and investees held by the affiliates as defined in the Company Act shall be included.

Note 2: 1) The shares to be held shall mean the shares acquired upon conversion, as hypothesized, of equity securities purchased or contracted for derivative products concluded (not yet converted to equity) in accordance with the trading terms and conditions and The Bank's intent to link with the reinvested enterprise's equity for the purpose of reinvestment provided in Article 74 of the Act.

- 2) The "equity securities" referred to in the preceding paragraph shall mean the valuable securities referred to in Paragraph 1 of Article 11 of the Securities and Exchange Law Enforcement Rules, e.g. convertible corporate bond and warrant.
- 3) The "derivative products" referred to in the preceding paragraph shall comply with the definition of derivative products referred to in Statement of Financial Accounting Standards No. 34, e.g. stock option.

Note 3: The table do not need to disclosure in the financial statement at first and third quarter.

Note 4: This transaction had been written off when preparation the consolidated financial statements.

#### 3) Information regarding investment in China:

1. Information on investees' names, locations, etc. in China:

					Investment f	lows						Accumulated	
Investee Company	Main Business	OT	Investment types (Note1)	Accumulated outflow of Investment from Taiwan as of January 1, 2015	Outflow Regain		Accumulated outflow of investment from Taiwan as of December 31, 2015	Net income from investee	% of shares	Equity in the Earnings (gains) (Note2)	Carrying value as of December 31, 2015	inward remittance of earnings as of December 31, 2015	
Bank of Taiwan, Shanghai Branch	Banking business	4,993,000 RMB1,000,000	(3)	4,993,000 RMB1,000,000	-	-	4,993,000 RMB1,000,000	-	-%	(145,324)	5,743,136	-	
Bank of Taiwan, Guangzhou Branch	Banking business	4,993,000 RMB1,000,000	(3)	-	4,993,000 RMB1,000,000	-	4,993,000 RMB1,000,000	-	-%	(200,136)	5,179,007	-	

#### Unit:In thousands of TWD

Note 1: Three types of investments:

- 1) Direct investment in Mainland China.
- 2) Investment in Mainland China through a company set up in a third region.
- 3) Others through overseas branches.

Note 2: Equity in the earnings for the year:

- 1) If a subsidiary has no income or loss during the period, the parent company should disclose all the related information.
- 2) A Company can recognize the investment income by obtaining the followings:
  - a) Financial statements audited or reviewed by an international accounting firm which has a member firm in Taiwan.
  - b) Financial statements audited or reviewed by the auditor of the parent company.

c) Others.

3) If the information regarding a subsidiary's current profit and loss is not available, the parent company should disclose it.

Note 3: Numbers in this table are shown in thousands of TWD.

2. Rationed investment in China:

Unit: In thousands of TWD

Current period of accumulate investment amount remitting from Taiwan	The rationed investing amount approved by Investment Commission, MOEA	The regulation announced by Investment Commission, MOEA rationed investing amount
9,986,000	9,986,000	152,909,251

4) 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 TWD 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.

## BANK ®F TAIWAN 2015 ANNUAL REPORT

				2015			
	Bank department	Department of Government Employees Insurance	Department of Procurement	Department of Precious Metals	BankTaiwan Insurance Brokers	Reconciliation and elimination	Total
Interest income	\$ 63,122,782	1,635,156	80	314	528	(528)	64,758,332
Less: interest expense	36,352,683					(528)	36,352,155
Interest income, net	26,770,099	1,635,156	80	314	528	-	28,406,177
Non-interest income, net	16,365,716	(1,012,349)	276,462	13,777	409,074	(235,297)	15,817,383
Other non-interest income	(8,883,990)	(485,914)	(11,805)	389,444	(692)	(16,465)	(9,009,422)
Net revenue	34,251,825	136,893	264,737	403,535	408,910	(251,762)	35,214,138
Bad debt expenses and reserve for guarantees	(4,404,687)	219	-		-	-	(4,404,468)
Operating expenses	(19,768,189)	(137,112)	(107,779)	(85,330)	(125,420)	16,467	(20,207,363)
Continuing operating income before income tax	<u>\$ 10,078,949</u>	<u> </u>	156,958	318,205	283,490	(235,295)	10,602,307
Continuing operating income after inocme tax	<u>\$ 8,397,007</u>		156,958	318,205	235,295	(235,295)	8,872,170
Total assets	\$ 4,489,796,397	246,237,272	2,063,483	1,531,741	463,599	(7,603,203)	4,732,489,289
Total Liabilities	\$ 4,235,422,808	246,237,272	1,906,525	1,213,536	141,180	(7,280,784)	4,477,640,537

				2014			
	Bank department	Department of Government Employees Insurance	Department of Procurement	Department of Precious Metals	BankTaiwan Insurance Brokers	Reconciliation and elimination	Total
Interest income	\$ 63,650,113	1,582,659	78	35	346	(346)	65,232,885
Less: interest expense	36,453,834					(346)	36,453,488
Interest income, net	27,196,279	1,582,659	78	35	346	-	28,779,397
Non-interest income, net	18,232,805	12,994,588	263,222	41,544	381,043	(206,265)	31,706,937
Other non-interest income	(10,334,850)	(14,437,248)	2,287	349,353	(758)	(11,560)	(24,432,776)
Net revenue	35,094,234	139,999	265,587	390,932	380,631	(217,825)	36,053,558
Bad debt expenses and reserve for guarantees	(7,284,809)	-	-	-	-	-	(7,284,809)
Operating expenses	(18,867,817)	(139,999)	(111,303)	(82,023)	(132,119)	11,560	(19,321,701)
Continuing operating income before income tax	<u>\$      8,941,608</u>		154,284	308,909	248,512	(206,265)	9,447,048
Continuing operating income after inocme tax	<u>\$7,738,055</u>		154,284	308,909	206,265	(206,265)	8,201,248
Total assets	\$ 4,169,419,470	240,932,692	2,587,268	1,090,015	379,006	(11,944,131)	4,402,464,320
Total Liabilities	\$ 3,915,856,137	240,932,692	2,432,985	781,106	126,870	(11,691,995)	4,148,437,795

## 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 consolidated financial statements of Bank of Taiwan (the Bank ), which comprise the balance sheet as of December 31, 2015 and 2014 and January 1, 2014, 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 is 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 of the financial statements, we did not audit the financial statements of investments in associates accounted for using equity method of the Bank and its subsidiary amounting to NT\$32,516,560 thousand, NT\$30,576,951 thousand, NT\$28,816,763 thousand as of December 31, 2015 and 2014, and January 1, 2014, respectively, constituting 0.69%, 0.69% and 0.68% of the related total assets; nor the related shares of investment profit in associates accounted for using equity method of NT\$2,993,548 thousand and NT\$2,790,972 thousand for the years then ended, respectively, constituting 28.36% and 29.68% of the related net income before tax. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts includes above, is based solely on the report of the 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, 2015 and 2014 and January 1, 2014, 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, 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 Ministry of Audit (the "MoA"). The financial statement for the financial year ended 2014 and 2013 have been audited and approved by the Ministry of Audit. The adjustments made by the MoA are reflected in the financial statement. For further information, please see note 51 (2).

KPM6

March 18, 2016

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, 2015 and 2014, and January 1, 2014 (expressed in thousands of New Taiwan dollars)

	December 31, 2		December 31, 2	014	January 1, 20	)14
	Amount	%	(Restated) Amount	%	(Restated) Amount	%
Assets						
Cash and Cash Equivalents	\$ 135,422,418	3	155,902,567	4	119,265,263	3
Placement with Central Bank and Call Loans to Banks	585,963,772	13	582,914,021	13	585,444,072	14
Financial Assets Measured at Fair Value through Profit or Loss	173,005,205	4	208,646,968	5	166,714,218	4
Hedging Derivative Financial Assets, Net	15,970	-	25,613	-	5,443	-
Bills and Bonds Purchased under Resell Agreements	50,040	-	1,956,563	-	6,173,451	-
Receivables, Net	72,046,562	2	62,547,115	1	82,258,188	2
Current Income Tax Assets	1,343,594	-	1,876,292	-	2,169,130	-
Loans and Discounts, Net	2,386,598,795	50	2,298,237,964	52	2,240,652,458	52
Available-for-Sale Financial Assets, Net	1,053,598,710	22	797,692,802	18	765,521,333	18
Held-to-Maturity Financial Assets, Net	113,786,391	2	77,372,697	2	73,044,728	2
Investments under Equity Method, Net	36,178,998	1	37,241,461	1	34,940,504	1
Other Financial Assets, Net	68,891,471	1	68,466,496	2	70,317,802	2
Property and Equipment, Net	96,728,064	2	97,103,753	2	97,497,978	2
Intangible Assets, Net	853,571	-	940,987	-	1,047,495	-
Deferred Tax Assets	472,085	-	357,844	-	237,929	-
Other Assets, Net	7,817,258	-	11,396,056	-	9,227,485	-
Total assets	<u>\$ 4,732,772,904</u>	<u>   100</u>	4,402,679,199	100	4,254,517,477	<u>   100 </u>

	December 31, 2	015	December 31, 2	014	January 1, 20	)14
	Amount	%	(Restated) Amount	%	(Restated) Amount	%
Liabilities and Stockholders' Equity						
Liabilities:						
Deposits of Central Bank and other banks	\$ 225,425,517	5	156,988,830	4	252,738,244	6
Financial Liabilities Measured at Fair Value through Profit or Loss	39,224,475	1	47,915,342	1	3,999,496	-
Hedging Derivative Financial Liabilities, Net	243,967	-	103,024	-	225,806	-
Bills and Bonds Sold under Repurchase Agreements	16,336,619	-	38,018,153	1	19,036,703	-
Payables	42,195,648	1	41,013,062	1	44,746,966	1
Current Income Tax Liabilities	367,898	-	213,270	-	132,072	-
Deposits and Remittances	3,837,851,868	81	3,554,349,701	81	3,409,797,342	80
Financial bonds payable	24,997,826	1	24,997,612	-	15,998,240	-
Other Financial Liabilities	1,785,430	-	1,756,954	-	1,243,698	-
Provision	264,199,252	6	257,745,112	6	232,850,278	6
Deferred Tax Liabilities	18,340,284	-	18,348,772	-	18,299,657	-
Other Liabilities	6,955,368		7,202,842		7,482,893	
Total liabilities	4,477,924,152	95	4,148,652,674	94	4,006,551,395	93
Equity:						
Capital stock	95,000,000	2	95,000,000	2	70,000,000	2
Capital surplus	80,453,034	2	80,521,742	2	105,496,092	3
Retained earnings:						
Legal reserve	31,822,306	1	29,526,951	1	27,386,900	1
Special reserve	19,513,499	-	17,503,142	-	16,489,571	-
Unappropriated retained earnings	7,955,912		7,936,904		7,068,531	
	59,291,717	1	54,966,997	1	50,945,002	1
Other equity	20,104,001		23,537,786	1	21,524,988	1
Total equity	254,848,752	5	254,026,525	6	247,966,082	7
Total liabilities and stockholders' equity	<u>\$ 4,732,772,904</u>	<u>   100</u>	4,402,679,199	100	4,254,517,477	100

#### BANK OF TAIWAN Statements of Comprehensive Income For the year ended December 31, 2015 and 2014 (expressed in thousands of New Taiwan dollars)

	2015		2014		Percentage
	Amount	%	(Restated) Amount	%	Change
Revenue and income:			Amount		
Interest income	\$ 64,758,332	185	65,232,885	182	(1)
Less: Interest expense	(36,352,682)	(104)	(36,453,834)	(102)	-
Net interest income	28,405,650	81	28,779,051	80	(1)
Non-interest income, net					
Service fees ,net	5,050,126	14	5,057,565	15	-
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss	1,494,095	4	15,914,831	44	(91)
Realized gain (loss) on available-for-sale financial assets	1,496,244	4	1,062,198	3	41
Foreign exchange gain (loss)	4,714,349	13	6,250,104	17	(25)
Provision of impairment loss on assets	17,323	-	(1,685)	-	1,128
Share of profit (loss) of associates and joint ventures accounted for using equity method	4,343,822	12	3,249,145	9	34
Premiums loss	(11,891,973)	(33)	(3,503,057)	(10)	(239)
Sales income	499,423	1	450,651	1	11
Subsidized income from government	16,970,331	48	12,946,954	36	31
Excess interest expenses	(11,006,282)	(31)	(10,663,279)	(30)	(3)
Provisions for policyholders' reserve premium	(5,529,029)	(16)	(23,874,056)	(67)	77
Other miscellaneous income	492,913	2	222,329	1	122
Net Revenue	35,056,992	99	35,890,751	99	(2)
Bad debt expense and reserve for guarantees	(4,404,468)	(13)	(7,284,809)	(20)	(40)
Expenses:					
Employee benefits expenses	(11,782,328)	(34)	(11,670,249)	(33)	1
Depreciation and amortization expenses	(1,111,528)	(3)	(1,206,645)	(3)	(8)
Other general and administrative expenses	(7,204,554)	(21)	(6,324,247)	(18)	14
Total Expenses	(20,098,410)	(58)	(19,201,141)	(54)	5
Operating Income, Net	10,554,114	28	9,404,801	25	12
Net income before income tax	10,554,114	28	9,404,801	25	12
Income Tax Expenses	(1,681,944)	(5)	(1,203,553)	(3)	(40)
Net income	8,872,170	23	8,201,248	22	8
Other comprehensive income:	<u> </u>				
Components of other comprehensive income that will not be reclassified to profit or loss					
Gains (losses) on remeasurements of the defined benefit plans	(704,656)	(2)	(450,839)	(1)	(56)
Shares of other comprehensive income of associates and joint ventures accounted for using equity method	(24,753)	-	(82,360)	-	70
Income tax related to items that will not be reclassified to profit or	-	_	_	_	_
loss					(a=)
Total items that will not be reclassified to profit or loss	(729,409)	(2)	(533,199)	(1)	(37)
Components of other comprehensive income that may be subsequently reclassified to profit or loss					
Exchange difference arising on translation of foreign operation	634,243	2	391,039	1	62
Unrealized gains (losses) on available-for-sale financial assets	(5,304,740)	(15)	1,007,487	3	(627)
Shares of other comprehensive income of associates and joint ventures accounted for using equity method	1,132,126	3	559,486	2	102
Income tax related to items that may be subsequently reclassified to profit or loss	31,920		7,547	-	323
Subtotal	(3,506,451)	(10)	1,965,559	6	(278)
Other comprehensive income (net amount after tax)	(4,235,860)	(12)	1,432,360	5	(396)
Total comprehensive income	\$ 4,636,310	11	9,633,608	27	(52)
Basic earnings per share (In dollars)	\$	0.93		0.86	

BANK OF TAIWAN Statements of Changes in Equity For the year ended December 31, 2015 and 2014 (expressed in thousands of New Taiwan dollars)

				Retained	Retained earnings		-	Other equity interest	r interest		
	Ordinary share	Capital surplus	Legal reserve	Special I reserve	Deficit yet to be compensated	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Change in fair value of financial liability attributable to change in credit risk of liability	Total	Total
Balance at January 1, 2014	\$ 70,000,000 105,496,092	105,496,092	27,386,900	16,489,571	7,176,585	51,053,056	(308,917)	21,833,905	1	21,524,988	248,074,136
Effects of retrospective application and retrospective restatement	t 	'	'	'	(108,054)	(108,054)	'	'	'	'	(108,054)
Equity at beginning of period after adjustments	70,000,000	70,000,000 105,496,092	27,386,900	16,489,571	7,068,531	50,945,002	(308,917)	21,833,905	'	21,524,988	247,966,082
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	'	ı	2,140,051	'	(2,140,051)	'	I	'		1	I
Special reserve appropriated	'	'	'	1,038,720	(1,038,720)	'	ı	'	'	'	'
Cash dividends	'	'	'	'	(3,598,815)	(3,598,815)	ı	'		'	(3,598,815)
Reversal of special reserve-sale of land	'	'	'	(25,149)	25,149	'	ı	'	1	1	1
Changes in equity of 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)		'		'	'	'	1	'	ı
Consolidated net income	'	'		'	8,201,248	8,201,248	'	'		'	8,201,248
Other comprehensive income (loss) for the period	'	'	'	'	(580,438)	(580,438)	582,615	1,382,878	47,305	2,012,798	1,432,360
Total comprehensive income	'	'	'	'	7,620,810	7,620,810	582,615	1,382,878	47,305	2,012,798	9,633,608
Balance at December 31, 2014	95,000,000	80,521,742	29,526,951	17,503,142	7,936,904	54,966,997	273,698	23,216,783	47,305	23,537,786	254,026,525
Effects of retrospective application and retrospective restatement				ĺ					'		
Equity at beginning of period after adjustments	95,000,000	80,521,742	29,526,951	17,503,142	7,936,904	54,966,997	273,698	23,216,783	47,305	23,537,786	254,026,525
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	'	'	2,295,355	'	(2,295,355)	'	I	1	I	'	I
Special reserve appropriated	'	'	'	2,034,602	(2,034,602)	'	I	1	I	'	I
Cash dividends	'	'	'	'	(3,745,375)	(3,745,375)	I	'	1	'	(3,745,375)
Reversal of special reserve-sale of land	'	'	'	(24,245)	24,245	'	I	'	I	'	I
Changes in equity of associates and joint ventures accounted for using equity method	ľ	(68,708)	I	I	I	I	I		1	ı	(68,708)
Consolidated net income	'	'	'	'	8,872,170	8,872,170	I	1	1	'	8,872,170
Other comprehensive income (loss) for the period			1	'	(802,075)	(802,075)	903,912	(4,312,944)	(24,753)	(3,433,785)	(4,235,860)
Total comprehensive income					8,070,095	8,070,095	903,912	(4,312,944)	(24,753)	(3,433,785)	4,636,310
Balance at December 31, 2015	\$ 95,000,000	80,453,034	31,822,306	19,513,499	7,955,912	59,291,717	1,177,610	18,903,839	22,552	20,104,001	254,848,752

Financial Information



#### BANK OF TAIWAN Statements of Cash Flows For the year ended December 31, 2015 and 2014 (expressed in thousands of New Taiwan dollars)

	2015	2014
Cash flows from (used in) operating activities :		
Net income before income tax	\$ 10,554,114	9,404,801
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation expense	797,327	867,685
Amortization expense	357,121	377,513
Provision for bad debt expense and guarantee liabilities	4,404,468	6,721,371
Interest expense	36,352,682	36,453,488
Interest income	(64,758,332)	(65,232,885)
Dividend income	(5,766,020)	(4,479,986)
Net change in other provisions	5,529,413	24,438,660
Reversal of impairment loss on inventory	(13,943)	(1,351)
Share of profit of associates and joint ventures accounted for using equity method	(2,871,471)	(4,036,993)
(Gain) loss on disposal of property and equipment	(20,630)	16,109
Impairment loss on property and equipment (reversal of impairment loss on property and equipment)	(17,323)	(616)
Others	(141)	(1,407)
Total adjustments to reconcile profit (loss)	(26,006,849)	(4,878,412)
Changes in operating assets and liabilities :		
Changes in operating assets:		
Decrease (increase) in placement with Central Bank and call loans to banks	7,416,537	(16,693,019)
Decrease (increase) in financial assets measured at fair value through profit or loss	33,052,945	(60,521,920)
Decrease (increase) in hedging financial assets	9,643	(20,170)
(Increase) decrease in receivables	(9,838,875)	23,383,666
Increase in loans and discounts	(92,743,635)	(64,415,855)
(Increase) decrease in available-for-sale financial assets	(244,079,968)	3,884,892
(Increase) decrease in held-to-maturity financial assets	(31,831,171)	814,244
Decrease in other financial assets	1,777,138	1,364,716
Increase in other assets	(259,255)	(1,750,762)
Total changes in operating assets	(336,496,641)	(113,954,208)
Changes in operating liabilities :		
Increase (decrease) in deposits of Central Bank and other banks	68,436,687	(95,749,414)
(Decrease) increase in financial liabilities measured at fair value through profit or loss	(8,690,867)	43,915,846
Increase (decrease) in hedging financial liabilities	140,943	(122,782)
(Decrease) increase in bills and bonds sold under repurchase agreements	(21,681,534)	18,981,450
Increase in payables	25,986	5,110,477
Increase in deposits and remittances	283,502,167	144,552,359
Increase in employee benefit obligations	950,872	482,319
Increase in other liabilities	96,197	98,861
Total changes in operating liabilities	322,780,451	117,269,116

	2015	2014
Total changes in operating assets and liabilities	(13,716,190)	3,314,908
Total adjustments	(39,723,039)	(1,563,504)
Cash (outflow) inflow generated from operations	(29,168,925)	7,841,297
Interest received	65,049,951	61,643,125
Dividends received	6,996,596	5,827,468
Interest paid	(35,195,868)	(36,298,497)
Income taxes paid	(1,112,056)	(900,318)
Net cash flows from (used in) operating activities	6,569,698	38,113,075
Cash flows from (used in) investing activities :		
Acquisition of property and equipment	(674,950)	(582,996)
Proceeds from disposal of property and equipment	291,406	95,450
Decrease (increase) in refundable deposits	201,920	(365,625)
Acquisition of intangible assets	(269,555)	(270,725)
(Increase) decrease in other financial assets	(2,202,113)	486,590
Net cash flows (used in) investing activities	(2,653,292)	(637,306)
Cash flows from (used in) financing activities :		
(Decrease) increase in guarantee deposits received	(343,671)	513,256
Increase (decrease) in other financial liabilities	28,476	(378,912)
Cash dividends paid	(95,450)	(3,649,926)
Net cash flows from financing activities	(410,645)	(3,515,582)
Effect of exchange rate changes on cash and cash equivalents	903,912	582,616
Net increase in cash and cash equivalents	4,409,673	34,542,803
Cash and cash equivalents at beginning of period	908,763,792	874,220,989
Cash and cash equivalents at end of period	<u>\$ 913,173,465</u>	908,763,792
Compose of cash and cash equivalents :		
Cash and cash equivalents reported in the statement of financial position	\$ 135,422,418	155,902,567
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	167,350,034	156,883,746
Investments qualifying for cash and cash equivalents under the definition of IAS 7	610,401,013	595,977,479
Cash and cash equivalents at end of period	<u>\$ 913,173,465</u>	908,763,792

# Review of Financial Conditions, Operating Results, and Risk Management

### I. Analysis of Financial Status

				Unit: NT\$1,000
Year	Dec 21 2015	Dec. 31, 2014	Cha	nge
Items	Dec. 31, 2015	(Restated)	Amount	%
Total Assets	4,732,489,289	4,402,464,320	330,024,969	7.50
Total Liabilities	4,477,640,537	4,148,437,795	329,202,742	7.94
Total Shareholders' Equities	254,848,752	254,026,525	822,227	0.32

Note: Consolidated financial reports serve as the accounting basis.

## II. Financial Performance

Unit. N1 \$ 1,000				
Year	2015	2014	Cha	nge
Items	2015	(Restated)	Amount	%
Net interest income	28,406,177	28,779,397	(373,220)	(1.30)
Non-interest income (net)	6,807,961	7,274,161	(466,200)	(6.41)
Net revenue	35,214,138	36,053,558	(839,420)	(2.33)
Bad debt expense and reserve for guarantees	4,404,468	7,284,809	(2,880,341)	(39.54)
Operating expenses	20,207,363	19,321,701	885,662	4.58
Net income before tax	10,602,307	9,447,048	1,155,259	12.23
Income tax expenses	1,730,137	1,245,800	484,337	38.88
Net income after tax	8,872,170	8,201,248	670,922	8.18

Note: Consolidated financial reports serve as the accounting basis.

Analysis of changes in increase/decrease ratios:

1. The increase in net income before tax in 2015 compared with 2014 was due mainly to an increase in the share of income of equity-accounted investees.

2. The decrease in net interest income in 2015 compared with 2014 was due to the fact that the increase in interest income was less than the interest expense.

3. The decrease in non-interest net income in 2015 compared with 2014 was due to the fact that the decrease in foreign exchange gain was larger than the increase in the share of income of equity-accounted investees.

4. The decrease in bad debt expense and reserve for guarantees in 2015 as compared with 2014 was caused mainly by a decrease in provision for bad loans.

5. Income tax expenses for 2015 were higher than in 2014, mainly due to an increase in the net income before tax.

## III. Analysis of Cash Flow

#### 1. Liquidity Analysis for the Past Year

(1) Cash Flow Analysis

				Unit: NT\$1,000	
Year	2015	2014	Change		
Item	2013	2014	Amount	%	
Net cash inflow (outflow)	4,409,673	34,542,803	(30,133,130)	(87.23)	

#### Unit: NT\$1,000

Unit: NT\$1,000 Amount Items Decrease in net cash outflow from placement with Central Bank and call loans to banks 24.109.557 Decrease in net cash outflow from financial assets measured at fair value through profit or loss 93,574,864 (33,223,462) Decrease in net cash inflow from receivables Increase in net cash outflow from loans and discounts (28, 327, 780)(247, 294, 777)Decrease in net cash inflow from available-for-sale financial assets Decrease in net cash inflow from held-to-maturity financial assets (32,645,415) Decrease in net cash outflow from deposits of Central Bank and other banks 164,186,101 Decrease in net cash inflow from financial liabilities measured at fair value through profit or loss (52,606,713) Decrease in net cash inflow from bills and bonds purchased under resell agreements (40,662,984)Increase in net cash inflow from deposits and remittances 138,962,198 Increase in net cash inflow from other operating activities 10,784,862 Increase in net cash outflow from investing activities (2,087,975) 3,104,878 Decrease in net cash outflow from financing activities Others 321,296 Total (30, 133, 130)

The main reasons for the net change were as follows:

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

					01111. 141-51,000
Beginning Cash	Annual Net Cash Flow	Annual Net Cash Flow from Other	Cash Balance		or Estimated Cash Shortage
Balance (a)	from Operating Activities (b)	Activities (c)	(Shortage) (a)+(b)+(c)	Investment Plan	Financial Management Plan
913,173,495	- 4,538,476	10,088,441	918,723,460	-	-

Note: Consolidated financial reports serve as the accounting basis.

- (1) Cash Flow Analysis
  - a. Operating activities: Due primarily to a net cash outflow 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 a net cash inflow produced by cash capital increase.
- (2) Remedial action to make up for cash inadequacy, and liquidity analysis: Not applicable.

#### IV. Investment Policy in Last Year

To assure the quality of investment and to heighten return on investment, the Bank plans for the disposal of reinvested enterprises that are performing poorly; 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 take necessary improvement measures in time.

Linit: NIT\$1 000



When stock dividends received and gain on disposal are added, investment income as recognized under the equity method during 2015 amounted to approximately NT\$5.91 billion (including BankTaiwan Insurance Brokers Co., Ltd.). The return on investment was 15.78%, reflecting a good investment performance.

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 2015

Items	Contents
Credit Risk Strategies, Goals, Policies, and Procedures	<ol> <li>Credit Risk Strategies, Goals, and 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 whenever necessary, and in response to changes in the macroeconomic market, loan portfolio risk, asset quality, and government policy.</li> <li>The Bank will establish and effectively implement a healthy credit risk management mechanism to 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> <li>Credit Risk Management Procedures</li> <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 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 and follow-up evaluation system, and loan early-warning mechanism; monitoring of asset quality; ful</li></ol></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, management and supervision 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         <ol> <li>Including the standard system-produced credit risk reports that are submitted to the competent authority, and monthly credit risk monitoring reports.</li> <li>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 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> </ol> </li> <li>Credit Risk Measuring System         <ol> <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>The Bank has established the credit risk systems with a foundation internal ratings-based approach in consideration of credit characteristics, changes in the economic environment, and collateral or guarantees so as to enhance the Bank's credit risk management capability.</li> </ol></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 credit 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 netting, eligible collateral, and guarantees) are included in related information systems in accordance with the rules of the New Basel Capital Accord and the competent authority in order to calculate the results of the Bank's risk mitigation accurately.</li> </ol> </li> <li>Strategies 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 effective strategies and procedures, and in studying countermeasures.</li> </ol> </li> <li>The Bank has set up a collateral management system that can 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 m</li></ol>
Method of Legal Capital Allocation	Standardized Approach



# B. Exposure and Accrued Capital Following Risk Mitigation Using the Standardized Credit Risk Approach

#### Dec. 31, 2015

		Unit: NT\$1,000
Type of Exposure	Exposure Following Risk Mitigation	Accrued Capital
Sovereign Nations	1,733,558,416	54,848
Non-Central Government Public Sector	574,278,438	15,683,378
Banks (Including Multilateral Development Banks)	331,359,091	10,426,291
Enterprises (Including Securities and Insurance Firms)	934,231,203	68,514,323
Retail Loans	403,931,619	18,562,187
Residential Real Estate	529,085,961	25,422,652
Equity Investment	10,519,115	3,271,579
Other Assets	139,036,378	8,431,448
Total	4,656,000,221	150,366,706

(2) Securitization Risk Management System, Exposure, and Accrued Capital

#### A. Securitization Risk Management System

#### Year 2015

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 Bank's "Investment Policy," "Rules for Trading and Management of NT Dollar Funds," 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 Report- ing 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 2015

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's 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 systematic criteria to identify, measure, evaluate and monitor operational risk information.</li> <li>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	Standardized Approach



#### B. Operational Risk Management Accrued Capital

#### Dec. 31, 2015

Unit: NT\$1,000

Year	Operating Gross Profit	Accrued Capital
2013	28,052,381	
2014	34,840,754	
2015	32,041,962	
Total	94,935,097	4,548,298

#### (4) Market Risk Management System and Accrued Capital

#### A. Market Risk Management System

#### Year 2015

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, Risk Management Committee, and ranking executives.
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, trad- ing 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, sys- tem, rules, organization, overall risk assessment, supervision, and examining revision af- fairs.</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 branches (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>To strengthen the management of market risk, the BOT has set up a VaR system of market risk with internal model approach (IMA) that produces various software and add a Stressed VaR function to comply with Basel III quantitative standards regarding the internal model-based approach to market risk capital requirements.</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 has been provided for, and can be used for the mutual offsetting of 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, 2015

Linit NITE 1 000

	Unit: N1\$1,000
Risk Category	Accrued Capital
Interest rate risk	2,205,285
Equity security risk	1,831,521
Foreign exchange risk	3,058,528
Option risk	36,626
Commodity risk	0
Total	7,131,960

#### (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

							Unit: NI\$ 1,000	
		Amounts by Time Remaining before Maturity						
Items	Total	0-10 days	11-30 days	31-90 days	91-180 days	181 days- one year	Over one year	
Major inflows of matured funds	4,580,467,848	500,750,572	673,280,178	584,878,110	379,261,922	644,640,452	1,797,656,614	
Major outflows of matured funds	6,097,958,711	275,948,286	507,057,462	977,527,194	1,116,221,822	1,238,314,552	1,982,889,395	
Period gap	(1,517,490,863)	224,802,286	166,222,716	(392,649,084)	(736,959,900)	(593,674,100)	(185,232,781)	

Dec. 31, 2015

Note: The table includes only New Taiwan Dollar Amounts held in the head office, the domestic and overseas branches, and Offshore Banking Branch.

Unit<sup>-</sup> US\$ 1 000

#### B. U.S. Dollars-Denominated Maturity Date Structure

						01111. 00¢ 1,000		
Items	Total	Amounts by Time Remaining before Maturity						
		0-30 days	31-90 days	91-180 days	181 days- one year	Over one year		
Major inflows of matured funds	45,983,000	16,709,602	9,740,900	5,826,801	4,883,939	8,821,758		
Major outflows of matured funds	45,983,000	20,038,883	10,755,802	4,260,065	4,001,894	6,926,356		
Period gap	0	(3,329,281)	(1,014,902)	1,566,736	882,045	1,895,402		

#### Dec. 31, 2015

Note: The table includes only USD Amounts held in the head office, 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.), the status of individual manufacturers, future prospects, and important breaking news.

(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 makes efforts to expand its businesses and achieve the budget targets. In addition, 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. This earned several awards for the Bank, including: Golden Quality Award and Golden Security Award by the Joint Credit Information Center; a winner in the Reader's Digest Trusted Brands survey in the banking category; two consumer finance brand awards for 2015 by Wealth magazine: Best Domestic Banking Brand Image and Best Wealth Management; Business Today's Award for Bank Most Highly Recommended by Customers (selected on the basis of the magazine's Wealth Management Bank Survey); a top prize in the category of "Five-Star Bank for Wealth Management" by Global Views Monthly; and a Superior Government 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 fine management system, and a correspondent banking system that covers Taiwan and the world. 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 provide customers with diversified services to establish a stronger competitive niche and tap into synergies.

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. The Bank has established the Shanghai JiaDing Sub-Branch, Guangzhou Branch, and Yangon Representative Office in Myanmar, and is actively preparing for the establishment of a branch in Fuzhou. In addition, the Bank has filed with the FSC to establish a mainland banking subsidiary, which would help to integrate domestic and overseas business resources, improve financial services for Taiwanese enterprises, and enable the Bank to seize the opportunities created by the internationalization of the RMB.

The Bank has established an "Overseas Branch Preparatory Committee" to facilitate the careful planning of deployment strategy and overseas business development, including manpower training, transnational 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

The Bank's main source of income is from interest income, and 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, 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.

# Prudence BANK OF TAIWAN

198	Special Disclosure
100	operial Disclosure

- 198 I. Information on Affiliated Enterprises
- **199** Directory of Head Office and Branches
  - 199 I. Domestic Business Units
  - 208 II. Overseas Units



企業 専 画 雲 端 金 融 純 請即刻上網 https://necomb.bot.com.tw 或來電提昇企業競爭力(02)23494567



# Special Disclosure

#### I. Information on Affiliated Enterprises

1. The Bank's Subsidiaries (Dec. 31, 2015)

Bank of Taiwan
Shareholding 100%
BankTaiwan Insurance Brokers Co., Ltd.

#### 2. Basic Data of the Bank's Subsidiaries

Dec. 31, 2015

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

#### Dec. 31, 2015

	Desition	Company Name and Representative	Shareholding		
Enterprise Name	Position	Company Name and Representative	Shares	%	
BankTaiwan Insurance Brokers Co., Ltd.	Chairperson Director Director Supervisor President	Bank of Taiwan Legal Representative <sup>:</sup> Hsieh, Fu-Deng Legal Representative <sup>:</sup> Chiang, Shih-Tien Legal Representative <sup>:</sup> Kang, Fan Legal Representative <sup>:</sup> Juan, Ching-Hwa Kang, Fan	2,000,000	100%	

#### 4. Operation Overview of the Bank's Subsidiaries

#### Dec. 31, 2015

								Unit: NT\$1,000
Enterprise Name	Capital	Total Assets	Total Liabilities	Equity	Operating Revenue	Operating Profits	Income (After Tax)	EPS in NT\$ (After Tax)
BankTaiwan Insurance Brokers Co., Ltd.	20,000	463,599	329,416	134,183	1,876,443	283,653	235,295	117.65

#### 198

# Directory of Head Office and Branches

### I. Domestic Business Units

No.120, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 10007, Taiwan (R.O.C.) P.O. Box 5 or 305, Taipei, Taiwan

SWIFT: BKTWTWTP

http://www.bot.com.tw

Code	Office	Address	Telephone	FAX	
Head Office					
0037	Department of Business	No.120, Sec. 1, Chongqing South Road, Zhongzheng District, Taipei City	02-23493456	02-23759708	
0059	Department of Public Treasury	No.120, Sec. 1, Gueiyang Street, Zhongzheng District, Taipei City	02-23494123	02-23751125	
0082	Department of Trusts	6F., No.49, Sec. 1, Wuchang Street, Zhongzheng District, Taipei City	02-23493456	02-23146041	
2329	Department of Procurement	No.45, Sec. 1, Wuchang Street, Zhongzheng District, Taipei City	02-23493456	02-23832010	
2330	Department of Precious Metals	2F., Building B, No.49, Sec. 1, Wuchang Street, Zhongzheng District, Taipei City	02-23493456	02-23821047	
2352	Department of Government Employees Insurance	6F., No.140, Sec. 3, Sinyi Rd., Da-an District, Taipei City	02-27013411	02-27015622	
0691	Offshore Banking Branch	3F., No.49, Sec. 1, Wuchang Street, Zhongzheng District, Taipei City	02-23493456	02-23894500	
Taipei, N	New Taipei, and Kee	lung Area			
0071	Guancian Branch	No.49, Guancian Road, Zhongzheng District, Taipei City	02-23812949	02-23753800	
0129	Keelung Branch	No.16, YiYi Road, Jhongjheng District, Keelung City	02-24247113	02-24220436	
0196	Yenping Branch	No.406, Nanjing West Road, Datong District, Taipei City	02-25522859	02-25524317	
0200	Chungshan Branch	No.150, Sec. 1, Jhongshan North Road, Jhongshan District, Taipei City	02-25423434	02-25710210	
0277	Panchiao Branch	No.21, Fujhong Road, Banciao District, New Taipei City	02-29680172	02-29676416	
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	

Code	Office	Address	Telephone	FAX
0369	Peitou Branch	No.152, Sec. 1, Jhongyang South Road, Beitou District, Taipei City	02-28951200	02-28973345
0428	Sanchung Branch	No.39, Sec. 4, Chongsin Road, Sanchong District, New Taipei City	02-29719621	02-29719736
0451	Chengchung Branch	No.47, Cingdao East Road, Zhongzheng District, Taipei City	02-23218934	02-23918761
0462	Minchuan Branch	No.239, Sec. 2, Chengde Road, Datong District, Taipei City	02-25530121	02-25529463
0484	Liancheng Branch	No.186, Jian 1st Rd., Zhonghe District, New Taipei City	02-82272611	02-82272511
0509	Sungchiang Branch	No.115, Songjiang Road, Jhongshan District, Taipei City	02-25069421	02-25078786
0521	Lungshan Branch	No.380, Kangding Road, Wanhua District, Taipei City	02-23088111	02-23366978
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
0646	Sungshan Branch	No.560, Sec. 4, Jhongsiao East Road, Sinyi District, Taipei City	02-27293111	02-27230014
0668	Chungho Branch	No.253, Sec. 2, Jhongshan Road, Jhonghe District, New Taipei City	02-22488980	02-22461474
0705	Shihlin Branch	No.197, Sec. 6, Jhongshan North Road, Shihlin District, Taipei City	02-28367080	02-28362523
0716	Hsinchuang Branch	No.85, Sintai Road, Hsin Chuang District, New Taipei City	02-22056699	02-22031524
0749	Shulin Branch	No.29, Wunhua Street, Shulin District, New Taipei City	02-26866511	02-26861307
0750	Hsintien Branch	No.45, Baojhong Road, Sindian District, New Taipei City	02-29180795	02-29105461
0808	Minsheng Branch	No.167, Fusing North Road, Songshan District, Taipei City	02-27192081	02-27188897
0853	Taipei World Trade Center Branch	3F., No.333, Sec. 1, Keelung Road, Sinyi District, Taipei City	02-27200315	02-27576156
0864	Taan Branch	1F., No.69, Sec. 2, Dunhua S. Rd., Da-an District, Taipei City	02-27553121	02-27093243
0875	Huachiang Branch	No.293-2, Sec. 1, Jhongshan Road, Banciao District, New Taipei City	02-29610101	02-29638280
1067	Tunhwa Branch	No.205, Dunhua North Road, Songshan District, Taipei City	02-25455111	02-25450913
1078	Nankang Branch	No.95, Sec. 2, Nangang Road, Nangang District, Taipei City	02-26516706	02-27839049
1089	Hoping Branch	No.180, Sec. 1, Hoping East Road, Da-an District, Taipei City	02-23687027	02-23626987

Code	Office	Address	Telephone	FAX
1104	Chunglun Branch	No.184 and 2F8 & 2F9, No.188, Sec. 5, Nanjing East Road, Songshan District, Taipei City	02-27698618	02-27603224
1115	Tucheng Branch	No.344, Sec. 2, Jhongyang Road, Tucheng District, New Taipei City	02-22703791	02-22603314
1229	Jenai Branch	No.99, Sec. 2, Renai Road, Zhongzheng District, Taipei City	02-23975936	02-23975927
1241	Yuanshan Branch	No.577, Linsen North Road, Jhongshan District, Taipei City	02-25976699	02-25932760
1355	Wuku Branch	No.42, Sec. 4, Jhongsing Road, Wugu District, New Taipei City	02-22936699	02-22918201
1425	Tienmou Branch	No.18, Sec. 7, Jhongshan North Road, Shihlin District, Taipei City	02-28755222	02-28755219
1481	Tamsui Branch	No.93, Jhongshan Road, Danshuei District, New Taipei City	02-26281111	02-26281122
1539	Neihu Branch	No.396, Sec. 1, Neihu Road, Neihu District, Taipei City	02-87977933	02-87977957
1562	Hsichih Branch	No.175, Sec. 2, Datong Road, Sijhih District, New Taipei City	02-86926822	02-86926828
1621	Chunhsien Branch	No.1, Jhongshan South Road, Zhongzheng District, Taipei City	02-23411001	02-23578831
1654	Wenshan Branch	No.218, Sec. 6, Roosevelt Road, Wunshan District, Taipei City	02-86633456	02-86635656
1872	Lujou Branch	No.50, Sanmin Road, Lujhou District, New Taipei City	02-82868686	02-82868989
1931	Yongji Mini Branch	3F., No.3, Songren Road, Sinyi District, Taipei City	02-27209856	02-27209970
1942	Tungmen Mini Branch	No.42, Sec. 1, Renai Road, Taipei City	02-23943168	02-23916855
1953	Aiguo Mini Branch	No.31, Aiguo East Road, Taipei City	02-23960017	02-23578646
1986	Taidian Mini Branch	No.242, Sec. 3, Roosevelt Road, Taipei City	02-23667506	02-23672354
2053	Peifu Mini Branch	B1, No.161, Sec. 1, Jhongshan Road, Banciao District, New Taipei City	02-89535968	02-89535268
2189	Taipei Port Branch	2F., No.123, Shanggang Rd., Bali District, New Taipei City	02-26196269	02-26196272
2237	Donghu Branch	No.458, Sec. 5, Chenggong Rd., Neihu District, Taipei City	02-26305768	02-26307233
2259	Nankang Software Park Branch	2F2, No.66, Sanchong Rd., Nangang District, Taipei City	02-27833009	02-27833900
2293	Muzha Branch	No.145, Sec. 1, Singuang Rd., Wunshan District, Taipei City	02-86615115	02-86617690
2363	Wuchang Branch	No.49, Sec. 1, Wuchang St., Zhongzheng District, Taipei City	02-23493456	02-23141340

Code	Office	Address	Telephone	FAX
2385	Taipei Branch	No.80, Songjiang Rd., Jhongshan District, Taipei City	02-25435790	02-25236924
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
2411	Jiantan Branch	No.174, Sec. 4, Chengde Rd., Shihlin District, Taipei City	02-28831633	02-28831364
2422	Wanhua Branch	No.26, Sec. 2, Gueiyang St., Wanhua District, Taipei City	02-23830066	02-23830067
2433	Bansin Branch	No.268, Sec. 1, Wunhua Rd., Banciao District, New Taipei City	02-22540560	02-22540570
2444	Xin Yonghe Branch	No.97, Renai Rd., Yonghe District, New Taipei City	02-29211808	02-29211829
2455	Nan HsinChuang Branch	No.653, Jhongjheng Rd., Hsin Chuang District, New Taipei City	02-29012999	02-29012119
2709	Xinhu Branch	No.188, Xing-ai Road, Neihu District, Taipei City	02-87927988	02-87928118
2798	Taipei International Airport Branch	No.340-9, Dunhua North Road, Songshan District, Taipei City	02-27187628	02-27187618
2802	Xinzhuang Fuduxin Branch	No.119, Touqian Road, Hsin Chuang District, New Taipei City	02-22773000	02-89945222
Taoyuar	n, Hsinchu and Miac	li Area	L	
0152	Hsinchu Branch	No.29, Linsen Road, East District, Hsinchu City	03-5266161	03-5266446
0266	Taoyuan Branch	No.46, Jhongjheng Road, Taoyuan District, Taoyuan City	03-3352801	03-3322007
0299	Miaoli Branch	No.510, Jhongjheng Road, Miaoli City, Miaoli County	037-326791	037-327111
0417	Chungli Branch	No.580, Yanping Road, Jhongli District, Taoyuan City	03-4252160	03-4258751
0439	Toufen Branch	No.65, Jhongjheng Road, Toufen Township, Miaoli County	037-663451	037-672213
0680	Chupei Branch	No.16, Guangming 6th Road, Jhubei City, Hsinchu County	03-5513111	03-5517322
0738	Science-Based Industrial Park Branch	2F., No.5, Industrial E. 6th Road, Science-Based Industrial Park, Hsinchu City	03-5770050	03-5777936
1159	Taoyuan International Airport Branch	No.15, Hangjhan South Road, Pusin Village, Dayuan District, Taoyuan City	03-3982166	03-3834834
1218	Pingchen Branch	No.11, Sec. 2, Huannan Road, Pingjhen District, Taoyuan City	03-4945688	03-4945699

Code	Office	Address	Telephone	FAX
1230	Nankan Branch	No.81, Sec. 1, Nankan Road, Lujhu District, Taoyuan City	03-3529191	03-3520916
1447	Neili Branch	No.125, Singnong Road, Jhongli District, Taoyuan City	03-4618519	03-4519650
1643	Peitalu Branch	No.68, Beida Road, East District, Hsinchu City	03-5354381	03-5354380
1724	Chienkuo Branch	No.169, Jiansing Road, Jhongli District, Taoyuan City	03-4670081	03-4670010
1861	East Taoyuan Branch	No.300, Jingguo Road, Taoyuan District, Taoyuan City	03-3263888	03-3265666
2260	Longtan Branch	No.142, Donglong Rd., Longtan District, Taoyuan City	03-4790888	03-4700999
2282	Linkou Branch	No.368, Fusing 1st Rd., Gueishan District, Taoyuan City	03-3277299	03-3277706
2466	Taosing Branch	No.28-8, Yanping Rd., Taoyuan District, Taoyuan City	03-3645566	03-3643322
2477	Sinming Branch	No.7, Sinming Rd., Jhongli District, Taoyuan City	03-4951301	03-4943210
2488	Lioujia Branch	No.312, Dong Sec. 1, Guangming 6th Rd., Jhubei City, Hsinchu County	03-6585858	03-6587500
Taichun	g, Changhua and N	antou Area		
0107	Taichung Branch	No.140, Sec. 1, Zihyou Road, West District, Taichung City	04-22224001	04-22224274
0130	Chunghsing New Village Branch	No.11, Guanghua Road, Jhongsing New Village, Nantou City, Nantou County	049-2332101	049-2350457
0163	Changhua Branch	No.130, Chenggong Road, Changhua City, Changhua County	04-7225191	04-7257871
0303	Fengyuan Branch	No.302, Jhongjheng Road, Fongyuan District, Taichung City	04-25278686	04-25256981
0325	Nantou Branch	No.101, Fusing Road, Nantou City, Nantou County	049-2232121	049-2229845
0370	Wufeng Branch	No.838, Jhongjheng Road, Wufeng District, Taichung City	04-23302216	04-23327104
0473	Tantzu Branch	No.1, Jianguo Road, Tanzih District, Taichung City	04-25323133	04-25339071
0495	Yuanlin Branch	No.63, Minsheng Road, Yuanlin Township, Changhua County	04-8323191	04-8330663
0554	Fuhsing Branch	No.102, Sec. 4, Fusing Road, East District, Taichung City	04-22244181	04-22205856
0576	Taichung Harbor Branch	No.2, Sihwei Road, Wuci District, Taichung City	04-26562311	04-26580625
0598	Puli Branch	No.112. Dongrong Road, Puli Township, Nantou County	049-2983991	049-2995949

Code	Office	Address	Telephone	FAX		
0657	Chienhsing Branch	No.276, Sec. 1, Taiwan Boulevard, Central District, Taichung City	04-22242141	04-22293851		
0727	Tachia Branch	No.61, Minsheng Road, Dajia District, Taichung City	04-26868111	04-26865224		
0794	Liming Branch	No.607, Daye Rd., Nantun District, Taichung City	04-22551178	04-22524822		
0901	Taya Branch	No.1080, Sec. 3, Zhongqing Road, Daya District, Taichung City	04-25683330	04-25680164		
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		
1366	Tali Branch	No.481, Sec. 2, Guoguang Road, Dali District, Taichung City	04-24180211	04-24180801		
1414	Hsitwun Branch	No.41, Sec. 2, Cinghai Road, Situn District, Taichung City	04-23128528	04-23117106		
1436	Lukang Branch	No.2, Lugong Road, Lugang Township, Changhua County	04-7810168	04-7810268		
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		
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		
2787	Chungdu Branch	No.99, Sec. 3, Taiwan Boulevard, Xitun District, Taichung City	04-22589611	04-22584278		
Yunlin, (	Yunlin, Chiayi and Tainan Area					
0093	Tainan Branch	No.155, Sec. 1, Fucian Road, West Central District, Tainan City	06-2160168	06-2160188		
0141	Chiayi Branch	No.306, Jhongshan Road, West District, Chiayi City	05-2224471	05-2258400		
0288	Hsinying Branch	No.10, Jhongjheng Road, Sinying District, Tainan City	06-6351111	06-6321843		
0314	Touliu Branch	No.27, Wenhua Road, Douliou City, Yunlin County	05-5324155	05-5338309		

Code	Office	Address	Telephone	FAX
0406	Anping Branch	No.240, Jhongjheng Road, West Central District, Tainan City	06-2292181	06-2241520
0679	Taipao Branch	No.2, East Section, Hsiangho 1st Road, Hsiangho New Villiage, Taipao City, Chiayi County	05-3620016	05-3620021
0819	Yungkang Branch	No.513, Siaodong Road, Yongkang District, Tainan City	06-3125411	06-3138709
1377	Annan Branch	No.298, Sec. 2, Anhe Road, Annan District, Tainan City	06-3555111	06-3565881
1469	Tainan Science- Based Industrial Park Branch	1F., No.15, Nanke 3rd Road, Sinshih District, Tainan City	06-5051701	06-5051709
1470	Huwei Branch	No.369, Sec. 2, Linsen Road, Huwei Township, Yunlin County	05-6337367	05-6321611
1540	Chiabei Branch	No.602, Jhongsiao Road, West District, Chiayi City	05-2718911	05-2718922
2271	Rende Branch	No.899, Sec. 2, Jhongjheng Rd., Rende District, Tainan City	06-2492389	06-2498078
2307	Tainan Innovation & Research Park Branch	No.31, Gongye 2nd Road, Annan District, Tainan City	06-3842585	06-3842568
2525	Jianan Branch	No.353, Zhongxing Road, West District, Chiayi City	05-2348686	05-2348661
2536	Nandu Branch	No.180, Sec. 2, Chung-Yi Rd., West Central District, Tainan City	06-2219999	06-2206977
2721	Lioujiading Branch	No.41, Zhongzheng S. Road, Yongkang District, Tainan City	06-2810991	06-2810360
Kaohsiu	ing and Pingtung Ar	ea		
0118	Kaohsiung Branch	No.264, Jhongjheng 4th Road, Cianjin District, Kaohsiung City	07-2515131	07-2211257
0174	Pingtung Branch	No.43, Jhongshan Road, Pingtung City, Pingtung County	08-7328141	08-7322309
0211	Kaohsiung Export Processing Zone Branch	No.1, Jhongyi Road, Export Processing Zone, Cianjhen District, Kaohsiung City	07-8215141	07-8115648
0255	Fengshan Branch	No.20, Caogong Road, Fongshan District, Kaohsiung City	07-7416131	07-7433478
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

Code	Office	Address	Telephone	FAX
0565	Sanming Branch	No.567, Jiouru 2nd Road, Sanmin District, Kaohsiung City	07-3127143	07-3215350
0602	Kangshan Branch	No.16, Shoutian Road, Gangshan District, Kaohsiung City	07-6216141	07-6214853
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
0886	Chaochou Branch	No.13-2, Sinsheng Road, Chaojhou Township, Pingtung County	08-7883084	08-7883614
0912	Nantze Branch	No.201, Nanzih Road, Nanzih District, Kaohsiung City	07-3526680	07-3531484
1160	Tachang Branch	No.540, Jiouru 1st Road, Sanmin District, Kaohsiung City	07-3891036	07-3806046
1182	Wuchia Branch	No.168, Wujia 2nd Road, Fongshan District, Kaohsiung City	07-7170730	07-7233469
1193	Boai Branch	No.394, Yucheng Road, Zuoying District, Kaohsiung City	07-5567690	07-5562613
1207	Chungchuang Branch	No.339, Fongping 1st Road, Daliao District, Kaohsiung City	07-7038838	07-7038964
1551	Donggang Branch	No.105, Xinsheng St., Donggang Township, Pingtung County	08-8323131	08-8352545
1595	Hsiaokang Branch	No.410, Hongping Road, Siaogang District, Kaohsiung City	07-8010399	07-8066029
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
1919	Kaohsiung International Airport Branch	No.2, Jhongshan 4th Road, Siaogang District, Kaohsiung City	07-8017564	07-8022004
2215	Kaohsiung Science Park Branch	1-3F., No.23, Luke 5th Rd., Lujhu District, Kaohsiung City	07-6955268	07-6955278
2248	Gaorong Branch	No.415, Chongsin Rd., Zuoying District, Kaohsiung City	07-3432258	07-3431198
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, Kaohsiung City	07-2512031	07-2517471

Code	Office	Address	Telephone	FAX
2710	Wufu Branch	No.52, Sihwei 2nd Road, Lingya District, Kaohsiung City	07-7271606	07-7271617
2835	Renwu Branch	No.139, Bade S. Rd., Renwu District, Kaohsiung City	07-3752999	07-3752900
Yilan, Hı	ualien, and Taitung	Area		
0185	Hualien Branch	No.3, Gongyuan Road, Hualien City, Hualien County	03-8322151	03-8322404
0222	llan Branch	No.50, Jiucheng S. Rd., Yilan City, Yilan County	03-9355121	03-9355822
0233	Taitung Branch	No.313, Jhongshan Road, Taitung City, Taitung County	089-324201	089-311608
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
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	0836-26046	0836-25801

## II. Overseas Units



Branch	Address	Telephone	SWIFT	FAX
New York Branch	100 Wall Street, 11th Floor, New York, NY 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 District, Shanghai, China	86-21-3256-9900	BKTWCNSH	86-21-3256-9477
Guangzhou Branch	Guangzhou International Finance Center, Unit 04-06, 24F, No.5, Zhujiang Xi Road, Zhujiang New Town, Tian He District, Guangzhou, Guangdong Province, China	86-20-8367-3000	BKTWCN22	86-20-8883-1933
Shanghai JiaDing Sub-Branch	1F, No.3189, Bao'an Road, Jiading Dist., Shanghai, China	86-21-5910-5311	BKTWCNSH	86-21-5910-5312
Mumbai Representative Office	Regus Platina, 9th Floor, Platina, C-59, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai, 400051, India	91-2267000907	_	91-2267000600
Yangon Representative Office	Rose Garden Offices, Unit 1 & 2, 1st Floor, No.171, Upper Pansodan Road, Mingalar Taung Nyunt Township, Yangon, The Republic of the Union of Myanmar	95-1-371992 ext.2001, 2002	_	95-9963-203-933



# **BANK OF TAIWAN**

Chairperson Jrh-Chu Lee



# Integrity · Care · Efficiency · Prudence



BANK OF TAIWAN



NO. 120, Sec. 1, Chongqing S.Rd., Zhongzheng Dist., Taipei City 10007, Taiwan (R.O.C.) Tel: 886-2-2349-3456 www.bot.com.tw SWIFT: BKTWTWTP

銀行

