

2015 ANNUAL REPORT

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Tel: +886-2-8722-5800
Website: <http://www.taiwanratings.com.tw>

Standard & Poor's Ratings Services

Address: Unit 1, 69F., International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
Tel: +852-2533-3500
Website: <http://www.standardandpoors.com>

Fitch Australia Pty Ltd., Taiwan Branch

Address: Suite 1306, 13F., No. 205, Dunhua N. Rd., Taipei City 105, Taiwan (R.O.C.)
Tel: +886-2-8175-7600
Website: <http://fitchratings.com.tw/zh/>

Moody's Investors Service Hong Kong Limited

Address: 24/F, One Pacific Place, 88 Queensway, Admiralty, Hong Kong
Tel: +852-3758-1300
Website: <http://www.moody.com>

Overseas Exchange for Trading of Company Securities

Singapore Exchange (SGX)
Website: <http://www.sgx.com>

For the contact information of our headquarters and various branches in Taiwan and overseas, please refer to page 33.

Contents

I. Letter to Shareholders.....	2
II. Company Profile	
A. Company Overview.....	5
B. The Organization.....	9
III. Business Overview	
A. Business Performance.....	15
B. Employees.....	22
C. Corporate Social Responsibility.....	23
IV. Dividend Policy and Earnings Distribution	
A. Dividend Policy and Status of Execution.....	25
B. The Influence of Dividend Allocation This Time to The Business Performance and Earnings Per Share	25
C. Information Relating to Compensation of Employees, Directors, and Supervisors.....	25
V. Internal Control Statement.....	28
VI. Audit Committee's Report of the Financial Statement Of the Last Year.....	32
VII. Head Office and Domestic Branches.....	33
<Appendix 1> Consolidated Financial Reports for 2015	
<Appendix 2> Annual Financial Reports for 2015	

I. Letter to Shareholders

Dear Shareholders,

CTBC Bank Co., Ltd. (hereinafter CTBC Bank) continued to deliver strong results in 2015 in spite of the economic slowdown in Taiwan. Our achievements and performance were recognized by several global financial publications, i.e. CTBC Bank was named “Bank of the Year in Taiwan” by *The Banker* for the eighth time. Other awards included “Best Derivatives House in Taiwan” by *The Asset* for the fifth time, “Best FX House in Taiwan” by *Global Finance* for the 12th time, and “Best Trade Finance Bank in Taiwan” by *Global Trade Review* for consecutive five years. We were also awarded “Best Retail Bank in Taiwan” by *The Asian Banker* for the 10th time, and our wealth management was named “Best Private Banking Services in Taiwan” by *Euromoney* for the 12th time.

In 2015, CTBC Bank reported NT\$92.5 billion of net revenue, NT\$39.8 billion of pre-tax income, NT\$34.2 billion of after-tax income, and 18.39% of pre-tax ROE on a consolidated basis. Compared to 2014, net revenue grew 1%, pre-tax income declined 7%, and the budget achieving rate before taxes was 98%. However, the recurring pre-tax income grew 9% and recurring profit budget achieving rate before taxes reached 101% by excluding one-off items, such as increased loan loss allowance required by the regulator, the sale of the CTBC buildings, and TSB bargain purchase gain.

CTBC Bank has been leading in innovation in the industry, continuing to provide innovative financial products and services to customers. For instance, our digitized branches were equipped with the state-of-the-art technologies, specifically a pioneering biometric ATM that utilizes fingertip vein recognition to replace traditional ATM cards, wide uses of tablet at branches to reduce customer waiting time, and facial recognition technology to verify customers’ identity. In addition, CTBC Bank was the first bank to introduce bluetooth DIRECTPAY function in our mobile app that enabled our credit card holders to complete transactions at the cashier by simply entering the passwords at their mobile devices. We also teamed up with UnionPay International and provided the first mobile payment service in night markets. With such cooperation, customers can conveniently pay with their credit cards at the traditionally cash-based street vendors. CTBC Bank also expanded credit card reward program to use reward points at street vendors.

To strengthen our market-leading positions in e-banking and overseas credit card business, CTBC Bank established two new divisions “*Taiwan E-banking Division*” and “*Overseas Business Development Division*” in early 2016. The “*Taiwan E-banking Division*” is to plan e-channel strategies, to develop new technologies, to enhance platform integration, and to facilitate e-business development. The “*Overseas Business Development Division*” is to develop overseas business as well as branding strategies for credit card and payments.

In terms of risk management, the CTBC Bank demonstrated strong asset quality with a consolidated NPL Ratio and Coverage Ratio of 0.78% and 168.8% respectively. CTBC Bank has prudent management on asset quality and capital adequacy contributing to a robust BIS Ratio of 12.98%. Standard & Poor's gave the Bank positive outlook in light of CTBC Bank's moderate profitability, strong capitalization, and ability to maintain a leading market position despite the extreme competition in the banking sector.

Most Recent Credit Ratings

Type of Rating	Rating Agency	Credit Rating		Outlook	Effective Date
		Long-term	Short-term		
Global	Moody's	A2	Prime-1	Stable	2016.04.06
	Standard & Poor's	A-	A-2	Positive	2014.07.22
	Fitch	A	F1	Negative	2015.09.25
National	Taiwan Ratings	twAA+	twA-1+	Stable	2014.07.22
	Fitch	AA+(twn)	F1+(twn)	Negative	2015.09.25

2015 Market and Banking Industry Review

In 2015, emerging countries had slower-than-expected growth because of capital outflows as a result of strengthened US Dollar caused by the expectation of rate hikes in the United States and plunging commodity prices. China continued to conduct structural reforms that also led to slower growth. The Eurozone and Japan, with the support of expanded quantitative easing, showed modest recovery. Fortunately, the US job market demonstrated steady improvement and the increased disposable income was able to support the domestic consumption. While the global economy continued the US-led expansion in 2015, the growth was exceedingly slow and uneven. Central Bank of the Republic of China had to reduce interest rates to support Taiwan's economy given the global economic sluggishness, international financial turbulence, record-low oil prices, and slowing economic growth and implementation of an import substitution development strategy in China after reporting a 4.04% of growth in the first quarter. Due to weaker than expected economic performance in Taiwan along with the intensified turmoil in the international financial markets, the overall banking sector has become more risk-cautious.

2016 Outlook

CTBC Bank will concentrate on augmenting business with our core customers, enhancing our leading position in our core businesses in Taiwan, and expanding our overseas footprint as our future growth driver. CTBC Bank will continue to invest in compliance and information technology infrastructure to optimize customer experience, to quickly respond to customers' changing behaviors, to provide a differentiated customer experience, and to improve operational efficiency.

Business plans are discussed in detail below:

1. Expand our core business in Taiwan

CTBC Bank's institutional banking business will maintain our leading position in the industry by expanding Taiwan customer base, strengthening cross-selling capability, integrating our Greater China platform, and capturing the opportunities of RMB internationalization, cross-strait financial development, and relaxation of related regulations. In retail banking business, CTBC Bank will continue to provide innovative products and services to meet customers' needs. Through interconnected branches and digital platforms, we will provide exquisite consumer experience and seamless interactions to our customers. As for the payment business, we will focus on our core business and digital transformation, such as developing new digital credit card business models, setting up a digital lifestyle platform, developing new payment tools, designing financial products and services for e-commerce business, and launching tailored marketing campaigns by utilizing big data analytics.

2. Expand our overseas footprint

In the Greater China market, CTBC Bank plans to integrate our branches and subsidiary to form our presence in Shenzhen, Beijing, and Shanghai with full products and services offering. CTBC Bank aims to be the best Taiwanese bank in China by expanding our local customer base and leveraging our cross-border offering as differentiation. In Southeast Asia, our focus is to establish a sizable mid-cap business in major AEC markets with our Singapore branch as the regional hub to facilitate customers' cross-border capital and trade flows. In North Americas, CTBC Bank will continue to grow local client base through the advantage of our Asia network to provide cross-border services. In Japan, we will not only grow our existing niche businesses, improve asset quality, and increase operating efficiency but also expand our coverage to new customer segments with newly-developed offerings. Specifically, we will focus on growing financial advisory services to retired individuals and the generation of 30s-40s, and building cross-border commercial banking business with medium-sized corporates.

With all above efforts, I am confident CTBC Bank will continue to grow toward the best regional bank in Asia.

Chairman: 

II. Company Profile

A. Company Overview

1. Date of Establishment: March 14, 1966

2. History of the Bank

Formerly known as China Securities Investment Corp., CTBC Bank was established in 1966 and has been affiliated with CTBC Financial Holding Co., Ltd. since May 17, 2002.

Operations include deposits, loans, guarantees, foreign exchange, offshore banking units (OBU), trusts, credit cards, securities, bonds, proprietary futures, derivatives, factoring, safe deposit boxes, electronic banking services, and the national lottery.

To maximize operational scope, CTBC Bank merged with Grand Commercial Bank in December 2003, acquired the Fengshan Credit Cooperative in July 2004 and successfully bid to purchase Enterprise Bank of Hualien in May 2007. To make the group more effective, CTBC Bank formally merged with the Chinatrust Bills Finance Corporation on April 26, 2008. The transfer of 100% of The Tokyo Star Bank Ltd. shares was completed on June 5, 2014 and CTBC Bank officially became the sole shareholder of The Tokyo Star Bank. In October 2015, CTBC Bank, in a first for the banking industry, received approval from the competent authorities to operate within the insurance sector. On November 30, 2015, CTBC Bank merged with CTBC Insurance Brokers. With CTBC Bank, the surviving company, to continue providing services to CTBC Insurance Brokers' clients. Through the end of 2015, CTBC Bank had a total of 5,505 ATMs in Taiwan. CTBC Bank boasts NT\$2.73 trillion in deposits and NT\$3.52 trillion in total assets — the most of any privately-operated bank in Taiwan.

3. Awards

Domestic Awards

- *Reader's Digest* Trusted Brand Awards: Gold Awards for “Wealth Management”, “Banking”, and “Credit Cards”
- *Manager Today Magazine* Most Influential Brands 2015: First place in the Banking Category
- *Common Wealth Magazine* Gold Medal Service Survey 2015: First place in the Banking Category
- *Global Views Magazine* Wealth Management Five Star Awards: First place
- *30 Magazine* Young Generation Brand Survey 2015: First place for most often used credit card brand
- *Business Next Magazine* Business Innovation Awards: Jury Award, first place for Best Application Platform Award, and honorable mention for Best Media Integration
- *Business Today* Wealth Management Banking Survey 2015: First place for Best Wealth Management Bank and Best Digital Development Award, second place for Best Product Award and Best Overseas Development Award, and third place for Best Financial Consultant Team
- *Excellence Magazine* Best Bank Survey 2015: Best Social Responsibility Award

- Sports Administration, Ministry of Education: Gold Medal for 2015 Sports Activists Award-Sponsor Category
- Taiwan Mergers & Acquisitions and Private Equity Council MAPECT M&A Awards 2015: Most Representative M&A Award, Most Creative M&A Award, Best Cross-Strait M&A Award
- itSMF Taiwan ITeS Awards: Excellent Technological Service Management Award – Private Sector
- *Global Views Magazine* Service Industry Brand Survey 2015: Second place in the Finance Industry
- *Business Today* 8th Business Professional Brand Survey: First place in the Banking Category
- *Management Magazine* Consumer Satisfaction Brand Survey 2016: First place in the Banking Category
- *Wealth Magazine* Favorite Brands of the Elite Survey: Best Domestic Bank, Best Banking Service, Best Banking Products, Best Online Bank, Best Mobile Banking

International Awards

- *Global Finance*
 - Best in Social Media Bank Global Winner
 - Best in Social Media Bank, Asia-Pacific
 - Best Corporate/Institutional Digital Banks in Taiwan
 - Best Foreign Exchange Bank in Taiwan
 - Best Trade Finance Bank in Taiwan
 - Best Treasury & Cash Management Bank in Taiwan
 - Best Investment Bank in Taiwan
 - Best Sub-Custodian Bank in Taiwan
 - Best Private Bank in Taiwan
- *The Banker*
 - Bank of the Year in Taiwan 2015
 - 178 of Top 1000 World Banks 2015
- *Euromoney*
 - Best Bank in Taiwan
 - Best Managed Company in Banking and Finance
 - Best Private Banking Services overall in Taiwan
 - Best Net-Worth-Specific Services in Taiwan
 - Best Asset Management in Taiwan
 - Best Investment Banking Capabilities in Taiwan
 - Best Commercial Banking Capabilities in Taiwan
 - Best Research and Asset Allocation Advice in Taiwan
 - Best International Clients in Taiwan
 - Best Succession Planning Advice and Trusts in Taiwan

- *FinanceAsia*
 - Best Bank in Taiwan
 - Best FX House in Taiwan
 - Best Private Bank in Taiwan
 - Best Deal in Taiwan
- *IDC Financial Insights*
 - Best Governance, Risk & Compliance in Asia
- *Retail Banker International*
 - Excellence in Internet Banking in Asia
- CEPI (Cards & Electronic Payment International)
 - Best Digital Wallet Initiative
 - Highly Commended: Best Credit Card Offering– Taiwan
- *The Asian Banker*
 - Best Retail Bank in Taiwan
 - The Sub-Custodian Bank of the Year, Taiwan
 - Best Trade Finance Bank in Taiwan
 - Best Counterparty Bank in Taiwan
 - Best Corporate Payments Project in Taiwan
 - Best Wealth Management Business in Taiwan
 - Best Mobile Banking in Taiwan
 - Best Data and Analytics project in Taiwan
 - Achievement in Operational Risk Management of the Year in Taiwan
 - The Strongest Bank in Taiwan
- *The Asset*
 - Best Trade Finance Bank in Taiwan
 - Best Risk Management Bank in Taiwan
 - Best Domestic Custodian Bank in Taiwan
 - Derivatives House of the Year, Taiwan
 - Best Flow Derivatives House, Taiwan
 - Best Rates Derivatives House, Taiwan
 - Best FX Derivatives House, Taiwan
 - Best Commodities Derivatives House, Taiwan
 - Best Wealth Manager, Taiwan
 - Taiwan Highly Commended Private Bank
 - Best Loan House in Taiwan
 - Best M&A Deal in Taiwan
 - Best Loan Deal in Taiwan
 - Best Syndicated Loan, Indonesia
 - Rank 3 Top investment houses in Asian Local Currency Bonds for 2015, Taiwan

- *Asiamoney*
 - Best Executive for Taiwan – James Chen, CEO CTBC Bank
 - Best Domestic Private Bank in Taiwan
 - Overall Best Private Bank in Taiwan-AUM US\$1-5m #1
 - Overall Best Private Bank in Taiwan-AUM US\$5.01-25m #1
 - Overall Best Private Bank in Taiwan-AUM US\$>25m #2
 - Best Local Currency Cash Management Services voted by Financial Institutions
- *Global Trade Review*
 - Best Trade Finance Bank in Taiwan
- *Asian Banking & Finance*
 - Taiwan Domestic Foreign Exchange Bank of the Year
- Brand Finance
 - #116 of Top 500 Banking Brands
- *World Branding Forum*
 - Brand of the Year– Banking category

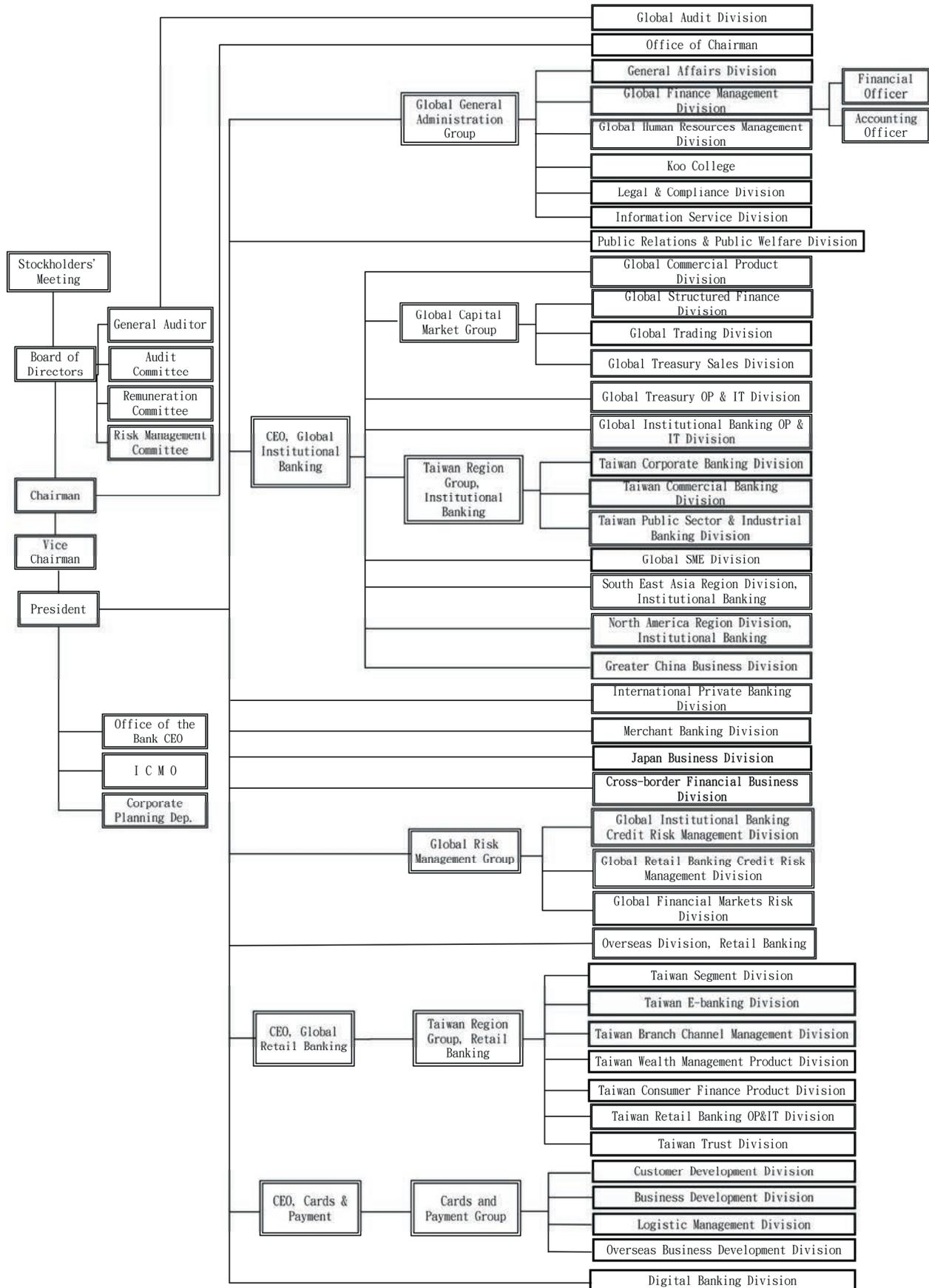
4. Global Operations

In 2015, CTBC Bank has a total of 149 branches within Taiwan and 106 outlets (representative offices, branches, and subsidiaries and their branches) located in the US, Canada, Japan, India, Indonesia, the Philippines, Thailand, Vietnam, Hong Kong, Singapore, Myanmar, Malaysia, Australia, and China, which makes CTBC Bank Taiwan's most international financial institution. Looking ahead, CTBC Bank will continue to stand by its brand spirit "We are family", while we work to protect and build clients' wealth. We will also uphold our brand values of being "Caring, Professional, and Trustworthy" as we provide customers with a complete array of convenient financial services. CTBC Bank will continue to strive to be Taiwan Champion, Asian Leader, and the financial institution most worthy of client trust.

B. The Organization

1. CTBC Chart

2016.02.01



2. Directors, supervisors, and major managers

(1) Directors and supervisors

Feb 29, 2016

Title	Name	Date of Assignment	Office Term	Significant Experience	Education
Chairman	Chao-Chin Tung	June 20, 2014	3	Director of CTBC Financial Holding Co., Ltd. Chairman of CTBC Capital Corp. Director of CTBC Life Insurance Co., Ltd. Chairman of CTBC Venture Capital Co., Ltd. Chairman of CTBC Asset Management Co., Ltd.	M.S. in Material Science, University of Rochester, U.S.A.
Vice Chairman	Thomas K.S. Chen			Director of CTBC Financial Holding Co., Ltd. Chairman of CTBC Investments Co., Ltd. Chairman of CTBC Bank Corp. (USA)	Bachelor of Public Finance, National Chengchi University, Taiwan
Director	Wen-Long Yen			Chairman of CTBC Financial Holding Co., Ltd. Chairman of Kainan University	Department Of Economics, Soochow University, Taiwan
Director	H. Steve Hsieh			Vice Chairman of CTBC Financial Holding Co., Ltd. Chairman of Taiwan Lottery Corporation Independent Director LITE-ON IT Co., Ltd. Secretary General, Executive Yuan	Ph.D. in Biochemical Nutrition, University of Wisconsin, U.S.A.
Director	Paul T.C. Liang			Director of Taiwan Life Insurance Co., Ltd. Chairman of TLG Capital Co., Ltd. Director of CTBC Financial Holding Co., Ltd. Director of CTBC Life Insurance Co., Ltd. President of PT Bank CTBC Indonesia	Department of International Trade, National Chengchi University, Taiwan
Director	Chun-Te Chiang			Chairman of ISTRA Corporation Director of Long Chen Paper Co., Ltd. Independent Director Feng Sheng Technology Co., Ltd.	Bachelor of Commerce, University of the Witwatersrand, Johannesburg South Africa
Director	Yen-Pao Chen			Director of CTBC Securities Co., Ltd. Director of CTBC Financial management college Director of CTBC Financial Holding Co., Ltd.	Ph.D. of Management Finance, University of George Washington, U.S.A.
Director	Kuen-Bao Ling	July 29, 2015	3	Director of CTBC Financial Holding Co., Ltd. Chairman of Taiwan Life Insurance Co., Ltd. Chairman of CTBC Life Insurance Co., Ltd.	Ph.D. in Insurance, Georgia State University, U.S.A.
Independent Director	Chung-Yu Wang	June 20, 2014	3	Independent Director of CTBC Financial Holding Co., Ltd. Independent Director of Chunghwa Telecom Co., Ltd. Chairman of Tong Lung Metal Industry Co., Ltd. Chairman of China Steel Co., Ltd. Chairman of Kaohsiung Rapid Transit Corporation	Honorary Ph.D. Chung Yuan Christian University, Taiwan

Title	Name	Date of Assignment	Office Term	Significant Experience	Education
Independent Director	Wen-Chih Lee	June 20,2014	3	Independent Director of CTBC Financial Holding Co., Ltd. Professor, National Kaohsiung University of Applied Sciences Department of Wealth and Taxation Management Independent Director of Bank of Kaohsiung President of National Kaohsiung University of Applied Sciences	Ph.D. National Taiwan University Graduate Institute of Commerce, Taiwan
Independent Director	Jie-Haun Lee			Independent Director of CTBC Financial Holding Co., Ltd. Professor, Finance Department, National Chengchi University National Chengchi University EMBA Executive Officer Director of Central Deposit Insurance Co., Ltd.	Ph.D.in Finance, Louisiana State University, U.S.A.
Independent Director	Yin-Lun Wu			Independent Director of CTBC Financial Holding Co., Ltd. Executive Director & Director of Fixed Income and Corporate Sales, Mizuho Securities Asia Limited Executive Director, Director of Construction Solution Service Sales for Financial Institutions, Director of Derivatives in Asia Equity Funds, Director of Derivatives in Global Equity Funds in London, Rabobank Director, Barclays Bank Managing Director & Vice President of Debt Capital Market, Bankers Trust New York Corporation Executive Director, Goldman Sachs Bank	MBA, McGill University, Canada

Note : All Directors and Independent Directors are legal representatives of CTBC Financial Holding Co., Ltd. which owns 10,572,927,905 shares of common stocks and 100% of ownership.

3. Significant Shareholders of Legal Entities & Top 10 shareholders or shareholders owning over 10%

Apr. 26, 2016

Institutional Shareholder	Shareholders of Major Institutional Shareholders
CTBC Financial Holding Co., Ltd.	<ol style="list-style-type: none"> 1. Yi Kao Investment Co., Ltd. (2.87%) 2. Mega International Commercial Bank Co., Ltd. Acting as Custodian for the Investment Account of Morgan Stanley Formosa Holdings(Cayman) Limited (2.60%) 3. Nan Shan Life Insurance Co., Ltd. (2.37%) 4. Jeffrey L.S. Koo (2.14%) 5. Government of Singapore—GOS-EFMC (1.94%) 6. Cathay Life Insurance Co., Ltd. (1.90%) 7. Chan Wei Investment Co., Ltd. (1.61%) 8. Long Bon International Co., Ltd. (1.57%) 9. Bank of Taiwan Co., Ltd. (1.54%) 10. CTBC Bank Trust Account for CTBC Financial Holding Employee Welfare Savings Committee (1.47%)

4. Major Managers

Mar 01, 2016

Name	Title	Education	Significant Experience
James Chen	President & CEO, Global Institutional Banking	MBA, The City University of New York, USA	President, Institutional Banking Group of CTBC Bank Co., Ltd.
Albert Lee	Senior Executive Vice President	Master of Comparative Law, University of Illinois, USA	Chairman of Threadneedle Investments Hong Kong
Roger Kao	Senior Executive Vice President	Master of Science in Broadcast Journalism, Boston University, USA	EVP of CTBC Bank Co., Ltd.
Larry Hsu	Senior Executive Vice President	Bachelor of Business Administration, National Taiwan University	EVP of CTBC Bank Co., Ltd.
James Y.G. Chen	Senior Executive Vice President	Master of Political Economy, Nankai University, Nankai University, China	President of Chang Hwa Bank
I Cheng Liu	Senior Executive Vice President	MBA, University of Pennsylvania, USA	President of Barclays Bank PLC.
Jack T.K. Cheng	Senior Executive Vice President	Bachelor of Business Administration, National Taiwan University	EVP of CTBC Bank Co., Ltd.
Noor Menai	Executive Vice President	MBA, University of Rochester, USA	CEO of Charles Schwab Bank
William Chu	Executive Vice President	Bachelor of Marine Transportation, National Chiao Tung University	SVP of CTBC Bank Co., Ltd.
Mingjohn Lee	Executive Vice President	MBA, New York University, USA	SVP of CTBC Bank Co., Ltd.
Jack CP Wang	Executive Vice President	MBA, The University of Western Ontario, Canada	Vice President of Citibank
Cliff Shen	Executive Vice President	Bachelor of Business Administration, National Cheng kung University	SVP of CTBC Bank Co., Ltd.

Name	Title	Education	Significant Experience
Eric Hsin	Executive Vice President	Executive MS in Finance, The City University of New York, USA	SVP of CTBC Bank Co., Ltd.
Amy HC Lin	Executive Vice President	Bachelor of Banking, National Chengchi University	SVP of CTBC Bank Co., Ltd.
Aaron King	Executive Vice President	Master of Law, Georgetown University, USA	Partner, Lotus International Law Office, Taipei
Frank Shih	Executive Vice President	MBA, University of Texas at Austin, USA	SVP of CTBC Bank Co., Ltd.
CC Hong	Executive Vice President	International Trade, Chihlee College of Business	SVP of CTBC Bank Co., Ltd.
Evan Chang	Executive Vice President	Bachelor of Accounting, Tunghai University	VP of CTBC Bank Co., Ltd.
YongJin Chen	Executive Vice President	EMBA, National Chengchi University	SVP of CTBC Bank Co., Ltd.
Alex Chen	Executive Vice President	Bachelor of Economics, Chinese Culture University	SVP of CTBC Bank Co., Ltd.
Jason Chen	Executive Vice President	Bachelor of Business Administration, Feng Chia University	SVP of CTBC Bank Co., Ltd.
Hy Chen	Executive Vice President	MBA, Ohio State University, USA	SVP of CTBC Bank Co., Ltd.
Frank Huang	Executive Vice President	MBA, State University of New York at Buffalo, USA	Director & Head of Asia Pacific Business
C.C. Huang	Executive Vice President	MBA, Indiana University at Bloomington, USA	EVP of ABN AMRO Bank
Amy Yang	Executive Vice President	EMBA, National Taiwan University	SVP of CTBC Bank Co., Ltd.
Tony Yang	Executive Vice President	MIBA, United States International University, USA	SVP of CTBC Bank Co., Ltd.
Openmind Yeh	Executive Vice President	Bachelor of Economics, Tunghai University	SVP of CTBC Bank Co., Ltd.
Matthew Liaw	Executive Vice President	MBA, University of Wisconsin at Madison, USA	SVP of CTBC Bank Co., Ltd.
James Liao	Executive Vice President	Bachelor of Law, Tunghai University	SVP of CTBC Bank Co., Ltd.
Peter Wei	Executive Vice President	MBA, National Taiwan University	SVP of CTBC Bank Co., Ltd.
Derek Lo	Executive Vice President	MBA, Madonna University, USA	SVP of CTBC Bank Co., Ltd.
Friedman Wang	Senior Vice President	MIBA, National Taiwan University	VP of CTBC Bank Co., Ltd.
Vivian Ho	Senior Vice President	EMBA, National Sun Yat-sen University	VP of CTBC Bank Co., Ltd.
Retinna Sung	Senior Vice President	Bachelor of Law, National Chung Hsing University	VP of CTBC Bank Co., Ltd.
Vincent Lee	Senior Vice President	MIBA, National Taiwan University	VP of CTBC Bank Co., Ltd.
Li Juan	Senior Vice President	MBA, Syracuse University, USA	VP of CTBC Bank Co., Ltd.
Brian Chou	Senior Vice President	Master of Public Affairs Management, National Sun Yat-sen University	VP of CTBC Bank Co., Ltd.
Yaling Chiu	Senior Vice President	MBA, Minnesota-Twin Cities University, USA	VP of CTBC Bank Co., Ltd.

Name	Title	Education	Significant Experience
Frank Hsu	Senior Vice President	Master of International Business, National Chengchi University	VP of CTBC Bank Co., Ltd.
Morris Kao	Senior Vice President	Bachelor of Accounting, Fu Jen Catholic University	VP of CTBC Bank Co., Ltd.
Boshan Hsu	Senior Vice President	MBA, Indiana University Bloomington, USA	VP of CTBC Bank Co., Ltd.
Richie Chen	Senior Vice President	Secretarial Science, Tamsui Institute of Business Administration	VP of CTBC Bank Co., Ltd.
Charles Chen	Senior Vice President	Bachelor of Economics, National Chung Hsing University	VP of CTBC Bank Co., Ltd.
Anderson Chen	Senior Vice President	Bachelor of Business Administration, Soochow University	VP of CTBC Bank Co., Ltd.
John Yang	Senior Vice President	MBA, University of Texas at Arlington, USA	VP of CTBC Bank Co., Ltd.
Sting Yang	Senior Vice President	Bachelor of Accounting, Fu Jen Catholic University	VP of CTBC Bank Co., Ltd.
Miranda Liaw	Senior Vice President	Master of Science in Industrial Administration, Carnegie Mellon University, USA	Chief Operating Officer & Executive Director of JPMorgan Chase Bank, N.A. Taipei Branch
Eric Tsai	Senior Vice President	EMBA, National Chengchi University	VP of CTBC Bank Co., Ltd.
Jerry Shaw	Senior Vice President	Bachelor of Business Administration, Tamkang University	VP of CTBC Bank Co., Ltd.
Jeffrey Hsieh	Vice President	Master of Agricultural Economics, National Taiwan University	Manager of CTBC Bank Co., Ltd.

III. Business Overview

A. Business Performance

1. Scope of Business

(1) Institutional Banking

a. Commercial Banking:

We provide customers comprehensive, specialized, and cross-border financial services, including loans, trade financing, cash management, corporate trust, proxy services, and offshore private banking services, such as investment and financial planning.

b. Capital Markets:

We provide tailored solutions to meet client financial needs. These services include syndication lending, structured financing, and financial advisory services. We offer a wide-range of foreign exchange and derivative products to satisfy client hedging and financing needs. We specialize in structured product design and proprietary trading.

(2) Retail Banking

a. Wealth Management:

We provide target customer groups financial planning, asset allocation planning and advisory services, as well as assistance acquiring a variety of financial products.

b. Secured Lending:

We provide a variety of residential mortgage services, including home mortgages, refinancing, installment loans, policy-based loans, and financial planning mortgages, to individuals and repurchase agreements to targeted corporate customers.

(3) Payment Services:

a. Credit Card and Payment Services:

- We provide issuing and acquiring services for credit cards, stored value cards, and debit cards.
- We develop platforms for digital wallets, third party payments, bill payments, and cross-border transactions.

b. Unsecured Lending:

We extend various types of unsecured personal loans, including unsecured term loans and revolving loans.

(4) Business in Japan

a. Institutional Banking:

We provide customers comprehensive, specialized, and cross-border financial services, including loans, trade financing, and cash management services. We provide customized solutions to meet client financial needs. Our financial services include a wide range of product options, including bilateral and syndicated lending, structured finance, foreign exchange, and derivative products, to meet client business needs.

b. Retail Banking:

We offer customers current deposits, time deposits, loans, domestic remittance, and cross-border remittance. In addition, our retail banking also provides target customer groups financial planning and advisory services, as well as mutual funds and insurance products.

Revenue Breakdown (Note 1)

Unit: NT\$ million

Revenue Source	Amount	%
Institutional Banking	29,069	31.44%
Retail Banking (Note 2)	38,117	41.23%
Japan Business	13,612	14.72%
Other	11,652	12.60%
Total	92,450	100.00%

Note 1: Bank consolidated basis

Note 2: Includes payment service business

2. Business Discussion

(1) Institutional Banking

CTBC Bank continues to maintain its lead in institutional banking in Taiwan's banking industry. Faced with the challenges posed by financial liberalization and an increasingly globalized marketplace, we are broadening our revenue sources on the Taiwan market by optimizing core business and growing emerging business. Furthermore, we are striving to fully utilize our global network, augmenting overseas markets, and linking cross-border opportunities to boost synergy with the goal of accelerating the growth of our international business.

We have our thumb on the market pulse, which enables us to lead the financial industry with creative, specialized financial products. This has made us an indispensable partner to our customers. Each of our main products has been bestowed with such international awards as "Best Foreign Exchange Bank in Taiwan", "Best Domestic Custodian Bank in Taiwan", "Best Treasury & Cash Management Bank in Taiwan", "Best Trade Finance Bank in Taiwan", "Best Rate Derivatives House", and "Best Commodities House". Our primary products are explained below:

a. Cash Management:

Driven by strong sales and quality products, CTBC Bank's market share of total deposits has continued to increase, reaching 6.1% in 2015. The growth of our deposit volume led the market, especially foreign currency deposits, with an annual growth rate of 25% and a market share of 8.5%. It was ranked number two in Taiwan in December 2015.

In Taiwan, CTBC Bank now employs the new eACH function launched by TWNCH (The Taiwan Clearing House) to obtain online authorization from payers without ATM cards for direct debit transactions. Our corporate clients (payees) utilize our direct debit e-solution to enable their customers (payers) to use computers or a mobile phone apps to connect to CTBC's internet banking services to obtain authorization. Payees then process direct debit transactions in real-time. This innovation enables our corporate clients to collect A/R more efficiently.

b. Trade Finance Business:

In 2015, CTBC Bank maintained its focus on the trade finance business despite challenges from the less-than-optimal economic environment. As a result, our trade finance assets grew by 5% in 2015. CTBC's trade business maintained its ranking of number six in Taiwan and was ranked number one among private banks in terms of volume of LC issuance and negotiation.

In the coming years, CTBC Bank's trade finance business will continue to focus on enhancing its services, overseas platforms, and product innovation.

In the area of factoring business, CTBC Bank regained its lead position in Taiwan in Q1 2015. In 2015, CTBC's factoring volume turnover accounted for 22% of market share. To differentiate our products from those of competitors, CTBC Bank continues to focus on enhancing service quality, ECA solutions, and overseas platform development to maintain its lead position in the factoring business.

c. Custody / Corporate Trust Business:

Our corporate trust business continued to grow in 2015. CTBC Bank assets under custody (AUC) from all segments reached NT\$1.92 trillion (US\$60 billion) at the end of 2015. Revenue from our corporate trust business reached NT\$1 billion (US\$31.3 million) in 2015. CTBC continued to be ranked number one in the transfer agent and employee benefits business in terms of asset scale.

d. Syndicated Loans:

Its broad client base, investor penetration, structuring capabilities, and geographical/sector diversification enabled CTBC Bank to maintain its position as the top loan syndication powerhouse on the Taiwan market. CTBC Bank boasts expertise in all types of financing activities. Our structured financing includes LBO/acquisition financing, asset-based financing (e.g., AR, aviation, and shipping), securitization, and project financing. CTBC leads Taiwan banks in LBO/acquisition financing, aviation financing, shipping financing, and securitization. In addition, CTBC Bank began expanding its syndicated loan business outside of its home market long ago, becoming a significant regional player many years before its competitors in Taiwan. In 2015, CTBC Bank successfully closed hundreds of deals with MLA titles in countries across Northeast Asia and Southeast Asia, and in India. We also remain the foremost bank in Taiwan's syndication market with incomparable agent bank services.

e. Fixed Income Underwriting:

CTBC Bank's bond house offers an alternative funding source to our clients. We are dedicated to developing innovative products and customized solutions to our clients. In addition, our Hong Kong and Taiwan DCM teams work closely with clients, providing instant, worldwide services. Looking back at 2015, we enjoyed great achievements and made giant steps forward. We introduced new overseas issuers to Taiwan's Formosa Bond Market, not only bringing value to clients, but also increasing visibility and promoting Taiwan's bond market. We completed overseas deals in 2015 with such organizations as Morgan Stanley, Nomura International Funding Pte Ltd, Bank of China Limited, Taipei Branch, Goldman Sachs Group, and Sumitomo Mitsui Banking Corporation. In 2016, we will continue to expand our domestic and overseas customer base and strive to be the most active Taiwanese bank in Asia's debt capital market.

f. Treasury & Derivatives:

CTBC Bank provides a wide range of financial products, including bonds, exchange-traded and over-the-counter derivatives, foreign exchange, and money market instruments, to meet the investment and hedging needs of institutional investors, small and medium-sized enterprises, middle-market enterprises, and large corporates. We provide tailored financial solutions to our corporate and institutional clients worldwide. We also have the most established dealing rooms across the region among Taiwanese banks. With the strong support of product development, pricing capability, and warehousing appetite from the head office, our dealing rooms in different countries can access the most products with real-time pricing and processing platform.

CTBC Bank maintained its position as a leading investment bank and performed well in the reporting year. In response to the changing market and regulatory environment, CTBC Bank continued to strengthen its risk management of exotic derivatives, while enhancing its ability to offer unique solutions to our clients. Using a self-developed pricing engine model, CTBC Bank provided more efficient and complex pricing flexibility. Our expertise in structuring exotic products and offering risk management solutions in response to changing market conditions and regulatory environment sets us apart from local competitors. Our ability to adjust has been critical in our once again being ranked first in the derivatives market share in terms of trade volume among Taiwanese banks.

(2) Retail Banking

CTBC Bank remains the pioneer in retail banking product innovation, including wealth management and mortgage services. CTBC Bank boasts a huge market share and was given 147 local and international awards in 2015, including "Best Private Bank in Taiwan" from *Euromoney* for the 11th consecutive year and "Best Retail Bank in Taiwan" from *The Asian Banker* for the 9th year in a row.

a. Wealth Management:

In 2015, CTBC Bank employed numerous customer insight surveys, focus group discussions, and pilot tests to continue improving its products and services to meet customer needs. Both number of WM customers and AUM have grown rapidly over the past few years, with 6% and 10% growth, respectively, over 2014.

CTBC Bank's open platform strategy enables it to provide comprehensive and innovative WM products to meet customers' diversified needs. The two major WM product lines – mutual funds and bancassurance, have shown robust growth, placing CTBC on top of the market share far ahead of competitors.

b. Mortgages:

As the biggest non-government-affiliated mortgage provider, CTBC Bank is also a market leader, ranked number four in the mortgage market. In spite of downtrends in the local housing market, regulatory constraints, and internal compliance in 2015, CTBC Bank continued to improve asset quality to increase profitability with customer-oriented lending strategies. These strategies included designing total financing solutions with virtual and efficient customer services.

c. Internet Banking:

CTBC Bank provides a wide range of interactive banking services on the internet. In 2015, the number of CTBC internet banking users exceeded 2.8 million. Backed by its award-winning and ever-improving service platform, CTBC Bank's internet banking continued to be the most popular on the market with more than four million visits per month.

d. ATM Services:

With 5,505, CTBC Bank has the highest number of ATMs and with 32% of the market, the highest volume of interbank withdrawal transactions. In addition to the unconventional services CTBC ATMs provide, such as internet banking applications, CTBC Bank has been substituting traditional ATMs with Multi-functional Recycle ATMs to provide an even wider range of services to customers, including cash deposits and fund transfers for non-CTBC account-holders.

e. Mobile Banking:

CTBC Bank enjoys the highest market share in mobile banking. It has 0.9 million mobile banking users and has seen more than one million APP downloads, the highest in the financial category on Taiwan's APP Store. CTBC Bank was the first in the

industry to launch iPhone Touch ID fingerprint recognition, making APP transactions even more convenient for customers.

(3) Cards and Payment Banking

CTBC cards and payment business maintained sustainable portfolio and profitability in 2015. CTBC Bank was:

- No. 1 in credit card issuing revenue with more than NT\$6.5 billion (14.2% of market share)
- No. 1 in card circulation with more than 5.8 million cards (15.2% of market share)
- No. 2 in spending volume with more than NT\$333.9 billion (15% of market share)
- No. 1 in revolving outstanding (including unbilled installment balance) with more than NT\$27.8 billion (14.3% of market share)
- No. 1 in credit card cash advance amounts with more than NT\$8.5 billion (31.1% of market share)
- No. 1 in unsecured lending ending balance with NT\$96 billion (10.9% of market share)

Awards

- Best Digital Wallet Initiative of 2015, CEPI (Card and Electronic Payment International) Asia Awards for CTBC Card App
- Best Credit Card Offering-Taiwan of 2015, CEPI Asia Awards for Dual-Currency Card

CTBC Bank will continue to deepen relationships with co-branded partners and provide merchants with an integrated cash flow and marketing platform. Most importantly, CTBC Bank will strive to integrate traditional credit cards, mobile apps, digital wallets, and its bill payment and lending platform to provide customers a complete digital experience.

a. Credit Cards:

In 2015, CTBC Bank maintained its lead in the credit card market and focused on expanding its portfolio in distinct segments with specific new products. This included the CoolOne Card for digital natives, the Xue Xue Card for art and culture enthusiasts, and the CTBC Elite Card for our most prestigious clients. CTBC Bank is also the first issuing bank approved by regulators to issue Dual Currency Credit Cards (in NTD and USD, JPY) that offer cardholders the option of paying for purchases directly from their foreign currency account or in NTD at the current exchange rate to meet the needs of frequent flyers when abroad. In separate collaborations with Luna Plaza and Global Mall, CTBC provides unique department store shopping benefits for customers in local regions, enhancing department store privileges throughout the country.

b. Emerging Payments:

With the fully-upgraded CTBC Card app, CTBC introduced online application processes for existing customers. The app also integrates such functions as digital payments, merchant promotions, O2O reward redemptions, and bill payments in one mobile app. CTBC DIRECTPAY, a unique mobile payment solution and a first in Taiwan, is embedded within the app. It is a convenient and safe payment solution used by four million CTBC cardholders that allows them to make purchases in various O2O payment situations. Also embedded in the app is an innovative Beacon micro-positioning function, which offers precision push messages based on location.

c. Platform and Services:

In addition, CTBC Bank collaborated with the Ping An Insurance (Group) Company of China, EZTABLE, UUPON, e7.NET, OPENPOINT, and Ponta to enhance the efficiency of its credit card reward points in different shopping venues and has expanded its online-to-offline redemptions to vendors in our famous night markets. Moreover, the improved online customer service includes newly added social media channels like Facebook, Line, and Web Chat for ubiquitous customer service. CTBC Bank also leads the market by providing acquiring services for smart mobile devices to insurance, taxi service, and delivery businesses.

d. Unsecured Lending:

In step with digital banking developments, CTBC Bank launched its CTBC Loan application and automatic information-processing platform. Customers can also use smartphones, tablets, or PCs to access the platform which provides simple and efficient online loan services covering the following:

- loan consultancy which offers personalized loan arrangement,
- a speedy loan process with loans provided in as fast as four hours, and
- loan disbursements that allow customers to simply click to obtain a loan, rather than visiting one of our branches.

Furthermore, providing customers more valuable lending content and differential marketing campaigns through digital and social media channels has been the key driver of annual growth of sales volume.

(4) Business in Japan

CTBC Bank has undertaken the responsibility to supervise and manage two operations in Japan, namely, at its Tokyo Star Bank (TSB) subsidiary and its Tokyo Branch. TSB provides prominent financial services to our customers in the institutional banking and retail banking fields throughout its 32 branches located in Greater Tokyo. The Tokyo branch, with its headquarters located in Roppongi, provides a full range of financial services to meet the business and financial needs of Taiwanese retail and corporate customers.

a. Institutional Banking:

Our main operation bases, located in Tokyo and Osaka, enjoyed steady business growth. By the end of 2015, loan balance growth stood at 15% over the previous year. We continued to enhance the scope of products and services to meet customer needs, including:

- financial services to meet customers' cross-border business needs

In recent years, Japanese enterprises continued to expand their operations overseas. To keep up with this trend, CTBC provided a variety of cross-border financial services, such as export credit insurance, overseas structured lending, and syndicated loans, to meet clients' overseas operational needs.

b. Retail Banking:

With stable deposit inflows from 32 branches in major cities in Japan, TSB was able to easily capture business opportunities for wealth management on local markets. Total deposit balance accounted for JPY2 trillion as of December 2015. To help customers pursue their goal of "financial freedom", TSB provides affluent financial services with new offerings launched in 2015, such as:

- Reverse mortgage "JJ"

TSB started a business alliance with the largest comprehensive housing and living environment solutions provider in Japan to acquire potential customers by providing an advanced type of reverse mortgage called "JJ" in March 2015.

- Implementing the use of tablets equipped with a financial advisory services application

B. Employees

YEAR	2015.12.31		2014.12.31	
Number of Employees	10,708		10,248	
Average Age (Years Old)	37.8		37.41	
Average Tenure of Employment (Years)	9.2		8.99	
Education	Employee Count	Percentage	Employee Count	Percentage
Graduate School or Higher	2,326	21.72%	2,149	20.97%
University and College	7,441	69.49%	7,221	70.46%
Senior High School	881	8.23%	801	7.82%
Below Senior High School	60	0.56%	77	0.75%

C. Corporate Social Responsibility

Corporate Social Responsibility (CSR) is an important part of CTBC's operations strategy. Human and physical resources are allocated for “corporate governance, client relations, employee care, environmental protection, and social participation.” CTBC has issued CSR Reports since 2007 and is the first financial institution to be verified by the British Standards Institution (BSI). In 2010, CTBC was the first in Taiwan to gain international accreditation and has received certificates from BSI for five consecutive years.

As a leader in the financial industry, CTBC has composed its CSR reports according to the G4 guidelines set forth by the Global Reporting Initiative (GRI) since 2013. These reports make the public and shareholders aware of CTBC's philosophies and actions and gradually improve the organization, making CTBC a better corporate citizen.

1. Corporate governance

CTBC understands that everyone hopes that corporate governance will be held to higher standards. That's why we have a series of measures that internalizes corporate governance, making it a part of our corporate culture—the largest asset to our company—and providing added protection for all parties. Where possible, CTBC aims to maintain its corporate governance and operations framework in order to prevent the risks of money laundering or financing terrorism and achieve a sustainable performance.

2. Client relations

Following the digitization of the financial industry, customers now have diverse methods for interacting with CTBC. We have been creating sustainable customer, social, and shareholder value for nearly fifty years with “concern for demands,” “professionalism for innovation,” and “honesty for trust” to bring personable and convenient financial services to all clients. We believe that our customers are what make CTBC great. That's why we treat customers like our family and, together, make and protect the dreams for a better future with the ultimate goal of making CTBC the leading financial institution in Taiwan, Asia, and the world.

Financial holding companies must embrace future trends to provide clients with a digital platform for products and services and remain current with marketing operations. In the future, CTBC plans to further integrate technology into its services to improve customers' quality of life, gain a deeper understanding of clients through multiple designs, and develop innovative markets and products as a way of giving back to clients for their support. We offer various services, from mobile banking to corporate loans, in the hopes of finding new areas for growth and helping industries expand and develop with new financial products.

3. Employee care

Nothing is more important to our employees than their working environment and salary. CTBC founds its human resource policies on these two elements in order to create a happy company and effectively take care of its employees.

4. Environmental protection

Before the Paris Agreement in 2015, CTBC had already taken the initiative to reduce its carbon emissions. With the help of the Taiwan Green Productivity Foundation, CTBC became certified to ISO 50001 for energy management in July 2012. In December of the same year, CTBC became the first financial institution in Taiwan to earn SGS Taiwan certification. Resources were compiled in 2015 in preparation for our energy management plan which aims to lower our electricity use by 6% (780,000 kWh) and reduce CO₂ emissions by 407.16 tons (equivalent to afforestation of an area 1.05 times the size of Daan Park) over the next three years. Our efforts between 2012 and 2015 have already surpassed our original goals over two-fold.

Founder of the CTBC Charity Foundation, Jeffrey L. S. Koo, once said, “The value of a company is not in how much money it makes, but in the contributions and positive impact it has on society.”

In the future, CTBC will continue its transition into a paperless financial institution and create an energy management awards system to commend energy efficient departments in order to comply with ISO 50001 energy management and reduce electricity by 6% in three years. We will monitor the developments in the green industry and provide customers with innovative products in the hopes of using our green brand to encourage others to reduce emissions, thus taking another step toward a sustainable environment.

5. Social participation

As a major firm in Taiwan, CTBC pays close attention to these trends. Our social investments range from service work to promotion of support for cultural arts, education, anti-drug programs, and sports. We do more than simply provide funding; we personally participate and create effective plans to become a driving force for change in society.

Chairman of the CTBC Charity Foundation, Jeffrey J. L. Koo, describes CTBC’s culture as one of caring, stating that we need to first care for ourselves before helping customers and all of Taiwan. Banking is a franchise industry, so if there is a surplus, then we should give back to society. CTBC’s concern for society has not lessened over the past 30 years; we have constantly invested time and effort into numerous projects to slowly change society for the better.

IV. Dividend Policy and Earnings Distribution

A. Dividend policy and status of execution

1. Dividend policy:

As a subsidiary of the CTBC Financial Holding Co., Ltd. in order to take care of the fund requirements of the parent company, if the Bank may reach the reasonable standard of BIS Ratio, the cash dividends and bonuses for common shares shall be in priority and shall be maintained at a stable level every year.

The above policy, however, is to be observed only in principle. The Bank shall take into consideration of business performance and budgeted capital requirements and make necessary adjustments in actual distribution.

Distribution terms, time, and amount: If there are earnings in the financial statement, the Bank shall first set aside funds for taxes, be adjusted according to the principles of financial accounting, and set aside funds for losses, if any. Then it shall set aside 30% of the earnings as statutory surplus reserve and the Bank shall as per applicable laws and regulations set aside or reverse the special reserve. The way of distributing the remainder and the beginning retained earnings shall be proposed by the Board of Directors and approved by the Shareholders' Meeting. Before the statutory surplus reserve reaches the amount of the total capital, the distributed cash dividends shall not exceed 15% of the total capital. If the bank's statutory surplus reserve has reached the total capital of item 2 of No. 50 in the banking law financial business standards regulated by the authorities and has proposed the statutory surplus reserve according to the company law, it will not be limited by the statutory surplus reserve and the highest cash earning distribution.

2. The Board has approved the earnings appropriation proposal for Year 2015. It is proposed that total NT\$24,092,108 thousand from retained earnings of Year 2015 will be distributed in stock according to the record shown in the shareholder book on the distribution record date (Record Date). The total common stock dividends are NT\$2.27866 per share in stock. In the event of capital raising or reduction, which affects the number of outstanding shares on Record Date, the Chairman shall be authorized to handle relevant matters.

B. The influence of dividend allocation this time to the business performance and earnings per share:

There was no announced financial forecast for the bank in Year 2016; therefore no disclosure of such information is needed.

C. Information relating to compensation of employees, directors, and supervisors:

1. The percentages or ranges with respect to employee, director, and supervisor compensation, as set forth in the company's articles of incorporation:

The employee bonuses allocation range is between 0.01%~0.05% in 2014. Due to Company Act was amended on 2015.5.20 that employee compensation do not belong to earning distribution, the bank specifically set 0.05% of the Bank's pretax income before deduction of

employee compensation at the end of the accounting period as employee compensation in the Articles of Incorporation. However, the board of directors and supervisor compensation are not mentioned in the Articles of Incorporation.

2. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

Estimation of the fair value of employee bonuses in 2014 is recognized as current-period expenses based on the Bank's net income after tax minus an appropriate reserve at the end of the accounting period multiplied by the most appropriate estimate set by the Bank's articles of incorporation. However, if later the actual allocation amount pursuant to a resolution of the Bank's board of directors on behalf of shareholders is different from the estimated number, the difference would be recognized as the profit or loss of the next year. Estimation of the fair value of employee compensation in 2015 is recognized as current-period expenses based on the Bank's pretax income before deduction of employee compensation at the end of the accounting period multiplied by the percentage set by the Bank's articles of incorporation. However, if later the actual allocation amount pursuant to a resolution of the Bank's board of directors on behalf of shareholders is different from the estimated number, the difference would be recognized as the profit or loss of the next year.

3. Information on any approval by the board of directors of distribution of compensation:

- (1) The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed.
 - a. Cash compensation of employee is NT\$18,884 thousand.
 - b. The discrepancy: Accrued expense of employee compensation is NT\$19,125 thousand. The discrepancy between the actual allocation amount and accrued expense for employee compensation is NT\$241 thousand.
 - c. Reason: The discrepancy caused is due to the reason that the monthly closing number of net income before tax used to estimate accrued expense is different from the audit one.
 - d. Treatment: The difference would be treated as change in accounting estimates of year 2016.
- (2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation:

It is not applicable due to no employee compensation distributed in the form of stock.

4. The actual distribution of employee, director, and supervisor compensation for year 2014 (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated:

	Year 2014			
	Distributed with the resolution from the Annual General Meeting	Recognized expense	Difference (Note)	Explanation
Distribution status :				
A. Employee bonus distributed in the form of cash	NT\$7,187 thousand	NT\$4,973 thousand	NT\$2,214 thousand	The difference is due to estimation of special reserve is different from the final one provided to the auditor, and the monthly closing number of net income before tax and employee bonus used to estimate accrued expense is different from the audit one.
B. Employee bonus distributed in the form of stock				
(1) shares	-	-	-	
(2) amount	-	-	-	
(3) stock price	-	-	-	
C. Remuneration to Directors and Supervisors	-	-	-	

Note: The difference amounting to NT\$2,214 thousand regarded as changes in accounting estimates and recognized as profit or loss of year 2015.

V. Internal Control Statement

Internal Control Statement

To: Financial Supervisory Commission,

On behalf of CTBC Bank Co., Ltd., we hereby certify that for the fiscal year of 2015, the company has duly complied with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" in establishing its internal control system, implementing risk management mechanism, designating an independent audit department to conduct audits, and regularly reporting to the company's Board of Directors and the Audit Committee. For the securities business operations, the company has evaluated the effectiveness of related internal control system in accordance with requirements promulgated by "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets".

After prudent evaluation, we hereby certify that except items listed on the attachments, the company complies with all related laws and regulations, and the internal controls are effectively in place. This statement will be included in the company's annual report and public prospectuses, and be disclosed to the public.

We understand that we are legally bound to Article 20, 32, 171 and 174 of the Securities and Exchange Act.

Sincerely yours,

Chairman



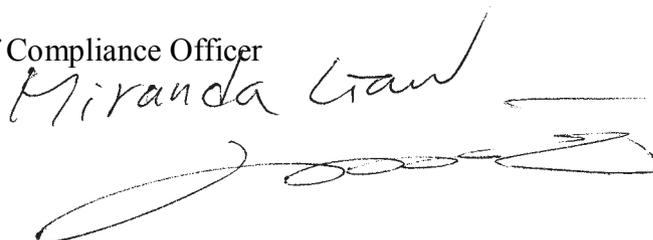
President



General Auditor



Chief Compliance Officer



CTBC Bank Co., Ltd.
Issue and Corrective Actions for Internal Control Statement
As of December 31, 2015

Issue for Improvement	Corrective Actions	Target Completion Date
<p>1. An employee manipulated a customer's accounts and early terminated insurance policies without customer's consent. It points to the improper implementation of the internal control and inspection, which impedes sound banking operations. The Bank is found non-compliant with Paragraph 1, Article 45-1 of the Banking Act. On the basis of Item 7, Article 129 of the same Act, Financial Supervisory Commission (FSC) imposed an administrative fine of NTD 3 million against the Bank. In addition, pursuant to Item 3, Paragraph 1, Article 61-1 of the same Act, FSC required the Bank to dismiss the involved employee. <FSC Letter No. 10400194951 dated August 27, 2015></p>	<p>(1) Setting of designated accounts through online remittance to third parties has been managed by caring inquiry and independent call back to customers. In addition, frequent early-termination of insurance policies within a short period of time will be closely monitored and managed through systems.</p> <p>(2) The staffs have been reiterated and prohibited to deposit or withdraw cash on behalf of customers. In addition, the Bank has reinforced the review mechanisms for services or transactions delivered outside of branch premises.</p> <p>(3) The Rewards and Disciplinary Committee dismissed the non-compliant employee and revoked his insurance license.</p>	<p>Completed in April 2015.</p>
<p>2. An employee forged customers' signatures on transaction orders, which impedes sound banking operations. FSC issued a reprimand letter against the Bank on the basis of Paragraph 1, Article 61-1 of the Banking Act. In addition, pursuant to Item 3, Paragraph 1, Article 61-1 of the same Act, FSC required the Bank to dismiss the involved employee. <FSC Letter No. 10400259250 dated December 9, 2015></p>	<p>(1) Short term controls: Independent verification of customer's identity by a non-Financial Adviser staff for over-the-counter investment transactions.</p> <p>(2) Medium to long term controls: Rollout of Project to reinforce segregation of duties between sales and operations.</p>	<p>To be completed by 2016 Q3.</p>
<p>3. CTBC Insurance Broker Co., Ltd. was found violating the Insurance Act when conducting insurance broker business. On the basis of Article 167-2 and 167-3 of the Insurance Act, FSC issued a reprimand letter and imposed an administrative fine of NTD 600 thousand against the Company. <FSC Letter No. 10402568602 dated August 27, 2015></p>	<p>(1) Reiteration was given on the guidelines of insurance solicitation.</p> <p>(2) An extra control has been established to verify customers' identity in a branch when an applicant applies for termination of insurance policy soon after purchasing.</p>	<p>Completed in May 2015.</p>

Issue for Improvement	Corrective Actions	Target Completion Date
<p>(This case occurred prior to the date of the merger between CTBC Bank and CTBC Insurance Brokers on November 30, 2015.)</p>	<p>(3) The mechanisms of confirmation and call back have been established for services and transactions delivered outside of branch premises.</p> <p>(4) A prevention mechanism against sales misconduct risk has been activated.</p>	
<p>4. FSC conducted a full-scope examination in 2014 (Report No. 103H052) with the following major findings. The Bank shall enforce supervision to ensure soundness of compliance system and effectiveness of board oversight.</p> <p>(1) The compliance system has not been soundly implemented for acquisition and disposal of some major assets involved in quasi-interested parties.</p> <p>(2) It was found that an employee helped a third party company in an asset transaction by evading regulatory requirement and oversight of the board of directors, which impacted the control mechanism of interested party transactions.</p> <p>(3) The disposal of an impaired asset of the Bank involved the relative of a senior manager. Such transaction has not been reported to the board of directors for approval to protect the Bank's interests.</p> <p>(4) Certain loan involved the borrower and an interested party of the Bank as partners in a real estate joint development project has not been reported to the board of directors for review.</p>	<p>(1) The Bank has reinforced the implementation of control guidelines for transactions with interested parties. In addition, the Bank has ensured that counterparties in related cases were neither interested parties nor quasi-interested parties.</p> <p>(2) It was clarified that this incident resulted from the involved employee's personal behavior, which was not in conflict with interest of the Bank. Reiteration was given to prohibit employees from dealing with others' personal affairs within office hours.</p> <p>(3) The identification process of transaction with interested parties and determination of ultimate beneficiaries were strengthened. It was also verified that counterparties in this case were neither interested parties nor quasi-interested parties. External lawyer was requested to investigate the case and the result indicated no impact on the Bank's interests.</p> <p>(4) The control mechanism on escalating the real estate secured loans to the board of directors was strengthen; it was clarified that such case did not involve the distribution of interests of the joint development project.</p>	<p>Completed in September 2015.</p>

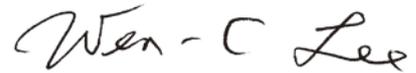
Issue for Improvement	Corrective Actions	Target Completion Date
<p>5. FSC conducted a full-scope examination on CTBC Bank, Tokyo Branch (Report No. 104049) in 2015. It was found that the organization restructure to the Tokyo Branch initiated by the head office might violate the local regulations as the Bank did not consult the local compliance officer ahead. In addition, the Compliance department and the Internal Audit function at the head office did not report such matter to the board of directors. The Compliance and Internal Audit functions at the head office have to be enhanced.</p>	<p>(1) Local compliance officers will be consulted ahead for significant organizational change that may impact overseas branches' business afterwards. Any consideration of potential violation on local regulations shall be escalated to the board of directors to strengthen the compliance risk control.</p> <p>(2) Any forms of written comments provided by local regulators in regard to inspection or supervision results will be submitted to the FSC and escalated to the board of directors by internal audit. Corrective actions will be followed up on a regular basis.</p>	<p>In writing to FSC in December 2015 and February 2016 with improvement actions.</p>

VI. Audit Committee's Report of the Financial Statement Of the Last Year

The Audit Committee's Report

In accordance with Article 14-4 of Security and Exchange Law and with Article 219 of the Company Act, the undersigned, have duly examined and accepted as correct the financial report (unconsolidated and consolidated) for the year 2015 along with the business report and earnings distribution plan submitted by the Board of Directors of CTBC Bank Co., Ltd.

CTBC Bank Co., Ltd.
Audit Committee Convener



Wen-Chih Lee
Taipei, Taiwan, R.O.C.
April 29, 2016

VII. Head Office and Domestic Branches

Domestic Branches

Branch Name	Address	Telephone
Head Office (Banking Department)	1F., No.168, Jingmao 2nd Rd., Nangang District, Taipei City 115, Taiwan (R.O.C.)	+886-2-33271688
Jhancian Branch	1F., No.4, Sec. 1, Zhongxiao W. Rd., Jhongzheng District, Taipei City 100, Taiwan (R.O.C.)	+886-2-23113598
Huashan Branch	1F., No.55, Sec. 1, Zhongsiao E. Rd., Jhongzheng District, Taipei City 100, Taiwan (R.O.C.)	+886-2-23413000
Dongmen Branch	1F., No.213, Sec. 2, Sinyi Rd., Jhongjheng District, Taipei City 100, Taiwan (R.O.C.)	+886-2-23958000
Chengjhong Branch	1F., No.83, Sec. 1, Chongcing S. Rd., Jhongjheng District, Taipei City 100, Taiwan (R.O.C.)	+886-2-23818740
Daan Branch	1F., No.102, Sec. 2, Roosevelt Rd., Jhongjheng District, Taipei City 100, Taiwan (R.O.C.)	+886-2-33651988
Mincyuan west road Branch	1F., No.104-1, Mincyuan W. Rd., Datong District, Taipei City 103, Taiwan (R.O.C.)	+886-2-25572919
Chengde Branch	1F., No.17, Sec. 1, Chengde Rd., Datong District, Taipei City 103, Taiwan (R.O.C.)	+886-2-25562088
Sihu Branch	1F., No.244, Sec. 1, Neihu Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	+886-2-27999588
Jhongshan Branch	1F., No.106-2, Sec. 2, Jhongshan N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	+886-2-25235222
Minsheng Branch	1F., No.58, Sec.1, Minsheng E. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	+886-2-25641818
East Minsheng Branch	1F., No.51, Sec. 3, Minsheng E. Rd., Zhongshan District, Taipei City 104, Taiwan (R.O.C.)	+886-2-25093656
Dazhi Branch	1F., No.638, Mingshuei Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	+886-2-85026002
Chengbei Branch	1F., No.218, Songjiang Rd., Jhongshan District, Taipei City 104, Taiwan(R.O.C.)	+886-2-25623789
Nanjing East Road Branch	1F., No.16, Sec. 1, Nanjing E. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	+886-2-25232238
Chengdong Branch	1F., No.88, Sec. 2, Nanjing E. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	+886-2-25677377
Longjiang Mini Branch	1F., No.65, Sec. 3, Nanjing E. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	+886-2-25158811
Chang An Branch	No.26, Fusing N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	+886-2- 27785881
Jhunglun Branch	1F., No.85, Sec. 4, Bade Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	+886-2-27672669
Fujin Branch	1F., No.165, Sec. 5, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	+886-2-27602766
Sisong Branch	1F., No.161, Sec.5, Nanjing E. Rd., Songshan District, Taipei City 105, Taiwan, (R.O.C.)	+886-2-37655588
Fubei Branch	1F., No.363, Fusing N. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	+886-2-87705566
Dunbei Branch	1F., No.122, Dunhua N. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	+886-2-27133322
Renai Branch	1F., No.341, Sec. 4, Renai Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	+886-2-27754600
Anhe Branch	1F., No.195, Sec. 2, Anhe Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	+886-2-27386171
Yanji Branch	1F., No.298, Sec. 4, Jhongsiao E. Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	+886-2-27716000
Jhongsiao Branch	1F., No.71, Sec. 4, Jhongsiao E. Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	+886-2-27520310
Sinyi Branch	1F., No.236, Sec. 4, Sinyi Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	+886-2-27079977
Fusing Branch	1F., No.251, Sec. 1, Dunhua S. Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	+886-2-27771988
Dunnan Branch	1F., No.68, Sec. 2, Dunhua S. Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	+886-2-23253616
Gungguan Branch	1F., No.311, Sec. 3, Roosevelt Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	+886-2-23623377
Wanhua Branch	1F., No.92, Sec. 2, Changsha St., Wanhua District, Taipei City 108, Taiwan (R.O.C.)	+886-2-23898188
Yongji Branch	1F., No.18, Yongji Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	+886-2-27617999
Songshan Branch	1F., No.550, Sec. 5, Jhongsiao E. Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	+886-2-23466711
Shinfu Branch	1F., No.9, Songgao Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	+886-2-27221668

Branch Name	Address	Telephone
Tianmu Branch	1F., No.90, Sec. 6, Jhongshan N. Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	+886-2-28322888
Shihlin Branch	1F., No.307, Jhongheng Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	+886-2-28839900
North Tianmu Branch	1F.,No.10, Tianmu W. Rd., Shilin District, Taipei City 111, Taiwan (R.O.C.)	+886-2-28766100
Jiantan Branch	1F, No.150, Sec. 4, Chengde Rd., Shilin District, Taipei City 111, Taiwan (R.O.C.)	+886-2-28827979
Shihpai Branch	1F., No.46, Sec. 2,Shihpai Rd., Beitou District, Taipei City 112, Taiwan (R.O.C.)	+886-2-28213366
Beitou Branch	1F., No.217, Guangming Rd., Beitou District, Taipei City 112, Taiwan(R.O.C.)	+886-2-28983039
Rueiguang Branch	No.514, Sec. 1, Neihu Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	+886-2-27985600
Chenggong Branch	1F., No.161, Sec. 4, Chenggong Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	+886-2-87911686
Neihu Branch	1F., No.358, Sec. 4, Chenggong Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	+886-2-27938668
Donghu Mini Branch	1F., No.182, Sec. 3, Kangning Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	+886-2-26312288
Mujha Branch	1F., No.69, Sec. 3, Mujha Rd., Wunshan District, Taipei City 116, Taiwan (R.O.C.)	+886-2-29375890
Wunshan Branch	1F.,No. 248,Sec. 4,Sinhai Rd.,Wunshan District,Taipei City 116,Taiwan(R.O.C.)	+886-2-29335358
Jingmei Branch	No. 405, Sec. 6, Roosevelt Rd., Wenshan District, Taipei City 116, Taiwan (R.O.C.)	+886-2-29329838
Keelung Branch	1F., No.150, Sinyi Rd., Sinyi District, Keelung City 201, Taiwan (R.O.C.)	+886-2-24221166
Pucian Mini Branch	No.409, Sec. 2, Zhongshan Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	+886-2-29550666
Bansin Branch	1F., No.293-1, Sec. 1, Jhongshan Rd., Banciao District , New Taipei City 220, Taiwan (R.O.C.)	+886-2-89611500
Banciao Branch	1F., No.187, Sec. 1, Wunhua Rd., Banciao District , New Taipei City 220, Taiwan (R.O.C.)	+886-2-29606600
Chongcing Branch	1F., No.290, Chongcing Rd., Banciao District , New Taipei City 220, Taiwan (R.O.C.)	+886-2-29634567
Sinbantecyu Branch	1F., No.88, Sec. 2, Sianmin Blvd., Banqiao District, New Taipei City 220, Taiwan (R.O.C.)	+886-2-29619666
Jiangcui Branch	1F., No.8, Sec.3, Shuang 10th Rd., Banciao District , New Taipei City 220, Taiwan (R.O.C.)	+886-2-22578999
Sijhih Branch	1F., No. 210, Sec. 2, Datong Rd., Sijhih District , New Taipei City 221, Taiwan (R.O.C.)	+886-2-26489699
Sindian Branch	1F., No.6, Sec. 2, Beisin Rd., Sindian District , New Taipei City 231, Taiwan (R.O.C.)	+886-2-29129988
North Sindian Branch	1F., No.25, Mincyuan Rd., Sindian District , New Taipei City 231, Taiwan (R.O.C.)	+886-2-29135000
Baociang Branch	1F., No.31, Baociang Rd., Sindian District, New Taipei City 231, Taiwan (R.O.C.)	+886-2-29123366
Yonghe Branch	1F., No.215, Sec. 1, Jhongshan Rd., Yonghe District , New Taipei City 234, Taiwan (R.O.C.)	+886-2-89235008
Shuanghe Branch	1F., No.588, Jhongheng Rd., Yonghe District , New Taipei City 234, Taiwan (R.O.C.)	+886-2-29233333
Nashihjiao Branch	1F., No.65, Jhongheng Rd., Yonghe District , New Taipei City 234, Taiwan (R.O.C.)	+886-2-29498838
Banhe Mini Branch	1F., No.726, Jhongheng Rd., Jhonghe District , New Taipei City 235, Taiwan (R.O.C.)	+886-2-82261288
Jhonghe Branch	1F., No.261, Sec. 2, Zhongshan Rd., Zhonghe District, New Taipei City 235, Taiwan (R.O.C.)	+886-2-22452277
Tucheng Branch	1F., No.304, Sec. 2, Jhongyang Rd., Tucheng District , New Taipei City 236, Taiwan (R.O.C.)	+886-2-22630888
Jincheng Branch	1F., No.16, Sec. 3, Jincheng Rd., Tucheng District , New Taipei City 236, Taiwan (R.O.C.)	+886-2-22601177
Shulin Branch	1F., No.122, Sec.1, Jhongshan Rd., Shulin District , New Taipei City 238, Taiwan (R.O.C.)	+886-2-26812345
Sanhe Branch	1F., No.119, Sec. 4, Sanhe Rd., Sanchong District , New Taipei City 241, Taiwan (R.O.C.)	+886-2-22863286
Sanchong Branch	1F., No.208, Jhengyi N. Rd., Sanchong District, New Taipei City 241, Taiwan (R.O.C.)	+886-2-29828121
Erchongpu Mini Branch	1F., No.70-1, Sec. 1, Guangfu Rd., Sanchong District, New Taipei City 241, Taiwan (R.O.C.)	+886-2-29959876
Chongyang Branch	1F., No.66, Sec. 1, Chongyang Rd., Sanchong District , New Taipei City 241, Taiwan (R.O.C.)	+886-2-89881199
Chongsin Branch	1F.,No.42-1, Sec. 2, Chongsin Rd., Sanchong District , New Taipei City 241, Taiwan (R.O.C.)	+886-2-89726189
Sinjuang Branch	1F., No.320, Jhongheng Rd., Sinjuang District , New Taipei City 242, Taiwan (R.O.C.)	+886-2-29929696

Branch Name	Address	Telephone
Danfong Branch	1F., No.879-15, Jhongheng Rd., Sinjhuang District , New Taipei City 242, Taiwan (R.O.C.)	+886-2-29066888
North Sinjhuang Branch	1F., No.57, Sec. 2, Jhonghua Rd., Sinjhuang District , New Taipei City 242, Taiwan (R.O.C.)	+886-2-22776789
Minan Branch	1F., No.179, Min-an Rd., Sinjhuang District , New Taipei City 242, Taiwan (R.O.C.)	+886-2-22068887
Lujhou Branch	1F., No.211, Jhongshan 1st Rd., Lujhou District , New Taipei City 247, Taiwan (R.O.C.)	+886-2-28482008
East Lujhou Branch	1F., No.135, Minzu Rd., Lujhou District , New Taipei City 247, Taiwan (R.O.C.)	+886-2-22839300
North Lujhou Branch	1F., No.355, Changrong Rd., Lujhou District, New Taipei City 247, Taiwan (R.O.C.)	+886-2-22881999
Danshuei Mini Branch	1F.,No.123, Jhongshan Rd., Danshuei District , New Taipei City 251, Taiwan (R.O.C.)	+886-2-86318822
Yilan Branch	1F.,No.271,Sec.2,Jhongshan Rd.,Yilan City ,Yilan County 260,Taiwan(R.O.C.)	+886-3-9351122
Lohdong Branch	1F.,No.232, Singdong S. Rd., Luodong Township, Yilan County 265, Taiwan (R.O.C.)	+886-3-9574320
Hsinchu Branch	1F., No.158, Jhongheng Rd., East District, Hsinchu City 300, Taiwan (R.O.C.)	+886-3-5222687
Guangfu Branch	No.35, Ln. 19, Guanxin Rd., East District, Hsinchu City 300, Taiwan (R.O.C.)	+886-3-5790678
Jhuke Branch	1F., No.2, Jinshan St., East District, Hsinchu City 300 , Taiwan (R.O.C.)	+886-3-5638080
East Hsinchu Branch	1F., No.32, Jianjhong Rd., East District, Hsinchu City 300, Taiwan (R.O.C.)	+886-3-5749190
Baoshan Branch	No.301, Shihpin Rd., East District, Hsinchu City 300, Taiwan (R.O.C.)	+886-3-5628877
Jingguo Branch	1F., No.375, Sec. 1, Jingguo Rd., Hsinchu City 300, Taiwan (R.O.C.)	+886-3-5357655
Jhupei Branch	1F., No.49, Guangming 6th Rd., Jhubei City, Hsinchu County 302, Taiwan (R.O.C.)	+886-3-6560222
Jhongyuan Branch	1F., No.445, Sec. 2, Jhongbei Rd., Jhongli Dist, Taoyuan City 320, Taiwan (R.O.C.)	+886-3-4662211
Neili Mini Branch	1F.,No.262, Sec. 1, Zhonghua Rd., Jhongli Dist, Taoyuan City 320, Taiwan (R.O.C.)	+886-3-4611998
Jhongli Branch	1F., No.500, Yanping Rd., Jhongli Dist, Taoyuan City 320, Taiwan (R.O.C.)	+886-3-4223131
Nan JungLi Branch	No.68, Huannan Rd., Pingzhen Dist, Taoyuan City 324, Taiwan (R.O.C.)	+886-3-4028788
Yiwun Branch	No.1351, Zhongzheng Rd., Taoyuan Dist, Taoyuan City 330, Taiwan (R.O.C.)	+886-3-3018000
Taoyuan Branch	1F., No.32, Sec. 1, Chenggong Rd., Taoyuan Dist, Taoyuan City 330, Taiwan (R.O.C.)	+886-3-3373266
South Taoyuan Branch	1F., No.389, Fusing Rd., Taoyuan Dist, Taoyuan City 330, Taiwan (R.O.C.)	+886-3-3388866
North Taoyuan Branch	1F., No.124, Jingguo Rd., Taoyuan Dist , Taoyuan City 330 , Taiwan (R.O.C.)	+886-3-3150566
Linkou Branch	1F., No.233, Fuxing 1st Rd., Guishan Dist , Taoyuan City 333, Taiwan (R.O.C.)	+886-3-3962777
Bade Branch	1F., No.965, Sec. 1, Jieshou Rd., Bade Dist, Taoyuan City 334, Taiwan (R.O.C.)	+886-3-3716565
Nankan Branch	1F., No.257, Jhongheng Rd., Lujhu Dist, Taoyuan City 338, Taiwan (R.O.C.)	+886-3-3212211
Toufen Branch	1F., No.951, Jhonghua Rd., Toufen City, Miaoli County 351, Taiwan (R.O.C.)	+886-3-7695678
Taichung Branch	1F., No.50, Minzu Rd., Central District, Taichung City 400, Taiwan (R.O.C.)	+886-4-22292161
Keboguan Branch	1F.,No.239, Sec. 2, Taiwan Blvd., West Dist, Taichung City 403, Taiwan (R.O.C.)	+886-4-23101258
Chunggang Branch	1F., No.536, Sec. 2, Taiwan Blvd., West Dist, Taichung City 403, Taiwan (R.O.C.)	+886-4-23149999
North Taichung Mini Branch	1F., No.77, Yucai N. Rd., North District, Taichung City 404, Taiwan (R.O.C.)	+886-4-22231666
Wunsin Branch	1F., No.875, Sec. 4, Wunsin Rd., Beitun District, Taichung City 406, Taiwan (R.O.C.)	+886-4-22469988
Shizheng Branch	No.93, Sec. 2, Wenxin Rd., Xitun Dist, Taichung City 407, Taiwan (R.O.C.)	+886-4-22545333
Situn Branch	1F., No.859, Sec. 4, Taiwan Blvd., Situn Dist, Taichung City 407, Taiwan (R.O.C.)	+886-4-23551000
Nantun Branch	1F., No.234, Sec. 2, Wucyuan W. Rd., Nantun District, Taichung City 408, Taiwan (R.O.C.)	+886-4-24712268
Gongyi Branch	1F., No.53, Sec. 2, Gongyi Rd., Nantun District, Taichung City 408, Taiwan (R.O.C.)	+886-4-23291111
Hueijhong Mini Branch	No. 88, Sec. 3, Hueijhong Rd., Nantun Dist., Taichung City 408, Taiwan (R.O.C.)	+886-4-23891269

Branch Name	Address	Telephone
Dali Branch	1F., No.20, Dongrong Rd., Dali District, Taichung City 412, Taiwan (R.O.C.)	+886-4-24813333
Fongyuan Branch	1F., No.545, Jhongheng Rd., Fongyuan District, Taichung City 420, Taiwan (R.O.C.)	+886-4-25201010
Nantou Mini Branch	1F., No.220, Jhongshan St., Nantou City, Nantou County 540, Taiwan (R.O.C.)	+886-49-2207711
Changhua Branch	1F., No.76, Siaoyang Rd., Changhua City, Changhua County 500, Taiwan (R.O.C.)	+886-4-7279933
Yuanlin Branch	1F., No.372, Jhongheng Rd., Yuanlin City, Changhua County 510, Taiwan (R.O.C.)	+886-4-8368676
Chiayi Branch	1F., No.241, Minsheng N. Rd., Chiayi City 600, Taiwan (R.O.C.)	+886-5-2286600
Douliou Branch	1F., No.2, Singhua St., Douliou City, Yunlin County 640, Taiwan (R.O.C.)	+886-5-5360099
Central Tainan Branch	1F., No.167, Sec. 1, Minsheng Rd., West Central District, Tainan City 700, Taiwan (R.O.C.)	+886-6-2412318
Tainan Branch	1F., No.159, Sec. 1, Fucian Rd., West Central District, Tainan City 700, Taiwan (R.O.C.)	+886-6-2152345
West Tainan Branch	1F., No.212, Sec. 4, Jinhua Rd., West Central Dist., Tainan City 700, Taiwan (R.O.C.)	+886-6-2263636
Jhonghua Branch	1F., No.195, Sec. 2, Jhonghua E. Rd., East District, Tainan City 701, Taiwan (R.O.C.)	+886-6-3353535
East Tainan Branch	1F., No.290, Sec. 2, Changrong Rd., East District, Tainan City 701, Taiwan (R.O.C.)	+886-6-2085522
South Tainan Branch	1F., No.236, Sec. 2, Jiankang Rd., South District, Tainan City 702, Taiwan (R.O.C.)	+886-6-2919999
Yan Hang Branch	1F., No.111, Jhongzheng Rd., Yongkang Dist., Tainan City 710, Taiwan (R.O.C.)	+886-6-2539199
Yongkang Branch	1F., No.425, Jhonghua Rd., Yongkang District, Tainan City 710, Taiwan (R.O.C.)	+886-6-2025787
Rende Mini Branch	1F., No.478, Zhongshan Rd., Rende District, Tainan City 717, Taiwan (R.O.C.)	+886-6-2798099
Jiali Branch	1F., No.410, Jhongshan Rd., Jiali District, Tainan City 722, Taiwan (R.O.C.)	+886-6-7221335
Sinying Branch	1F., No.137, Jhongshan Rd., Sinying District, Tainan City 730, Taiwan (R.O.C.)	+886-6-6336789
Sinsing Branch	1F., No.206, Minsheng 1st Rd., Sinsing District, Kaohsiung City 800, Taiwan (R.O.C.)	+886-7-2262325
Minzu Branch	1F., No.97, Minzu 2nd Rd., Sinsing District, Kaohsiung City 800, Taiwan (R.O.C.)	+886-7-2386567
Kaohsiung Branch	1F., No.168, Jhongheng 4th Rd., Cianjin District, Kaohsiung City 801, Taiwan (R.O.C.)	+886-7-2318141
East Kaohsiung Branch	1F., No.29, Cingnian 1st Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)	+886-7-5351885
South Kaohsiung Branch	1F., No.21, Yisin 2nd Rd., Cianjhen District, Kaohsiung City 806, Taiwan (R.O.C.)	+886-7-3366768
Cianjhen Mini Branch	1F., No.480, Rueilong Rd., Cianjhen District, Kaohsiung City 806, Taiwan (R.O.C.)	+886-7-7261066
Jiouru Branch	1F., No.551, Jiouru 1st Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	+886-7-3805558
Sanmin Branch	1F., No.366, Jiouru 2nd Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	+886-7-3161155
North Kaohsiung Branch	1F., No.52, Mingcheng 2nd Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	+886-7-3461199
Youchang Mini Branch	1F., No.803-3, Houchang Rd., Nanzih District, Kaohsiung City 811, Taiwan (R.O.C.)	+886-7-3681699
Boai Branch	1F., No.88, Bo-ai 2nd Rd., Zuoying District, Kaohsiung City 813, Taiwan (R.O.C.)	+886-7-5567909
Gangshan Mini Branch	1F., No.388, Gangshan Rd., Gangshan District, Kaohsiung City 820, Taiwan (R.O.C.)	+886-7-6235500
Fongshan Branch	1F., No.85-1, Jhongshan Rd., Fongshan District, Kaohsiung City 830, Taiwan (R.O.C.)	+886-7-7451199
Wujia Branch	1F., No.699, Wujia 2nd Rd., Fongshan District, Kaohsiung City 830, Taiwan (R.O.C.)	+886-7-8215101
Cingnian Branch	1F., No.315, Sec. 2, Cingnian Rd., Fongshan District, Kaohsiung City 830, Taiwan (R.O.C.)	+886-7-7777668
Pingtung Branch	1F., No.450, Zihyou Rd., Pingtung City, Pingtung County 900, Taiwan (R.O.C.)	+886-8-7383000
Taitung Mini Branch	1F., No.279, Jhongshan Rd., Taitung City, Taitung County 950, Taiwan (R.O.C.)	+886-8-9339898
Hualien Branch	1F., No.376, Jhongshan Rd., Hualien City, Hualien County 970, Taiwan (R.O.C.)	+886-3-8340566
East Hualien Branch	1F., No.1-7, Gongyuan Rd., Hualien City, Hualien County 970, Taiwan (R.O.C.)	+886-3-8351101

Overseas Service Outlets

Branch

Units	Address	Tel	Fax
Hong Kong Branch	Suite 2801, 28/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong	852-2916-1888	852-2810-9742
Kowloon Branch	5/F, Tower 2, The Gateway, No. 25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	852-2916-1688	852-2805-0899
Singapore Branch	8 Marina View, #33-02, Asia Square Tower 1, Singapore 018960	65-63514-888	65-65325-999
Shanghai Branch	27F, Shanghai World Financial Center, 100 Century Avenue, Pudong New Area, Shanghai 200120, P.R.C.	86-21-2080-5888	86-21-6877-8788
New York Branch	11F, #521 Fifth Avenue, New York, NY 10175, USA	212-457-8888	1-212-4576666
New Delhi Branch	Upper Ground Floor, Birla Tower, 25 Barakhamba Road, New Delhi 110001, India	91-11-43688888	91-11-43688873
Sriperumbudur Branch	Plot No.42 (old No. 105) Chennai Bangalore Highways NH4, Sriperumbudur, Kancheepuram District, Tamil Nadu-602105, India	91-44-66227700	91-44-66227799
Ho Chi Minh City Branch	Unit 902~909, 9th Floor, Kumho Asiana Plaza Saigon, 39 Le Duan St., Dist 1, HCMC, Vietnam	848-3910-1888	848-3910-1999
Tokyo Branch	Roppongi Hills Mori Tower, 37F, 10-1 Roppongi 6-Chome, Minato-Ku, Tokyo 106-6137, Japan	81-3-5413-8168	81-3-5413-8140
Guangzhou Branch	6/F, International Finance Place, No.8 Huaxia Road, Pearl River New Town, Guangzhou 510623, PRC	86--20-3856-0388	86-20-3856-0333
Shanghai Pilot Free Trade Zone Sub-Branch	Unit 01, 02, 12, 15th Floor, No.55 Jilong Rd, China(Shanghai) Pilot Free Trade Zone Shanghai 200131, P.R. China	21-2080-5888	21-5058-5112

Subsidiary

Units	Address	Tel	Fax
The Tokyo Star Bank, Limited	2-3-5 Akasaka, Minato-Ku, Tokyo, 107-8480, Japan	81-3-3586-3111	N/A
CTBC Bank (Philippines) Corp.	16th to 19th Floors, Fort Legend Towers, 31st Street Corner 3rd Avenue, Bonifacio Global City, Taguig City, Philippines 1634	63-2-9889287	63-2-576-7935
CTBC Bank Corp. (Canada)	1518 West Broadway, Vancouver, B.C., Canada, V6J 1W8	1-604-6833882	1-604-6833723
CTBC Bank Corp. (USA)	801 S. Figueroa Street, Suite 2300, Los Angeles, CA 90017, USA	1-310-7912828	1-424-2774698
PT Bank CTBC Indonesia	Tamara Center, 15th-17th Fl., Jl Jenderal Sudirman Kav. 24, Jakarta, 12920, Indonesia	62-21-25578787	62-21-30402286

Representative Office

Units	Address	Tel	Fax
Bangkok Representative Office	Suite 803, 8F, GPF Witthayu, Tower A, 93/1 Wireless Road, Lumpini, Pathumwan, Bangkok 10330, Thailand	66-2-2543139	66-2-2566480
Hanoi Representative Office	East-3002, 30th Floor, LOTTE Center Hanoi, No.54 Lieu Giai Street, Cong Vi Ward, Ba Dinh District, Hanoi, Vietnam	84-4-38249088	84-4-38249099
Los Angeles Representative Office	17851 Colima Road, Suite A1, City of Industry, CA91748, USA	1-626-8397660	1-626-8393562
Beijing Representative Office	B-111, The Grand Pacific Building, 8a, Guanghua Rd., Chao Yang District, Beijing, P. R.C. 100026	86-10-65813700	86-10-65815701
Kuala Lumpur Rep. Office	Lot 11-09, Level 11, Menara Hap Seng 2, Plaza Hap Seng, No. 1 Jalan Ramlee 50250 Kuala Lumpur, Malaysia	603-20223299	603-2022-3277
Sydney Rep. Office	Suite 2702, Level 27, 259 George Street, Sydney, NSW 2000, Australia	61-2-9251-3655	61-2-9251-3644
Yangon Rep. Office	Unit #506, No.53, Strand Road, Pabedan Township, Yangon, Myanmar	951-230-7348	951-230-7347

**CTBC BANK CO., LTD.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL REPORTS

DECEMBER 31, 2015 AND 2014

AND

INDEPENDENT AUDITORS' REPORT

Address: No.166, 168, 170, 186, 188, Jingmao 2nd Rd., Nangang Dist., Taipei City 115, Taiwan, R.O.C.
Telephone Number: 886-2-3327-7777

CTBC BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL REPORTS
Table of Contents

Contents	Page
Cover Page	1
Table of Contents	2
Independent Auditors' Report	3
Consolidated Balance Sheets	4
Consolidated Statements of Comprehensive Income	5
Consolidated Statements of Changes in Stockholders' Equity	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	
1. Basis of Presentation	8~10
2. Approval Date and Procedures of the Consolidated Financial Reports	10
3. New Standards, Amendments and Interpretations	10~12
4. Summary of Significant Accounting Policies	12~30
5. Primary Sources of Significant Accounting Judgments, Estimates and Assumptions Uncertainty	30~31
6. Summary of Major Accounts	31~115
7. Related-Party Transactions	116~124
8. Pledged Assets	125
9. Significant Contingent Liabilities and Unrecognized Contract Commitments	126~130
10. Significant Catastrophic Losses	131
11. Significant Subsequent Events	131
12. Others	131~133
13. Disclosure Required	
(A) Related information on significant transactions	134~136
(B) Related information on investee companies	136
(C) Related information on investments in Mainland China	137~138
14. Segment Information	138~139



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Independent Auditors' Report

The Board of Directors
CTBC Bank Co., Ltd.

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

We conducted our audits in accordance with the Rules Governing Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements mentioned above present fairly, in all material respects, the consolidated financial position of CTBC Bank Co., Ltd. and its subsidiaries as of December 31, 2015 and 2014, along with its consolidated financial performance and consolidated cash flow for the year ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms, the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS), interpretations and pronouncements as accepted by Financial Supervisory Commission.

As Stated in Note 12(D), CTBC Bank Co., Ltd. merged with CTBC Insurance Brokers Co., Ltd. on November 30, 2015; the accounting treatment was based on IFRS Q&A and interpretations issued by the Accounting Research and Development Foundation, the merger could qualify as reorganization. In accordance with interpretation, when CTBC Bank Co., Ltd. prepared comparative financial statements, the financial statements of CTBC Bank Co., Ltd. were retroactively restated to reflect the merger assuming both entities had merged on January 1, 2014.

The structured notes cases as stated in Note 9(D) are still under investigation by the judiciary, and the results remain uncertain.

Individual financial statements of CTBC Bank Co., Ltd. were additionally prepared, and we have expressed a modified unqualified opinion on it for user reference.

Taipei, Taiwan, R.O.C.
March 29, 2016

Notice to Readers

The accompanying consolidated financial reports are intended only to present the financial position, financial performance and cash flows in accordance with IFRSs accepted by the Financial Supervisory Commission and not those of any other jurisdictions. The standards, procedures, and practices to audit such financial reports are those generally accepted and applied in the Republic of China.

It should be noted that the independent auditors' report and the accompanying consolidated financial reports were originally prepared in Chinese. As information loss underlies the nature of language transition, when conflicts or ambiguities arise in interpretations between the two versions, the Chinese version shall prevail.

CTBC BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2015 and 2014
(Expressed in Thousands of New Taiwan Dollars)

	(Retroactively Restated) December 31, 2015		(Retroactively Restated) December 31, 2014			(Retroactively Restated) December 31, 2015		(Retroactively Restated) December 31, 2014	
	Amount	%	Amount	%		Amount	%	Amount	%
ASSETS									
Cash and cash equivalents (Note 4 and 6(A))	\$ 81,203,890	2	109,030,159	3			\$ 45,654,274	1	49,934,428
Due from Central Bank and call loans to bank (Note 6(B) and 8)	402,006,003	11	274,292,402	9			19,735,029	1	54,087,143
Financial assets measured at fair value through profit or loss (Note 4, 6(C) and (T), and 7)	140,602,123	4	108,400,254	3			127,592,578	4	92,816,247
Available-for-sale financial assets—net (Note 4, 6(D) and (T), 8, and 9(A))	455,708,300	13	550,798,180	17					
Derivative financial assets—hedging (Note 4 and 6(E))	107,526	-	1,499,486	-			441,428	-	916,322
Securities purchased under reverse repurchase agreements (Note 4 and 6(F))	-	-	2,774,393	-			50,648,083	1	60,230,776
Receivables—net (Note 4, 6(G) and (J), 7, and 8)	146,674,654	4	176,298,463	6			60,103,477	2	76,956,875
Current income taxes assets (Note 4)	900,269	-	946,049	-			2,981,280	-	3,397,373
Assets held for sale—net (Note 4 and 6(H))	-	-	6,323,343	-			2,734,383,611	78	2,421,898,970
Loans—net (Note 4, 6(I) and (O), and 7)	2,011,474,309	57	1,820,196,154	56			81,270,573	2	98,457,298
Hold-to-maturity financial assets—net (Note 4, 6(K) and (T), and 8)	147,667,106	4	71,154,327	2			151,058,510	4	167,097,644
Investment under equity method—net (Note 4 and 6(M))	2,220,425	-	2,010,966	-			6,033,425	-	5,501,723
Other financial assets—net (Note 4, 6(J) and (N), and 8)	17,643,309	1	20,725,575	1			469,291	-	887,134
Premises and equipment—net (Note 4 and 6(O))	49,743,813	2	42,828,737	1			5,374,246	-	6,020,016
Intangible assets—net (Note 4 and 6(P))	14,788,651	1	14,600,763	1					
Deferred income tax assets—net (Note 4)	8,829,447	-	9,181,990	-					
Other assets—net (Note 4 and 6(Q))	39,647,893	1	26,551,301	1			3,285,725,805	93	3,038,201,949
							105,729,279	3	91,092,775
Stockholders' Equity:									
Capital stock:									
Common stock (Note 6(AD))							26,911,545	1	25,000,568
Capital premium							1,181,491	-	1,181,491
Others									
Retained earnings:									
Legal reserve							54,648,900	2	44,370,246
Special reserve							14,424,233	-	4,814,487
Undistributed earnings (Note 6(AD))							31,381,987	1	34,001,789
Other equity interest (Note 6(AD))							(866,509)	-	(3,848,740)
Equity attributable to former owner of business combination under common control							-	-	2,717,296
Non-controlling interest							80,987	-	80,681
Total Equity							233,491,913	7	199,410,593
TOTAL LIABILITIES AND EQUITY							3,519,217,718	100	3,237,612,542

The accompanying notes are an integral part of the consolidated financial reports.

CTBC BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For The Year Ended December 31, 2015 And 2014
(Expressed In Thousands of New Taiwan Dollars)

	For the year ended December 31				Change	%
	(Retroactively Restated)					
	2015		2014			
Amount	%	Amount	%			
Interest income (Note 6(AH))	\$ 63,933,741	69	58,833,173	64		9
Less: Interest expenses (Note 6(AH))	(20,859,945)	(23)	(20,566,889)	(22)		1
Net interest income (Note 6(AH))	<u>43,073,796</u>	<u>46</u>	<u>38,266,284</u>	<u>42</u>		<u>13</u>
Net income except interest						
Service fee and commission income (Note 6(AI))	34,694,886	38	31,717,738	35		9
Gains on financial assets or liabilities measured at fair value through profit or loss (Note 6(AJ))	11,207,543	12	11,292,188	12		(1)
Realized gains on available-for-sale financial assets	1,339,931	2	1,658,179	2		(19)
Realized gain on held-to-maturity financial assets	409	-	67,073	-		(99)
Foreign exchange losses	(4,387,604)	(5)	(4,427,132)	(5)		1
Impairment loss	(67,391)	-	(28,568)	-		(136)
Proportionate share of gains (losses) from associates or joint ventures under equity method (Note 6(M))	89,166	-	(17,192)	-		619
Other net non-interest income	2,040,712	2	838,588	1		143
Gains on disposal of property—assets as held for sale (Note 13(A))	10,229,800	11	-	-		100
Losses on retirement of assets	(3,071,131)	(3)	(10,398)	-		(29,436)
Gain from a bargain purchase (Note 12(C))	-	-	14,814,154	16		(100)
Public-welfare lottery payment	(2,700,000)	(3)	(2,700,000)	(3)		-
Net Revenue	<u>92,450,117</u>	<u>100</u>	<u>91,470,914</u>	<u>100</u>		<u>1</u>
Provisions for bad debt expenses and guarantee reserve (Note 6(J))	<u>(1,158,337)</u>	<u>(1)</u>	<u>(3,037,977)</u>	<u>(4)</u>		<u>(62)</u>
Operating expenses:						
Employee benefits expenses (Note 6(AK))	(26,359,037)	(29)	(24,410,697)	(27)		8
Depreciation and amortization expenses (Note 6(AL))	(2,979,215)	(3)	(2,090,721)	(2)		42
Other general and administrative expenses (Note 6(AN))	(22,164,127)	(24)	(19,332,034)	(21)		15
Total operating expenses	<u>(51,502,379)</u>	<u>(56)</u>	<u>(45,833,452)</u>	<u>(50)</u>		<u>12</u>
Net Income Before Tax from Continuing Operations	39,789,401	43	42,599,485	46		(7)
Income tax expenses (Note 6(AB))	<u>(5,544,872)</u>	<u>(6)</u>	<u>(5,725,036)</u>	<u>(6)</u>		<u>3</u>
Net Income	<u>34,244,529</u>	<u>37</u>	<u>36,874,449</u>	<u>40</u>		<u>(7)</u>
Other comprehensive income:						
Items that will not be reclassified subsequently to profit or loss						
Remeasurement losses related to defined benefit plans	(632,497)	-	(311,379)	-		(103)
Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	1,150,729	1	464,012	1		148
Proportionate share of other comprehensive income from associates or joint ventures under the equity method- items that are or not be reclassified to profit or loss	(3,075)	-	(662)	-		(365)
Income tax related to items that will not be reclassified to profit or loss	110,393	-	59,456	-		86
Subtotal	<u>625,550</u>	<u>1</u>	<u>211,427</u>	<u>1</u>		<u>196</u>
Items that are or may be reclassified subsequently to profit or loss						
Exchange differences of overseas subsidiaries' financial reports translation	1,914,014	2	459,782	1		316
Unrealized valuation losses on available-for-sale financial assets	(304,720)	-	(471,264)	(1)		35
Proportionate share of other comprehensive income from associates or joint ventures under the equity method- items that are or may be reclassified to profit or loss	41,367	-	43,590	-		(5)
Income tax related to items that are or may be reclassified to profit or loss	174,308	-	268,338	-		(35)
Subtotal	<u>1,824,969</u>	<u>2</u>	<u>300,446</u>	<u>-</u>		<u>507</u>
Other comprehensive income (net amount after tax)	<u>2,450,519</u>	<u>3</u>	<u>511,873</u>	<u>1</u>		<u>379</u>
Total Comprehensive Income	<u>\$ 36,695,048</u>	<u>40</u>	<u>37,386,322</u>	<u>41</u>		<u>(2)</u>
Net Income Attributable to:						
Parent company	\$ 31,906,816	34	34,274,780	37		(7)
Equity attributable to former owner of business combination under common control	2,333,452	3	2,605,970	3		(10)
Non-controlling interest	4,261	-	(6,301)	-		168
	<u>\$ 34,244,529</u>	<u>37</u>	<u>36,874,449</u>	<u>40</u>		
Comprehensive Income Attributable to:						
Parent company	\$ 34,363,833	37	34,761,854	38		(1)
Equity attributable to former owner of business combination under common control	2,330,909	3	2,614,751	3		(11)
Non-controlling interest	306	-	9,717	-		(97)
	<u>\$ 36,695,048</u>	<u>40</u>	<u>37,386,322</u>	<u>41</u>		
Earnings per share (unit: NT dollars) (Note 6(AG))	<u>\$ 3.24</u>		<u>3.58</u>			

The accompanying notes are an integral part of the consolidated financial reports.

CTBC BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Year Ended December 31, 2015 And 2014
(Retroactively Restated for the Year Ended December 31, 2014)
(Expressed In Thousands of New Taiwan Dollars)

	Stockholders' Equity - Parent company				Other equity interest		Equity attributable to former owner of business combinations under common control	Non-controlling interest	Total equity
	Common stock	Capital surplus	Retained earnings	Exchange differences of overseas subsidiaries' financial reports translation	Unrealized (losses) gains on available-for-sale financial assets	Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk			
Balance—January 1, 2014	\$ 78,622,897	17,182,059	15,692,181	(4,119,096)	(489,806)	-	146,850,762	70,964	146,921,726
Retroactive adjustment of equity attributable to former owner due to reorganization of entities under common control	-	-	-	-	-	-	-	-	2,330,437
Equity at beginning of period after adjustments	78,622,897	17,182,059	15,692,181	(4,119,096)	(489,806)	-	146,850,762	70,964	149,252,163
Net income	-	-	34,262,178	-	-	-	34,262,178	6,301	36,874,449
Other comprehensive income	-	-	(260,486)	-	-	464,012	499,676	8,781	511,873
Total comprehensive income	-	-	34,001,692	581,980	(285,830)	464,012	34,761,854	9,717	37,386,322
Earnings appropriation and distribution (Note)	-	-	-	-	-	-	-	-	-
Legal reserve appropriated	-	-	4,707,654	-	-	-	-	-	-
Special reserve appropriated	-	-	(4,514,552)	-	-	-	-	-	-
Cash dividends - common share	6,469,878	-	-	-	-	-	-	-	(2,227,892)
Stock dividends - common share	6,000,000	9,000,000	(6,469,878)	-	-	-	-	-	-
Capital increase by cash	-	-	-	-	-	-	-	-	-
Balance—December 31, 2014	91,092,775	26,182,059	44,370,246	(3,537,116)	(775,636)	464,012	196,612,616	80,681	199,410,593
Net income	-	-	31,906,816	1,817,415	14,087	-	31,906,816	4,261	34,244,529
Other comprehensive income	-	-	(525,214)	-	-	1,150,729	2,457,017	(3,955)	2,450,519
Total comprehensive income	-	-	31,381,602	1,817,415	14,087	1,150,729	34,363,833	306	36,695,048
Earnings appropriation and distribution	-	-	-	-	-	-	-	-	-
Legal reserve appropriated	-	-	10,278,654	-	-	-	-	-	-
Special reserve appropriated	-	-	(10,369,908)	-	-	-	-	-	-
Cash dividends - common share	14,113,004	-	-	-	-	-	-	-	(2,613,728)
Stock dividends - common share	-	-	(14,113,004)	-	-	-	-	-	-
Reversal from special reserve	-	-	760,162	-	-	-	-	-	-
Reorganization	523,500	1,910,977	-	-	-	-	2,434,477	-	(2,434,477)
Balance—December 31, 2015	\$ 105,729,279	28,093,036	54,648,900	(1,719,701)	(761,549)	1,614,741	233,410,926	80,987	233,491,913

Note: For the year ended December 31, 2014, employee bonuses of \$4,973 was deducted from the consolidated statements of comprehensive income.

The accompanying notes are an integral part of the consolidated financial reports.

CTBC BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2015 And 2014
(Expressed In Thousands of New Taiwan Dollars)

	For the year ended December 31	
	2015	(Retroactively Restated) 2014
Cash Flows from Operating Activities:		
Net Income Before Tax	\$ 39,789,401	42,599,485
Adjustments:		
Income and expense items		
Depreciation expenses	1,928,154	1,340,363
Amortization expenses	1,051,061	750,358
Provision for bad debt expenses	1,158,337	3,037,977
Net gains on financial assets or liabilities measured at fair value through profit	(443,810)	(5,438,385)
Interest expenses	20,859,945	20,566,889
Interest income	(63,933,741)	(58,833,173)
Dividend income	(503,471)	(361,858)
Net changes in guarantee reserve	(17,879)	(5,645)
Net changes in other provisions	(11,070)	(57,543)
Losses on disposal of foreclosed properties	314	1,673
Proportionate share of (gains) losses from associates or joint ventures under the equity method	(89,166)	17,192
Losses on disposal and retirement of premises and equipment	2,358,231	4,653
Losses on disposal of intangible assets	-	73
Gains on disposal of assets held for sale	(10,229,800)	-
Impairment loss on (gains on reversal of) financial assets	70,701	(8,355)
(Gains on reversal of) impairment loss on non-financial assets	(3,310)	36,923
Gain from a bargain purchase	-	(14,814,154)
Other adjustments	1,004,622	(322,962)
Subtotal of income and expense items with no effect on cash flows	(46,800,882)	(54,085,974)
Changes in Operating Assets and Liabilities:		
Net Changes in Operating Assets:		
(Increase) decrease in due from Central Bank and call loans to bank	(30,476,885)	1,253,450
Increase in financial assets measured at fair value through profit or loss	(34,151,679)	(1,051,661)
Decrease (increase) in hedging derivative financial assets	1,391,960	(589,373)
Decrease (increase) in receivables	28,033,438	(6,336,730)
Increase in loans	(192,784,650)	(98,953,306)
Decrease (increase) in available-for-sale financial assets	94,989,270	(62,546,999)
Increase in held-to-maturity financial assets	(76,512,779)	(9,421,883)
Decrease (increase) in other financial assets	3,391,425	(124,984)
Net Changes in Operating Assets	(206,119,900)	(177,771,486)
Net Changes in Operating Liabilities:		
(Decrease) increase in deposits from Central Bank and other banks	(4,300,154)	924,870
Increase in financial liabilities measured at fair value through profit or loss	26,353,215	29,996,199
(Decrease) increase in hedging derivative financial liabilities	(474,894)	661,210
(Decrease) increase in payables	(11,354,002)	6,566,621
Increase in deposits and remittances	312,484,641	193,703,815
(Decrease) increase in other financial liabilities	(17,004,853)	7,121,215
Increase in employee benefits provision	511,756	207,538
Net Changes in Operating Liabilities	306,215,709	239,181,468
Net Changes in Operating Assets and Liabilities	100,095,809	61,409,982
Sum of Adjustments	53,294,927	7,324,008
Cash Provided by Operating Activities	93,084,328	49,923,493
Interest received	64,766,276	58,223,240
Dividend received	572,110	413,337
Interest paid	(25,860,363)	(21,271,231)
Income tax paid	(5,557,186)	(4,292,350)
Net Cash Provided by Operating Activities	127,005,165	82,996,489

CTBC BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS(CONT'D)
For the Year Ended December 31, 2015 And 2014
(Expressed In Thousands of New Taiwan Dollars)

	For the year ended December 31	
	2015	(Retroactively Restated) 2014
Cash Flows from Investing Activities:		
Purchase of financial assets carried at cost	\$ (190,164)	(114,566)
Disposal of financial assets carried at cost	-	345
Proceeds from capital reduction of financial assets carried at cost	-	92,095
Purchase of financial assets under equity method	(357,238)	-
Disposal of financial assets under equity method	232,833	-
Purchase of premises and equipment	(9,394,853)	(8,300,041)
Disposal of premises and equipment	1,149,964	48,344
Purchase of intangible assets	(1,037,356)	(1,492,296)
Disposal of intangible assets	68,094	716
Disposal of foreclosed properties	12,141	7,071
Cash inflows from business combination	-	48,203,353
Decrease in receivables	813,854	514,655
Increase in other assets	(12,078,548)	(13,916,992)
Disposal of assets held for sale	13,640,153	-
Net Cash (Used in) Provided by Investing Activities	(7,141,120)	25,042,684
Cash Flows from Financing Activities:		
Decrease in due to Central Bank and other banks	(34,352,114)	(2,612,407)
Issuance of financial debentures	17,000,000	35,000,000
Repayments of financial debentures	(34,157,420)	(5,996,990)
Decrease in securities sold under repurchase agreements	(9,582,693)	(807,418)
Increase in financial liabilities designated as at fair value through profit or loss, upon initial recognition	10,057,737	32,764,694
(Decrease) increase in payables	(475,647)	928,291
Decrease in other liabilities	(644,739)	(1,023,168)
Cash dividends issuance	(2,613,728)	(2,227,892)
Capital increase by cash	-	15,000,000
Net Cash (Used in) Provided by Financing Activities	(54,768,604)	71,025,110
Effect of exchange rate changes on cash and cash equivalents	1,540,613	(1,733,212)
Increase in Cash and Cash Equivalents	66,636,054	177,331,071
Cash and Cash Equivalents, at the Beginning of the Period	338,136,369	160,805,298
Cash and Cash Equivalents, at the End of the Period	\$ 404,772,423	338,136,369
Components of cash and cash equivalents:		
Cash and cash equivalents recognized in the balance sheet	\$ 81,203,890	109,030,159
Due from Central Bank and call loans to bank which meet IAS 7 definition of cash and cash equivalents	323,568,533	226,331,817
Securities sold under repurchase agreements which meet IAS 7 definition of cash and cash equivalents	-	2,774,393
Cash and Cash Equivalents, at the End of the Period	\$ 404,772,423	338,136,369

The accompanying notes are an integral part of the consolidated financial reports.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL REPORTS
December 31, 2015 and 2014
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. BASIS OF PRESENTATION

CTBC Bank Co., Ltd. (the “Bank”) was originally incorporated in March 1966 as “China Securities Investment Corporation.” In December 1970, the Bank changed its organization and was renamed China Trust Co., Ltd. Twenty-one years later, on July 2, 1992, it was approved to conduct commercial banking business and changed its name to CTBC Bank Co., Ltd.

In order to restructure overall resources, lower costs, expand the business scope, enhance competitiveness, and improve the quality of financial services and operating efficiency, on September 30, 2003, the Bank’s board of directors resolved to acquire Grand Commercial Bank, a wholly owned subsidiary of CTBC Financial Holding Co., Ltd., and to merge with it, with the Bank as the surviving entity. The acquisition date of record was December 1, 2003.

On August 1, 1991, Grand Commercial Bank was approved to conduct commercial banking business, and it began operations on December 30, 1991. As of November 30, 2003, Grand Commercial Bank had a business department, a trust department, a domestic banking unit, an offshore banking unit, and 42 domestic branches.

In order to develop the business units, enhance competitiveness, and provide customers with more convenient and varied financial services, the Bank assumed the outstanding assets, liabilities and operations of Fengshan Credit Cooperative (“FSCC”) and Enterprise Bank of Hualien (“EBH”) on October 1, 2004, and September 8, 2007, respectively.

In order to enhance the effectiveness of the overall operation of CTBC Financial Holding Company and to reduce operational risk and cost, the Bank merged with Chinatrust Bills Finance Corp., a wholly owned subsidiary of CTBC Financial Holding Co., Ltd., by issuing common shares in a 0.77-for-1 exchange for the shares of Chinatrust Bills Finance Corp. on April 26, 2008. The Bank is the surviving entity from this merger.

In order to restructure overall resources and fulfill operating efficiency, the Bank merged with CTBC Insurance Brokers Co., Ltd., a wholly owned subsidiary of CTBC Financial Holding Co., Ltd. by issuing common shares in a 10.47-for-1 exchange for the shares of CTBC Insurance Brokers Co., Ltd. on November 30, 2015. The Bank is the surviving entity from this merger. Please refer to Note12 (D) for more information.

The Bank has been approved to conduct business in the following areas:

- (A) Checking accounts, savings accounts, and time deposits;
- (B) Short, medium, and long-term loans;
- (C) Note discounting;
- (D) Investment in marketable securities;
- (E) Domestic foreign exchange business;

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (F) Banker's acceptances;
- (G) Issuance of domestic standby letters of credit;
- (H) Domestic endorsement guarantees business;
- (I) Collection and payment agency;
- (J) Agency for government bonds, treasury bills, corporate bonds, and securities transactions;
- (K) Agency transactions and proprietary trading of short-term bills;
- (L) Credit card-related products;
- (M) Agency for sale of gold nuggets, gold coins, and silver coins;
- (N) Financial derivative businesses as approved by the Financial Supervisory Commission;
- (O) Custody and warehouse services;
- (P) Renting of safe-deposit boxes;
- (Q) Financial advisory services on corporate banking;
- (R) Foreign exchange business in connection with exports and imports, fund remittance and repatriation, foreign currency deposits and loans; guarantee for secured repayment, and attestation on exports and imports;
- (S) Non-discretionary trust funds for investment in foreign and domestic marketable securities;
- (T) Account receivable factoring business as approved by the Financial Supervisory Commission;
- (U) Endorsement and issuance of corporate bonds;
- (V) Issuance of financial debentures;
- (W) Underwriting, agency transactions, and proprietary trading of marketable securities;
- (X) Proprietary trading of government bonds;
- (Y) All businesses related thereto as specified in the license or other agency services as approved by the Financial Supervisory Commission;
- (Z) Trust and fiduciary services;
- (AA) Margins on foreign currency transactions;
- (AB) Issuance of cash value cards;

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(AC) Public welfare lottery sales;

(AD) Futures proprietary trading business; and

(AE) Other businesses as approved by the Financial Supervisory Commission.

The Bank's headquarters coordinate corporate-wide operations and establishes domestic and overseas banking units to expand business. As of December 31 2015, the Bank had 148 domestic branches, 10 foreign branches and 7 overseas representative offices, whereas its subsidiaries had 89 overseas offices.

The Bank's parent company and ultimate parent company is CTBC Financial Holding Co., Ltd.

2. APPROVAL DATE AND PROCEDURES OF THE FINANCIAL REPORTS

The consolidated financial reports were approved by the board of directors on March 29, 2016.

3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(A) The effect on application of new standards and interpretations as accepted by the Financial Supervisory Commission

Starting from 2015, the Bank and its subsidiaries have fully adopted the 2013 version of International Financial Reporting Standards (excluding the application of IFRS 9 "Financial Instruments," as accepted by the Financial Supervisory Commission (the "FSC"), when compiling quarterly consolidated financial reports. The newly issued and revised accounting standards and interpretations are as follows:

<u>Newly issued/ revised accounting standards and interpretations</u>	<u>Effective dates per International Accounting Standards Board</u>
Amendment to IFRS 1- Amended by "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters."	July 1, 2010
Amendment to IFRS 1- Amended by "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters."	July 1, 2011
Amendment to IFRS 1- Amended by "Government Loans."	January 1, 2013
Amendment to IFRS 7- Amended by "Disclosures – Transfers of Financial Assets."	July 1, 2011
Amendment to IFRS 7- Amended by "Disclosures – Offsetting Financial Assets and Financial Liabilities."	January 1, 2013
IFRS 10 "Consolidated Financial Statements."	January 1, 2013
	(Effective for investment entities for periods beginning after January 1, 2014)
IFRS 11 "Joint Arrangements."	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities."	January 1, 2013
IFRS 13 "Fair Value Measurement."	January 1, 2013
Amendment to IAS 1- Amended by "Presentation of Items of Other Comprehensive Income."	July 1, 2012
Amendment to IAS 12- Amended by "Deferred Tax: Recovery of Underlying Assets."	January 1, 2012
Amendment to IAS 19- Superseded by "Employee Benefits."	January 1, 2013
Amendment to IAS 27- Superseded as "Separate Financial Statements."	January 1, 2013
Amendment to IAS 32- Amended by "Offsetting Financial Assets and Financial Liabilities."	January 1, 2014
IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine."	January 1, 2013

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Except for the following listed items, the adoption of the 2013 version of IFRSs by the Bank and its subsidiaries would have no significant impact on the consolidated financial reports.

(a) IAS 1 “Presentation of Financial Statements”

The amendments change the presentation of other comprehensive income. They require the grouping of items of other comprehensive income into “items that might be reclassified to profit or loss in subsequent periods” and “items that will not be reclassified to profit or loss in subsequent periods.” All lines under other comprehensive income shall be presented in pre-tax amounts. The related tax effects shall be disclosed separately based on the aforesaid grouping method. The Bank and its subsidiaries have changed the presentation of other comprehensive income to conformity with the amendments. Moreover, the comparative information has been restated accordingly.

(b) IFRS 12 “Disclosure of Interests in Other Entities”

The Bank and its subsidiaries have made additional disclosures regarding associates and unconsolidated ‘structured entities’ as prescribed in the standard. Please refer to Note 6(M) and (AP), respectively, for more information.

(c) IFRS 13 “Fair Value Measurement”

The standard redefines fair value, provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The new measurement prescription has no significant impact on asset and liability items of the Bank and its subsidiaries. The Bank and its subsidiaries have made additional disclosures regarding fair value measurement as prescribed in the standard, except for comparative information which is not required. Please refer to Note 6 (AO) for more information.

(d) IFRS 7 “Disclosures — Offsetting Financial Assets and Financial Liabilities” and IAS 32 “Offsetting Financial Assets and Financial Liabilities”

The standard specifies the related rules regarding “the entity has a legally enforceable right to offset the amount” and “the entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously” and requires the disclosure regarding the possible effect on an entity’s financial position due to the net basis settlement. An evaluation has been conducted for evaluating the possible effect on the Bank and its subsidiaries. Please refer to the Note 6(AO) for additional disclosures the Bank and its subsidiaries have made regarding net basis settlement.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (B) The effect on newly issued International Financial Reporting Standards not yet accepted by the FSC

Listed as below are the accounting standards and interpretations pronounced by IASB, but not yet accepted by the FSC as of the reporting date of this quarterly financial report:

<u>Newly issued/ revised accounting standards and interpretations</u>	<u>Effective dates per International Accounting Standards Board</u>
IFRS 9 “Financial Instruments.”	January 1, 2018
Amendments to IFRS 10 and IAS 28 -Amended by “Sale or contribution of assets between an investor and its associate or joint venture.”	Effective date to be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28- Amended by “Investment Entities: Applying the Consolidation Exception.”	January 1, 2016
Amendments to IFRS 11- Amended by “Accounting for Acquisitions of Interests in Joint Operations.”	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 –Amended by “Disclosure Initiative.”	January 1, 2016
Amendment to IAS 7 –Amended by “Disclosure initiative.”	January 1, 2017
Amendment to IAS 12 –Amended by “Recognition of Deferred Tax Assets for Unrealised Losses.”	January 1, 2017
Amendments to IAS 16 and IAS 38- Amended by “Clarification of Acceptable Methods of Depreciation and Amortisation.”	January 1, 2016
Amendment to IAS 19- Amended by “Defined Benefit Plans: Employee Contributions.”	July 1, 2014
Amendment to IAS 27- Amended by “Equity method in separate financial statements.”	January 1, 2016
Amendment to IAS 36- Amended by “Recoverable Amount Disclosures for Non-Financial Assets.”	January 1, 2014
Amendment to IAS 39- Amended by “Novation of Derivatives and Continuation of Hedge Accounting.”	January 1, 2014
Annual Improvements to IFRSs 2010–2012 and 2011–2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012–2014 Cycle	January 1, 2016

The impact of applying new standards on the financial position and financial performance of the Bank and its subsidiaries is under evaluation. Once the evaluation is completed, the Bank and its subsidiaries will disclose the effect on the financial reports.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This report was originally prepared in Chinese language. When conflicts or ambiguities arise in interpretations between the two versions, the Chinese version shall prevail.

- (A) Assertion of compliance

The consolidated financial reports were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms, the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, IFRSs, IAS, interpretations and pronouncements as accepted by FSC (“IFRSs as accepted by FSC”).

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(B) Basis of compilation

The consolidated financial reports have been prepared on a historical cost basis except for the following material items in the statement of financial position:

- (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) Hedging derivative financial instruments measured at fair value;
- (d) Cash-settled share-based payment agreements liability measured at fair value; and
- (e) Defined benefit assets, which are recognized as the net amount of pension plan assets plus unrecognized prior service cost and unrecognized actuarial losses, minus unrecognized actuarial gains and present value of defined benefits obligation.

(C) Basis of consolidation

(a) Basis of compilation for consolidated financial reports

The consolidated financial reports encompass the Bank itself and controlled entities. All significant intra-group transactions are written-off.

- (b) The control of a special purpose entity (“SPE”) by the Bank and its subsidiaries may be indicated if the following criteria are met simultaneously.
 - 1. The entity has powers to obtain the majority of the benefits of the SPE's activities through voting rights or other rights;
 - 2. By having a right to the majority of the SPE's benefits, the entity is exposed to the SPE's business risks;
 - 3. The entity is capable of using its leverage over the SPE to influence the benefits of the SPE.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(c) Subsidiaries and special purpose entities included in the consolidated financial reports:

Name of Investor Company	Name of Subsidiary	Primary Business	Percentage of Ownership	
			December 31, 2015	December 31, 2014
CTBC Bank Co., Ltd.	CTBC Bank (Philippines) Corp.	Primarily engages in commercial banking and financing business	99.60%	99.60%
"	PT Bank CTBC Indonesia	Primarily engages in commercial banking and financing business	99.00%	99.00%
"	CTBC Bank Corp.(Canada)	Primarily engages in commercial banking and financing business	100.00%	100.00%
"	The Tokyo Star Bank, Ltd. (Note 1)	Primarily engages in commercial banking and financing business	100.00%	100.00%
"	CTBC Capital Corp.	Investment business	100.00%	100.00%
CTBC Capital Corp.	CTBC Bank Corp. (USA)	Primarily engages in commercial banking and financing business	100.00%	100.00%
The Tokyo Star Bank, Ltd.	TSB Capital, Ltd.	Financing and assurance business	100.00%	100.00%
"	TSB Servicer, Ltd.	Debt management business	100.00%	100.00%
"	Tokyo Star Business Finance, Ltd.	Financing business	100.00%	100.00%
"	Residential Mortgage Backed Securities (Note 2)	Asset-backed security that is secured by mortgage	- %	- %
"	Pecuniary Trust Contract (Note 2)	Mortgage management / Collection NPL	- %	- %
"	Credit Linked Notes (Note 2)	A security with an embedded credit default swap	- %	- %
"	Asset-back Securities (Note 2)	Consumer loan management	- %	- %

Note 1 : In order to expand the service to Northeast Asia, the Bank has acquired a 100% equity stake in The Tokyo Star Bank, Ltd. on June 5, 2014.

Note 2 : The reason the listed entities are included in the consolidated financial reports of the Bank and its subsidiaries is because the Bank and its subsidiaries have leverage over these entities through direct or indirect investment, voting rights of these entities, and rights to either benefit from the majority of these entities' profits or sustain the risks. As of December 31, 2015, the Bank and its subsidiaries have not, either under the terms of any contractual arrangements or non-contractual arrangements, provided financial or other support to its special purpose entities.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (d) Below are investees excluded in the consolidated financial reports while the Bank has de facto control or over 50% holdings:

Name of Investor Company	Name of Subsidiary	Primary Business	Percentage of Ownership		Description
			December 31, 2015	December 31, 2014	
CTBC Bank Co., Ltd.	GCB Finance (HK) Limited	Corporate loans and investment business	- %	100.00%	The company has been liquidated in 2015.
Note	Hu- Yi Solution Corp. (Shanghai) (Note)	Information service	- %	- %	"

Note: The Bank conducts no direct investment toward this entity; however, the entity fulfills the definition of "control of an investee" specified in IFRS 10.

(D) Foreign currency

- (a) A foreign currency transaction, which is denominated or requires settlement in a foreign currency, shall be recorded on initial recognition in the functional currency by applying the foreign currency spot exchange rate between the functional currency and the foreign currency at the date of the transaction.
- (b) At each balance sheet date, foreign currency monetary items shall be translated using the closing rate. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.
- (c) Foreign currency differences arising on the settlement of a foreign currency transaction are recognized in current profit or loss. Foreign currency differences arising on the retranslation of monetary items, except for differences arising on the retranslation of monetary items designated as hedging instruments in a hedge of the net investments in foreign operations or in a qualifying cash flow hedge are recognized directly in other comprehensive income, are recognized in profit or loss when it incurred.
- (d) When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange difference of that gain or loss shall be recognized in other comprehensive income. Otherwise, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange difference of that gain or loss shall be recognized in profit or loss.
- (e) Functional currency and presentation currency

The functional currency of the Bank and its subsidiaries is the currency of the primary economic environment in which they operate. The financial reports are presented in New Taiwan Dollars, the functional currency of the Bank.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(E) Cash and cash equivalents

The statements of cash flows are compiled based upon cash and cash equivalents. Cash comprises cash on hand, savings accounts, checking accounts, and unrestricted time deposits or negotiable certificates of deposit which may be terminated anytime without impairing the principal. Cash equivalents consist of short-term and highly liquid investments that are readily convertible to known amounts of cash and will mature within a short period so that interest rate fluctuations have little effect on their values. Cash equivalents include short-term bills with maturities within three months from the investment date.

Cash and cash equivalents comprise time deposits that are used by the Bank and its subsidiaries in the management of its short-term cash commitments and are not for investment or other purposes. Additionally, the aforementioned deposits are readily convertible to fixed amount of cash and are subject to an insignificant risk of changes in their fair value.

(F) Financial instruments

(a) Financial assets

Financial assets held by the Bank and its subsidiaries are recorded on the trading date. Except for financial instruments classified as held for trading, other financial instruments are initially recognized at acquiring or issuing cost plus transaction costs. Upon disposition, the cost of sale of equity securities is determined by the moving-average method, and the cost of sale of debt securities is determined by the first-in, first-out (FIFO) method.

1. Financial assets measured at fair value through profit or loss

Financial assets are classified as held for trading if they have been acquired principally for the purpose of selling or repurchasing in the near term. The derivative financial instruments held by the Bank and its subsidiaries, except for those designated as hedging instruments, are classified under these accounts. The Bank and its subsidiaries 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 assets is evaluated on a fair value basis;
- C. Hybrid instruments contain one or more embedded derivatives.

Financial assets in this category are measured at fair value at balance sheet date. Changes in fair value are recognized in profit or loss as incurred.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

2. Available-for-sale financial assets—net

At each balance sheet date, the fair value is remeasured, and the resulting gain or loss from such remeasurement is recognized directly in other comprehensive income. Interest on a debt instrument classified as available-for-sale is accrued; the relevant premium/discount is amortized by using the effective-interest-rate method. If there is objective evidence that an available-for-sale financial asset is impaired, the carrying amount of the asset is reduced, and impairment loss is recognized. If, in a subsequent period, the amount of the impairment loss of the available-for-sale equity securities decreases, the impairment loss recognized in profit or loss shall not be reversed through profit or loss. If, in a subsequent period, the amount of the impairment loss of the available-for-sale debt securities decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. The carrying amount after the reversal shall not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized. A gain or loss on available-for-sale financial assets is recognized directly in other comprehensive income, except for impairment losses and foreign exchange gains or losses arising from monetary financial assets, until the financial assets are derecognized, at which time the cumulative gain or loss previously recognized in other comprehensive income is charged to profit or loss.

3. Securities under repurchase/reverse repurchase agreements

Securities sold/purchased with a commitment to repurchase/reverse repurchase at predetermined price are treated as financing transactions. The difference between the cost and the repurchase/reverse repurchase price is treated as interest expenses/revenue and recognized over the term of the agreement. On the selling/purchasing date, these agreements are recognized as securities sold under repurchase agreements or securities purchased under reverse repurchase agreements.

4. Loans and receivables

At initial recognition, loans and receivables include incremental direct transaction costs, and the subsequent measurement recognizes interest revenues through the effective interest method on accrual basis, under which the loans and receivables are carried at amortized cost less impairment losses. Loans are reclassified as a non-accrual account if either of the following conditions is met, and interest collected while accruing of interest has been suspended is included in earnings only to the extent of cash actually received.

- A. Collection of payment of principal or interest accrued is considered highly unlikely; or
- B. Payment of principal or interest accrued is over 3 or 6 months past due; or
- C. Payment of principal, interest accrued and other suspense account of credit card is over 90 days past due.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

As the purpose of holding those creditor's rights has changed, these loans held for sale are accounted for under "other financial assets" and will be valued using the lower-of-cost-or-market method in the future.

With regards to loans and receivables, the objective evidence shall be identified first to reveal any impairment existing for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence of impairment exists for an individually assessed financial asset, it shall be included in a set of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment are not required to be collectively assessed because impairment is or continues to be recognized.

Nonaccrual accounts deemed uncollectible are written off upon approval of the board of directors. The recovery of written-off loans and accounts receivable is accounted for under the reversal of the allowance for credit losses.

Reserves for guarantees are appropriately provided based on an estimate of probable losses inherent in the ending balances of guarantees, acceptances receivable, and commercial paper.

Another estimate will also be reached following Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans issued by the FSC and other related regulations. Final provision will be based on the higher of the two estimates.

5. Held-to-maturity financial assets — net

The amortized cost and interest income of held-to-maturity financial assets are determined by using the effective-interest-rate method. If there is objective evidence that a held-to-maturity financial asset is impaired, the carrying amount of the asset is reduced, and impairment loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. The carrying amount after the reversal shall not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized.

6. Financial assets carried at cost

Equity instruments with no quoted market price are initially recognized at whose fair value plus transaction costs. At each balance sheet date, fair value can be reliably measured if either of the following conditions is met:

- A. The variability in the range of reasonable fair value estimates is not significant for that instrument; or

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- B. The probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value. If the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, it is not permissible to measure the instrument at fair value; instead, the instrument shall be carried at cost.

7. Debt investments without active markets

The amortized cost and interest income of debt investments without an active market are determined by using the effective-interest rate method. When there is objective evidence that an impairment loss on financial assets has been incurred, impairment loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. The carrying amount after the reversal shall not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized.

8. Financial assets initially classified as measured at fair value through profit or loss (other than derivative financial assets and those designated as assets measured at fair value through profit or loss) may be reclassified into other categories if those financial assets are no longer held for the purpose of selling and meet the criteria listed below; financial assets initially classified as available-for-sale that would have met the definition of held-to-maturity financial assets or loans and receivables may be reclassified out of the available-for-sale category to the loans and receivables. The accounting treatments on the date of reclassification are summarized as follows:

- A. When financial assets initially classified as measured at fair value through profit or loss have met the definition of loans and receivables and the entity has the intention and ability to hold the financial assets for the foreseeable future or until maturity, they shall be reclassified at their value on the date of reclassification, which will become their new cost or amortized cost, as applicable. Any previous gain or loss already recognized in profit or loss shall not be reversed.
- B. Financial assets initially classified as measured at fair value through profit or loss which do not meet the preceding criterion may be reclassified out of the fair value through profit or loss category only in rare circumstances and shall be reclassified at their fair value on the date of reclassification, which will become their new cost or amortized cost, as applicable. Any previous gain or loss already recognized in profit or loss shall not be reversed.
- C. When financial assets initially classified as available-for-sale have met the definition of loans and receivables and the entity has the intention and ability to hold the financial assets for the foreseeable future or until maturity, they shall be reclassified at their value on the date of reclassification, which will become their new cost or amortized cost, as applicable.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- D. For any previous gain or loss on a financial asset that has been recognized directly under owners' equity, if the financial asset has a fixed maturity, the gain or loss shall be amortized to current profit or loss over the remaining life of the financial asset; if not, the gain or loss remains under owners' equity.

9. Financial asset impairment

If there is an objective evidence that an impairment loss on financial assets has been incurred, the amount of the loss is recognized and measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate; the amount of the loss shall be recognized in profit or loss in the current period. The estimation of future cash flows includes the recoverable amount of collateral and related insurance when determining the amount of the loss.

The aforesaid objective evidence includes:

- A. Significant financial difficulty of the issuer or obligor;
- B. A breach of contract, such as a default or delinquency in interest or principal payments;
- C. The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- D. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- E. The disappearance of an active market for that financial asset because of the issuer's financial difficulties;
- F. Adverse changes in the payment status of the borrower; and
- G. Changes in national or local economic conditions that correlate with defaults on the assets.

10. Derecognition of financial assets

The Bank or its subsidiaries shall derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire or when the Bank or its subsidiaries transfer substantially all the risks and rewards of ownership of the financial assets.

Securities lending agreement or repurchase transactions, where bonds or stocks are taken as collateral, shall not be derecognized, because the Bank or its subsidiaries have retained substantially all the risks and rewards of ownership. The transaction of asset backed securitization is applying to such situation when the Bank or its subsidiaries still retained partial risks.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(b) Financial liabilities

The financial liability held by the Bank or its subsidiaries includes a financial liability measured at fair value through profit or loss (including the instruments designated as at fair value through profit or loss), amortized cost of a financial liability and hedge derivatives.

1. Financial liabilities measured at fair value through profit or loss

A financial liability is held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. A derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument, is classified as instrument held for trading as well. Financial liabilities held for trading include obligations to deliver financial assets borrowed by a short seller. The Bank and its subsidiaries designate financial liabilities, 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 liability is evaluated on a fair value basis;
- C. A hybrid instrument contains one or more embedded derivatives.

Financial liabilities falling under this category are measured at fair value in the balance sheet at the balance sheet date. Moreover, the changes in fair value are recognized as current profit or loss. While for financial liabilities designated at fair value through profit or loss, its fair value changed in the liability's credit risk should be recognized under other comprehensive income, except for avoiding accounting mismatch or in the circumstances of loan commitments and financial guarantee contract to provide a loan that should be accounted as current profit or loss.

Under certain circumstances, the Bank may not recognize profit or loss of a financial asset or financial liability at initial recognition, if a fair value is not derived from a quoted market price in an active market and is based on the evaluation method with data retrieved from unobservable market. In the above scenario, the recognition of the difference between fair value at initial recognition and transaction price is deferred. After initial recognition, the entity shall recognize the aforesaid deferred difference as a gain or loss only to the extent that it arises from a change in a factor that market participants would take into account when pricing the asset or liability.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

2. Amortized cost of a financial liability

Financial liabilities are classified at amortized cost of a financial liability, except for financial liabilities measured at fair value through profit or loss, hedged derivatives financial liability, financial bonds payable, financial guarantee contracts, commitments to provide a loan at a below-market interest rate and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

3. Derecognition of a financial liability

The Bank and its subsidiaries shall remove a financial liability from its statement of financial position when, and only when, it is extinguished.

(c) Derivatives and hedging accounting

Derivative instruments are initially recognized at fair value on contract date and subsequently measured at fair value. Fair value includes quoted price in an active market, occurring market transaction prices or model valuation technique. All derivatives instruments are recognized as assets with positive fair value and as liability with negative fair value.

The Bank and its subsidiaries should accounts for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition that the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the entire hybrid contract is not designated as at fair value through profit or loss. In addition, the embedded derivative is recognized as financial asset or liability as measured at fair value through profit or loss.

When a fair value hedge, cash flow hedge, and hedge of a net investment in a foreign operation are in conformity with all the conditions for applying hedge accounting, the affected profit or loss is recognized by offsetting the changes in the fair value of hedging instruments and hedged items. The related accounting treatments are as follows:

1. Fair value hedge: Changes in the fair value of derivatives that are designated and qualified as fair value hedging instruments against the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment are recognized through profit or loss in the current period.
2. Cash flow hedge: Where a derivative financial instrument is designated as a hedge of the variability in cash flow of a recognized asset or liability or a highly probable forecast transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognized directly under other comprehensive income. When the hedged transaction actually affects the profit or loss, the gain or loss previously recognized under other comprehensive income shall be recognized through current profit or loss. Any gain or loss from the change in fair value relating to an ineffective portion of the hedge transaction is recognized immediately through profit or loss in the current period.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. Hedge of a net investment in a foreign operation: The effective portion of any gain or loss on a hedging instrument relating to a hedge against foreign currency fluctuation in a foreign operation is recognized directly in other comprehensive income until the disposal of the foreign operation, at which time the cumulative gain or loss recognized directly under other comprehensive income is recognized in profit or loss in the current period.

(d) Financial guarantee contracts

The Bank and its subsidiaries recognize financial guarantee liabilities initially at their fair value at the date of providing guarantee. The Bank and its subsidiaries receive commission income with non-arm's-length transaction at contract date; this is, the income could represent the fair value of financial guarantee contract. The advanced service fee is recognized as deferred item and amortized by straight-line method over the life of the financial guarantee.

Financial guarantee contracts shall be subsequently measured by the Bank and its subsidiaries at the higher of:

1. The amount determined in accordance with "Provisions"; and
2. The amount initially recognized less, when appropriate, cumulative amortization recognized from deferred revenues.

(G) Non-financial asset impairment

At each balance sheet date, the recoverable amount of an asset is estimated and compared with the carrying amount whenever there is an indication that the non-financial asset may be impaired. An impairment loss is recognized when the recoverable amount, higher of fair market value or value in use, is less than the carrying amount. For assets other than goodwill, reversal of impairment loss is recognized when the recoverable amount of the asset has increased from its prior-period estimation. The carrying amount after the reversal shall not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

(H) Assets held for sale

For an asset or disposal group to be classified as held for sale, it needs to be disposed of through sale rather than through continuing use to recover its carrying amount. Assets or disposal groups that meet the criteria to be classified as such must be subject only to terms that are usual and customary and be available for immediate sale, which is highly probable, within one year of such classification. After being classified as held for sale, it is measured at the lower of carrying amount and fair value less costs to sell.

Amortization or depreciation on intangible assets, premises and equipment ceases once they are classified as held for sale.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(I) Investments in associates

Investments in associates in which the Bank is able to exercise significant influence and subsidiaries the Bank has control over, are accounted for under the equity method and initially recognized at cost. Goodwill, deducting accumulated impairment loss, relating to an associate is included in the carrying amount of the investment. The equity method discontinues to be used from the date when it ceases to have significant influence, and the book value is taken as the new cost of the investment.

The Bank has significant influence if holding, directly or indirectly 20% or more of the voting right of the investee. However, an exception will apply if the Bank can specify that it has no significant influence over an investee.

After the date of acquisition the Bank or its subsidiaries' share of the profit or loss of the associates is recognized in profit or loss. Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount of the investment may also be necessary for changes in the Bank or its subsidiaries' proportionate interest in the associates arising from changes in the associates' other comprehensive income. If the Bank or its subsidiaries' share of losses of an associate equals or exceeds their interest in the associate (including non-guarantee long-term receivables), the Bank or its subsidiaries discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized, only to the extent that the Bank or its subsidiaries has incurred legal or constructive obligations or made payments on behalf of the associate.

Changes in ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances the carrying amounts of the parent's ownership interest and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognized directly in equity.

(J) Cash surrender value of life insurance

The Bank's U.S. subsidiary purchased single-premium life insurance under which the executive officers and directors are the insured, while the subsidiary is the owner and beneficiary thereof. The cash surrender value indicates the amount that would be received if the life insurance is terminated prior to the maturity date, and is accounted for under "other assets."

(K) Premises and equipment

The Bank and its subsidiaries' property and equipment are recognized after deducting any accumulated depreciation and accumulated impairment losses from historical cost. The historical cost includes any costs directly attributable to acquiring the assets.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Subsequent expenditure of property and equipment shall be recognized as an asset or be included in the carrying amount of assets, when, and only when it is probable that the future economic benefits that are associated with property and equipment will flow to the Bank or its subsidiaries, and the cost of property and equipment can be measured reliably. The carrying amount of those parts that are replaced is derecognized. A major improvement or repair expense that can extend the benefits over afterward period is regards as capital expenditure; while frequent maintenance or repairs are charged to current expenses.

If the Bank and its subsidiaries have obligations to dismantle, remove and restore the property and equipment, the obligation for which the Bank and its subsidiaries incurs either when the item is acquired or as a consequence of having used the item during a particular period shall be recognized as the cost of the property and equipment as well as liability.

Depreciation is computed using the straight-line method; the useful lives are calculated based on the normal economic lives. 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. The residual value and the useful life of an asset shall be reviewed or adequately adjusted at each financial year-end. Useful lives of major premises and equipment are as follows:

Buildings and premises	2~56 years
Transportation equipment	4~ 6 years
Miscellaneous equipment	2~20 years

The gain or loss arising from the disposition of an item of property and equipment shall be recognized in current profit or loss and determined as the difference between the disposal proceeds and the carrying amount of the item.

(L) Intangible assets

(a) Computer software

Computer software system expenses, which are recorded on the basis of the actual cost of acquisition, are amortized using a straight-line method over a period of 3 to 15 years. Its amortization method, useful life and residual value are referred to the regulation of properties and equipment. The Bank and its subsidiaries use cost model to proceed subsequently measurement.

(b) Goodwill

The Bank and its subsidiaries account a business combination by applying the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities assumed by the acquirer and the equity interests issued by the acquirer. In addition, other expense directly contributed to the acquisition is included. The acquirer shall measure the identifiable assets acquired from business combination and the liabilities or contingent liabilities assumed at their acquisition-date fair values without considering non-controlling interest. The acquirer shall recognize goodwill as of the acquisition date measured as the excess of the consideration transferred over the fair value of net identifiable assets held according to holding proportion. Adversely, the difference may result in directly recognizing a gain on a purchase.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Goodwill relating to cash-generating units is tested for impairment periodically each year. An impairment loss is recognized when the recoverable amount is less than the carrying amount. Impairment losses cannot be reversed once an impairment loss has been recognized.

(M) Foreclosed properties

Foreclosed properties received are stated at acquired cost, and the difference between it and the nominal value of the original claim is reflected as a credit loss. On the balance sheet date, if the foreclosed properties received are still unsold, they shall be evaluated at the lower of carrying amount and net fair market value. If there is sufficient evidence indicating that the net fair market value is lower than the carrying amount of foreclosed properties, the difference after reassessment is accounted for under impairment loss on assets. Gain or loss on disposal of foreclosed properties is recognized in current profit or loss as well.

(N) Provisions

The Bank and its subsidiaries recognize provisions only if all of the following conditions are met:

- (a) An entity has a present obligation, legal or constructive, as a result of a past event;
- (b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (c) A reliable estimate can be made of the amount of the obligation.

The Bank and its subsidiaries shall not recognize provisions for future operating losses.

Where there are a number of similar obligations the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole. If that is the case, a provision is recognized.

The amount of a provision is measured subsequently as the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The deficiency is recognized as profit or loss of the current period.

(O) Revenue recognition

The Bank and its subsidiaries' incomes are recognized on an accrual basis. Please refer to Note 4(F)(a)4. loans and receivables for more information on interest income from receivables and loans.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(P) Employee benefit

- (a) Short-term employee benefit: The Bank or its subsidiaries expects to settle all short-term non-discounted benefits in twelve months after the end of annual financial reporting date in which the services are rendered by employees, and recognize as current expenses.
- (b) Post-employment benefit: The Bank and its subsidiaries' pension plan comprises defined contribution plan and defined benefit plan.
1. A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.
 2. A defined benefit plan is a post-employment benefit plan under which benefit is paid to an employee on the basis of their ages, service periods and compensated salaries at the date of retirement. The Bank recognizes remeasurements of the defined benefit plan which are incurred by the change of actual experience and actuarial assumption in other comprehensive income, and recognize pension asset or liability in balance sheet in which asset or liability is the amount of actuarial present value of defined benefits obligation deducting fair value of plan assets. The calculation of defined benefits obligation is performed annually by an actuary using the projected unit credit method. The actuarial present value of defined benefits obligation is calculated by discounting future cash flow at the yield rate on AA credit rated 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. In accordance with the article 30 of the Regulations Governing the Preparation of Financial Reports by Public Bank's, when the interest incurred from retiree deposits with favorable rates exceed the interest generated from market rate, it should be considered the actuarial amount according to defined benefit plan regulated on IAS 19 "Employee Benefits" since the employee's retirement date. Otherwise, the parameter of actuarial assumption of competent authority should be followed (if have). The interim amount of define benefit plan is determined based on the pension cost rate, which is the actuarial rate at the end of last fiscal year, and the amount, which is from the beginning of the year to the end of current period. In addition, an adjustment would be made if significant market fluctuation, significant decrease, pay-off or other significant one-time event occurs after the end of period.
 3. The defined contribution plan of overseas unit is in accordance with respective authorities' regulation.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (c) Termination benefits: Termination benefits are incurred when the Bank or its subsidiaries terminate employment prior to qualifying for retirement, or the employees accepted voluntary redundancy to get termination benefits in return. Termination benefits are recognized as a liability when the Bank and its subsidiaries are committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to provide termination benefits or make an offer of termination benefits to encourage voluntary redundancy. Termination benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(Q) Share based payment transactions

The Bank's accounting treatments of share-based payment are as below.

- (a) Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, and the corresponding increase in owners' equity is recognized. The vesting period is estimated based on the ultimate vesting conditions that must be satisfied. The vesting conditions include service conditions and performance conditions, including market conditions. In valuing equity-settled payments, no account is taken of any vesting conditions other than market conditions.
- (b) For cash-settled share-based payment transactions, a liability equal to the portion of the goods or services received is recognized at its current fair value determined at each balance sheet date and at the date of settlement, with any changes in the fair value recognized in profit or loss of the period.
- (c) Fair value of the share options at the grant date is measured with the use of an option pricing model based on management's best estimate of the exercise price, expected term, underlying share price, expected volatility, expected dividend yield, risk-free interest rate, and any other inputs to the model.

(R) Compensations of employees and directors

The Bank's employees' and directors' (including independent directors) compensations are recognized as personnel expense. Any difference lies between the actual allocation amount and previously recognized in the financial report is considered as change in accounting estimates which is then recognized as profit or loss in next year.

(S) Income taxes

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. 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. Income tax expense is measured by interim reporting period net income before tax multiplied by best estimate effective annual tax rate. And the best estimate effective annual tax rate is determined by the management. Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred tax assets

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities may be offset against each other if the following criteria are met by the Bank and its subsidiaries:

- (a) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (b) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1. Levied by the same taxing authority; or
 - 2. Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

As a subsidiary of CTBC Financial Holding Co., Ltd., the Bank files a consolidated corporate income tax return with its parent company and its subsidiaries. The difference between the consolidated income tax and the Bank's ordinary income tax is adjusted at the parent-company level, and the Bank recognizes such difference as payables or receivables.

The Bank's 10% surtax on undistributed earnings is recorded as current expense on the date of the resolution of the board of directors on behalf of stockholders' meeting for declaring the distribution of earnings.

(T) **Contingent liabilities**

A contingent liability is defined as a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank or its subsidiaries; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. The Bank and its subsidiaries shall not recognize a contingent liability; instead, contingent liability shall be appropriately disclosed.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(U) Operating segments

An operating segment is a component of the Bank and its subsidiaries that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Bank and its subsidiaries). The segment's operating results are reviewed regularly by the Bank's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance for which discrete financial information is available.

The prime responsibility of the Bank's parent company CTBC Financial Holding Co., Ltd. is the management of its subsidiaries, whose operational performance and resource allocation are executed under board approval of the parent company. The Bank and component subsidiaries periodically report actual financial results to the Group's Management Board, and thereby leading to its role as the chief operating decision maker.

5. PRIMARY SOURCES OF SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS UNCERTAINTY

When preparing the consolidated financial reports, the management needs to make judgments, estimates, and assumptions that affect the adoption of accounting policies, reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from these estimates.

Continuously evaluation of estimates and assumption should be made by the management. A change of accounting estimate should be recognized in the period when it incurs and in the affected future periods.

Please refer to the following for accounting policies and management judgments for certain account items have significant impacts on financial reports of the Bank and its subsidiaries and any information about any estimate and assumption that are uncertain, have significant risk and may have significant impact on the following year.

(A) Impairment loss on loans

When the Bank and its subsidiaries decide whether to recognize impairment loss, they mainly assess if there are any observable evidence indicating possible impairment. The evidence may include observable information indicating unfavorable changes in debtor payment status, or sovereign or local economic situation related to debt payment in arrears. When analyzing expected cash flow, the estimates by the management are based on past losses experience on assets of similar credit risk characteristics. The Bank and its subsidiaries periodically review methods and assumptions behind the amount and schedule of expected cash flow, to reduce the difference between expected and actual loss.

Please refer to Note 6(I) for impairment loss on loans.

(B) Post-employment benefits

The present value of post-employment benefits obligation is based on actuarial results of multiple assumptions. Any assumption changes will affect the carrying amount of post-employment benefits obligation.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The assumptions that determine net pension cost (revenue) include discount rate. The Bank and its subsidiaries determine an appropriate discount rate at the end of each year, and use the discount rate to calculate the present value of future cash outflow needed to cover the post-employment benefits obligation. To determine an appropriate discount rate, the Bank and its subsidiaries should take into account the interest rate of high-quality corporate bond or government bond, which should be issued in the same currency as that of post-employment benefits payments. The maturity of the bonds should match that of pension liability.

Other significant assumptions of post-employment benefits obligation are based on current market conditions. Please refer to Note 6(AA).

(C) Fair value

The Bank and its subsidiaries hold certain financial instruments without active markets, including financial instruments lacking active market quotes and financial instruments that turned out to be inactive due to market conditions (e.g., low market liquidity). When a market is inactive, there are usually only a few or no observable market data available to measure the fair value of financial instruments. Determination of the existence of an active market for a financial instrument requires management's judgment. If the market for an investment held by the Bank and its subsidiaries are not active, the fair value of the instrument is determined using valuation techniques. The Bank and its subsidiaries use quotes from independent third parties or prices derived from internally developed models to determine the fair value of those financial instruments. When the fair value may be publicly obtained from independent sources, it shall be adopted first. Overall, the Bank and its subsidiaries would decide a source or a technique as a fair value determination method that can reflect the price achieved between market participants through regular trading as of the reporting date. Valuation techniques include adoption of recent arm's-length transactions, reference to other instruments with a substantially identical basis, application of discounted cash flow analysis, etc., which may also include a number of assumptions related to each variable (such as credit risk and interest rate). Adoption of different valuation techniques or assumptions may lead to significant discrepancies in fair value determination results.

Please refer to note 6(AO) for the estimated fair value of the above financial instruments.

6. SUMMARY OF MAJOR ACCOUNTS

(A) Cash and cash equivalents

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Cash on hand	\$ 26,109,293	24,353,048
Petty cash and revolving fund	23,792	12,458
Checks for clearance	2,276,816	3,731,806
Cash in transit	9,648,375	10,811,662
Due from other banks	43,145,614	70,121,185
Total	<u>\$ 81,203,890</u>	<u>109,030,159</u>

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(B) Due from Central Bank and call loans to bank

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Required reserve—Account A	\$ 65,348,694	31,321,818
Required reserve—Account B	44,907,251	38,109,441
Required reserve—Foreign Currency	165,330	-
Due from Central Bank	153,084,598	101,375,061
Call loans to banks	138,500,130	103,486,082
Total	<u>\$ 402,006,003</u>	<u>274,292,402</u>

The reserves for deposits are calculated at prescribed rates, using the average monthly balances of various deposit accounts, and are appropriated and deposited in the reserve account of the Central Bank of the Republic of China (Taiwan). Deposits in “Required reserve—Account A” are interest-free and can be withdrawn at any time; deposits in “Required reserve—Account B” are interest-bearing and cannot be withdrawn except for the monthly adjustment to the required reserve permitted by relevant regulations.

Parts of the above due from Central Bank and call loans to banks are restricted, and please refer to Note 8 for further details.

(C) Financial instruments measured at fair value through profit or loss

The financial assets held for trading and the financial assets measured at fair value through profit and loss upon designation by the Bank and its subsidiaries were as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Financial assets held for trading		
Commercial paper	\$ 46,456,169	30,489,686
Treasury bills	-	76,361
Government bonds	667,947	2,959,462
Corporate bonds	373	-
Convertible bonds	3,844,529	4,701,647
Listed and OTC securities	306,183	155,145
Beneficiary certificates	32,783	265,266
Derivative financial assets	81,105,512	57,709,720
Valuation adjustment of financial assets	81,022	285,945
Subtotal	<u>132,494,518</u>	<u>96,643,232</u>
Designated as financial assets measured at fair value through profit or loss		
Corporate bonds	6,787,782	6,547,705
Listed and OTC securities	-	2,804,772
Other securities and bonds	1,304,825	2,284,234
Valuation adjustment of financial assets	14,998	120,311
Subtotal	<u>8,107,605</u>	<u>11,757,022</u>
Total	<u>\$ 140,602,123</u>	<u>108,400,254</u>

Please refer to Notes 6(T) for information with regard to the repurchase conditions for financial assets held for trading shown above.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Financial liabilities measured at fair value through profit or loss of the Bank and its subsidiaries were as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Derivative financial liabilities	\$ 88,909,223	62,556,008
Financial liabilities designated at fair value through profit or loss	38,683,355	30,260,239
Total	<u>\$ 127,592,578</u>	<u>92,816,247</u>

The aforementioned financial liabilities designated at fair value through profit or loss were issued by the Bank, with the related terms and conditions disclosed in Note 6(W). The amounts of fair value and its changes which are attributable to changes in the credit risk were as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Financial debentures at fair value	\$ 38,683,355	30,260,239
Cumulative changes in fair value that is attributable to changes in the credit risk	(1,614,741)	(464,012)
The difference between book value and the amount payable upon maturity as specified in the contract	5,955,745	2,504,455

The Bank assesses changes in fair value that is not attributable to changes in market conditions that give rise to credit risk by evaluating changes in fair value. For the year ended December 31, 2015 and 2014, there is no transfer of the cumulative gain or loss within equity.

The fair value of the callable financial liabilities issued by the Bank is evaluated based on the internal evaluation method, with evaluation parameters retrieved from unobservable market. In consideration of the discrepancy between evaluated price and transaction price, the Bank has recognized reserve for day one profits. The changes in reserve for day one profits were as follows :

	<u>For the year ended December 31</u>	
	<u>2015</u>	<u>2014</u>
January 1	\$ 2,752,068	-
Current issuance of debentures	1,447,510	2,821,129
Current amortization	(884,786)	(141,491)
Foreign exchange gains	165,911	72,430
December 31	<u>\$ 3,480,703</u>	<u>2,752,068</u>

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(D) Available-for-sale financial assets — net

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Negotiable certificates of deposit	\$ 225,587,845	277,600,000
Treasury bills	343,446	380,907
Government bonds	111,577,852	178,873,891
Corporate bonds	30,019,727	42,604,744
Financial debentures	31,935,045	15,548,059
Beneficiary certificates	7,580,739	7,475,950
Listed and OTC securities	4,934,247	3,002,907
Asset-backed securities	43,383,494	24,677,158
Other securities and bonds	325,446	312,192
Valuation adjustment of financial assets	20,459	322,372
Total	<u>\$ 455,708,300</u>	<u>550,798,180</u>

Please refer to Notes 6(T) and 8 for information with regard to the repurchase conditions for, or restrictions on, available-for-sale financial assets shown above.

Please refer to Note 9(A) for details of the trust contract with regard to Mega Financial Holding Company's shares held by the Bank.

(E) Derivative financial instruments — hedging

Hedging derivative financial assets of the Bank were as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Fair value hedge:		
Interest rate swaps	\$ 91,845	205,614
Hedge of a net investment in a foreign operation:		
Currency swaps	15,681	1,293,872
Total	<u>\$ 107,526</u>	<u>1,499,486</u>

Hedging derivative financial liabilities of the Bank were as below:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Fair value hedge:		
Interest rate swaps	\$ -	21,716
Non delivery forwards	26,428	35,093
Hedge of a net investment in a foreign operation:		
Currency swaps	415,000	859,513
Total	<u>\$ 441,428</u>	<u>916,322</u>

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(a) Fair value hedge

In order to minimize the risk from future market interest rate fluctuation, the Bank entered into interest rate swap transactions, where the interest rate payable on fixed-interest-rate debts issued has been swapped with a floating interest rate to reduce interest rate risk. The Bank further entered into non-delivery forwards; these contracts are principally to hedge against the foreign exchange fluctuation of capital of the international banking department.

<u>Hedged items</u>	<u>Financial instruments designated as hedging instruments</u>	<u>Designated hedging instruments</u>	
		<u>Fair value</u>	
		<u>December 31, 2015</u>	<u>December 31, 2014</u>
Perpetual subordinated debentures in USD	Interest rate swaps	\$ -	151,934
Financial debentures in NTD	"	91,845	31,964
Capital of international banking department in USD	Non delivery forwards	(26,428)	(35,093)

For the year ended December 31, 2015 and 2014, net gains (losses) on the hedging derivative financial instruments and the hedged items were as follows:

	<u>For the year ended December 31</u>	
	<u>2015</u>	<u>2014</u>
Net gains from derivative financial instruments	<u>\$ 149,480</u>	<u>116,470</u>
Net losses from the hedged items	<u>\$ (314,746)</u>	<u>(517,319)</u>

(b) Hedge of a net investment in a foreign operation

In order to minimize the risk from overseas equity-method investments, the Bank entered into currency swaps to hedge against foreign exchange fluctuation.

<u>Hedged items</u>	<u>Financial instruments designated as hedging instruments</u>	<u>Designated hedging instruments</u>	
		<u>Fair value</u>	
		<u>December 31, 2015</u>	<u>December 31, 2014</u>
CTBC Bank Co., Ltd. - Ho Chi Minh City Branch	Currency swaps	\$ (10,717)	(21,219)
CTBC Capital Corp.	"	(112,389)	(193,935)
CTBC Bank Corp. (Canada)	"	7,507	(4,047)
The Tokyo Star Bank, Ltd.	"	(283,720)	653,560

(F) Securities purchased under reverse repurchase agreements

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Securities purchased under reverse repurchase agreements	<u>\$ -</u>	<u>2,774,393</u>
Face value of securities	<u>\$ -</u>	<u>2,812,590</u>

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(G) Receivables — net

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Notes receivable	\$ 40,743	141,274
Accounts receivable	62,327,712	62,915,386
Accounts receivable factoring	45,394,449	82,776,222
Interest receivable	6,151,896	6,946,606
Acceptances receivable	5,793,307	7,152,046
Accrued income	30,851	21,361
Securities receivable	5,791,165	8,092,830
Interbank clearing receivable	1,721,919	1,736,764
Premium receivable	5,531,090	3,979,687
Accounts receivable for assets held for sale	13,610,430	-
Other receivables	2,510,607	4,646,593
Subtotal	<u>148,904,169</u>	<u>178,408,769</u>
Less: Allowance for credit losses	<u>(2,229,515)</u>	<u>(2,110,306)</u>
Total	<u><u>\$ 146,674,654</u></u>	<u><u>176,298,463</u></u>

The accounts receivable shown above included the receivables from credit card holders who were involved in debt repayment negotiation with the Bank.

Please refer to Note 8 for information with regard to the restrictions on other receivables shown above.

Please refer to Note 6(J) for changes in allowance for credit losses of receivables listed above.

Receivables of the Bank and its subsidiaries should be included in impairment assessment. Please refer to the following table for the amount of receivables and the respective allowance for credit losses, excluding that of credit card receivables, which is accounted for under provisions. Total receivables do not encompass investments in security-related and other receivables whose impairment assessments are consistent with corresponding assets.

		<u>December 31, 2015</u>	<u>December 31, 2014</u>
		<u>\$ 8,632,837</u>	<u>9,088,129</u>
Receivables excluded from evaluation of impairment			
December 31, 2015			
		Adjustment of	
		discount and	
		premium	
		Allowance for	
		credit losses	
Items	Receivables		
With objective evidence of impairment	Individual assessment	\$ 322,769	-
	Collective assessment	3,567,634	-
Without objective evidence of impairment	Collective assessment	133,967,932	-
Total		<u>\$ 137,858,335</u>	<u>2,229,515</u>
December 31, 2014			
		Adjustment of	
		discount and	
		premium	
		Allowance for	
		credit losses	
Items	Receivables		
With objective evidence of impairment	Individual assessment	\$ 294,941	-
	Collective assessment	3,930,723	-
Without objective evidence of impairment	Collective assessment	163,966,915	-
Total		<u>\$ 168,192,579</u>	<u>2,110,306</u>

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(H) Assets held for sale—net

The Bank's board of directors approved the planned sale of 95% fractional ownership of its headquarter building on September 25, 2013. The Bank is commencing its auction to sell this property which is classified as held for sale accordingly.

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Real estate	<u>\$ -</u>	<u>6,323,343</u>

The Bank sold 95% fractional ownership of the land as the former headquarter building located in Xinyi district to Green Heaven Investments Ltd. and Shi-He Development Corp. on November 6, 2015. Please refer to Note 13(A) for related information on disposal of land.

The Bank recognized losses on disposal of the former headquarter building amounted to 2,912,990 as land ownership transferred.

(I) Loans—net

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Corporate loans	\$ 527,090,168	478,243,722
Micro-business loans	22,491,435	16,067,308
Mortgage loans	449,872,194	363,754,381
Automobile loans	923	1,273
Consumer loans	105,992,945	102,169,051
Subtotal of NTD loans	<u>1,105,447,665</u>	<u>960,235,735</u>
Foreign currency loans	919,596,526	872,894,317
Non-accrual loans	<u>14,911,315</u>	<u>15,618,791</u>
Subtotal	2,039,955,506	1,848,748,843
Less: Allowance for credit losses	(27,026,726)	(27,136,043)
Less: Adjustment of discount and premium	(1,567,612)	(1,594,630)
Fair value adjustment resulting from acquisition	113,141	177,984
Total	<u>\$ 2,011,474,309</u>	<u>1,820,196,154</u>

The loans shown above included the loans to cash card holders and fiduciary loans to clients who were involved in debt repayment negotiation with the Bank.

Please refer to Note 6(AO) for the industry information.

Non-performing loans of the Bank and its subsidiaries were as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Non-performing loans	<u>\$ 16,011,226</u>	<u>17,659,396</u>

For the year ended December 31, 2015 and 2014, suspended interest on non-performing loans were as follows:

	<u>For the year ended December 31, 2015</u>	<u>For the year ended December 31, 2014</u>
Suspended interest on non-performing loans	<u>\$ 159,826</u>	<u>89,553</u>

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended December 31, 2015 and 2014, there were no loans written off without prior recourse.

Please refer to Note 6(J) for changes in allowance for credit losses of loans listed above.

Loans should be included in the total amounts of assessment of impairment to determine the allowance for credit losses, which was as follows:

Items		Loans	December 31, 2015	
			Adjustment of discount and premium	Allowance for credit losses
With objective evidence of impairment	Individual assessment	\$ 13,992,083	31,645	4,710,355
	Collective assessment	20,848,221	1,171	3,792,346
Without objective evidence of impairment	Collective assessment	2,005,115,202	(1,600,428)	18,524,025
	Total	\$ 2,039,955,506	(1,567,612)	27,026,726

Items		Loans	December 31, 2014	
			Adjustment of discount and premium	Allowance for credit losses
With objective evidence of impairment	Individual assessment	\$ 25,166,383	(49,381)	6,602,068
	Collective assessment	22,796,388	3,496	4,158,796
Without objective evidence of impairment	Collective assessment	1,800,786,072	(1,548,745)	16,375,179
	Total	\$ 1,848,748,843	(1,594,630)	27,136,043

(J) Allowance for credit losses

The changes in allowance for credit losses, attributed to loans, receivables, other financial assets, and provision of guarantee reserves, were as follows:

	For the year ended December 31, 2015							
	Receivables			Loans			Other (Note)	Total
	Inherent risk of overall claims	Default risk of specific claims	Total	Inherent risk of overall claims	Default risk of specific claims	Total		
Beginning balance	\$ 1,365,271	745,035	2,110,306	16,375,179	10,760,864	27,136,043	326,769	29,573,118
Current provision (reversal)	99,239	(125,899)	(26,660)	1,942,971	(822,729)	1,120,242	148,435	1,242,017
Current write-off	-	(828,974)	(828,974)	(8,353)	(3,376,096)	(3,384,449)	(118,184)	(4,331,607)
Recovery of bad debts	-	966,375	966,375	-	1,806,462	1,806,462	10,352	2,783,189
Non-accrual loans transferred from non-loan financial assets	-	1,870	1,870	-	-	-	(1,870)	-
Exchange rate effects	6,996	(398)	6,598	214,228	134,200	348,428	48,508	403,534
Ending balance	\$ 1,471,506	758,009	2,229,515	18,524,025	8,502,701	27,026,726	414,010	29,670,251

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended December 31, 2014

	Receivables			Loans			Other (Note)	Total
	Inherent risk of overall claims	Default risk of specific claims	Total	Inherent risk of overall claims	Default risk of specific claims	Total		
	Beginning balance	\$ 1,248,820	1,274,958	2,523,778	10,640,832	6,460,563		
Transferred from the merger	3,450	1,160	4,610	2,939,453	6,376,566	9,316,019	19,548	9,340,177
Current provision (reversal)	92,785	(333,747)	(240,962)	2,858,236	422,960	3,281,196	10,910	3,051,144
Current write-off	-	(1,292,576)	(1,292,576)	-	(3,633,657)	(3,633,657)	(118,920)	(5,045,153)
Recovery of bad debts	-	1,073,439	1,073,439	-	1,749,201	1,749,201	225	2,822,865
Non-accrual loans transferred from on-loan financial assets	-	19,442	19,442	-	-	-	(19,442)	-
Exchange rate effects	20,216	2,359	22,575	(63,342)	(614,769)	(678,111)	13,939	(641,597)
Ending balance	<u>\$ 1,365,271</u>	<u>745,035</u>	<u>2,110,306</u>	<u>16,375,179</u>	<u>10,760,864</u>	<u>27,136,043</u>	<u>326,769</u>	<u>29,573,118</u>

Note: Including other financial assets and provision of guarantee reserves, etc.

(K) Held-to-maturity financial assets – net

	December 31, 2015	December 31, 2014
Commercial paper	\$ 577,860	-
Negotiable certificates of deposit	56,551,951	27,002,028
Treasury bills	3,258,956	4,853,462
Government bonds	74,305,203	28,715,381
Corporate bonds	4,735,968	3,372,813
Financial debentures	8,103,321	7,132,778
Asset-backed securities	133,847	77,865
Total	<u>\$ 147,667,106</u>	<u>71,154,327</u>

Please refer to Notes 6(T) and 8 for information with regard to the repurchase conditions for, or restrictions on, held-to-maturity financial assets shown above.

(L) Financial assets securitization

During the third quarter of 2004, the Bank securitized its mortgage loans with a book value of \$5,031,192 with Deutsche Bank AG, Taipei Branch (Deutsche Bank), as Trustee, and offered security in the form of beneficiary certificates. These beneficiary certificates have a redemption period from August 10, 2004 to August 25, 2024. The other terms of these beneficiary certificates are as follows:

Class of beneficiary certificates issued	Order of principal repayment	Issue amount/ Face value	Interest Rate	Payment frequency
Class A	1 st	4,325,000	the index rate +0.25%	once a month
Class B	2 nd	250,000	the index rate +0.55%	once a month
Class C	3 rd	150,000	the index rate +0.80%	once a month
Class D	4 th	130,000	the index rate +1.25%	once a month
Class E	5 th	176,192	None	once a month

The Bank holds the Class E beneficiary certificates and retains the right to interest in excess of the amount paid to the holders of class A, B, C and D beneficiary certificates. If the mortgage loan debtors default, neither the investor nor the Trustee has the right of recourse to the Bank. The repayment of the principal of Class E beneficiary certificates is subordinate

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

to the investors' certificates, and their value is affected by the credit risk, prepayment, and interest risk of the securitized loans.

The Bank had already accomplished the requirements of repurchasing the mortgage loan which was collateralized by the trust. On September 25, 2014, the Bank exercised the right to purchase the remaining mortgage loan securitization and received the terminated allocation of trust. Due to the above transaction, the Bank recognized reversal of impairment loss on class E beneficiary certificates amounting to \$8,355, and recognized gains on disposed of assets amounting to \$66,684. The aforementioned amounts are recognized as gain on reversal of impairment loss and realized gain on held-to-maturity financial assets, respectively, in the year 2014.

For the year ended December 31, 2014 the cash flows received from and paid to securitization trusts were as follows:

	For the year ended December 31 2014
Servicing fees received	\$ 668
Other cash flows received on retained interests	176,425
Recovery of cash reserve	11,926
Servicing advances	(1,411)
Recovery of servicing advances	1,763

(M) Investment under equity method— net

	December 31, 2015	
	%	Book value
Grand Bills Finance Corporation (original investment at \$1,010,880 thousand)	21.15	\$ 1,863,187
AZ-Star Co., Ltd. (original investment at JPY 12,000 thousand)	40.00	3,296
AZ-Star no. 1 Investment Limited Partnership (original investment at JPY 1,397,103 thousand)	43.98	353,942
Total		\$ 2,220,425

	December 31, 2014	
	%	Book value
Grand Bills Finance Corporation (original investment at \$1,010,880 thousand)	21.15	\$ 1,768,036
GCB Finance (HK) Limited (original investment at \$223,050 thousand) (Note)	100.00	242,930
Total		\$ 2,010,966

For the year ended December 31, 2015 and 2014, the amount of profit and loss from associates recognized under equity-method investments was as below:

	For the year ended December 31	
	2015	2014
Grand Bills Finance Corporation	\$ 124,976	97,201
GCB Finance (HK) Limited (Note)	(35,810)	(114,393)
Total	\$ 89,166	(17,192)

Note : The entity has been liquidated during 2015.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The following is the collected prorated financial information of the associates that are individually insignificant to the Bank and its subsidiaries.

	For the year ended December 31, 2015	For the year ended December 31, 2014
Net Income from Continuing Operations	\$ 124,976	97,201
Other comprehensive income	38,815	19,441
Comprehensive Income	\$ 163,791	116,642

(N) Other financial assets — net

	December 31, 2015	December 31, 2014
Short-term advances	\$ 457,750	452,022
Less: allowance for credit losses — short-term advances	(14,752)	(15,254)
Deposits pledged	412,369	411,106
Investment in debt instruments without active markets—net	14,198,752	17,600,409
Financial assets carried at cost—net	2,428,400	2,076,856
Non-accrual loans transferred from non-loan financial assets	94,494	105,580
Less: Allowance for credit losses—non-accrual loans transferred from non-loan financial assets	(79,430)	(86,510)
Others	145,726	181,366
Total	\$ 17,643,309	20,725,575

Financial assets carried at cost are stock investments of the Bank and its subsidiaries. Since no active quoted market is available, nor the fair value is reliably measureable, acquisition cost is therefore adopted as the baseline for the valuation of such assets.

Please refer to Note 6(J) for information with regard to the changes of short-term advances and allowance for credit losses of non-accrual loans transferred from non-loan financial assets shown above.

Please refer to Note 8 for information with regard to the restrictions on the other financial assets shown above.

(O) Premises and equipment — net

December 31, 2015	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	\$ 15,539,804	-	123,168	15,416,636
Buildings	29,036,591	4,735,363	68,158	24,233,070
Transportation equipment	72,232	30,972	-	41,260
Miscellaneous equipment	6,676,444	2,988,166	-	3,688,278
Construction in progress	257,280	-	-	257,280
Prepayment for equipment	32,717	-	-	32,717
Prepayment for land and buildings	5,186,297	-	-	5,186,297
Leased premises	1,151,621	263,346	-	888,275
Total	\$ 57,952,986	8,017,847	191,326	49,743,813

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

<u>December 31, 2014</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Net</u>
Land	\$ 14,640,386	-	130,203	14,510,183
Buildings	20,339,461	4,149,580	72,436	16,117,445
Transportation equipment	60,454	27,764	-	32,690
Miscellaneous equipment	5,553,527	2,971,253	-	2,582,274
Construction in progress	6,993,064	-	-	6,993,064
Prepayment for equipment	393,945	-	-	393,945
Prepayment for land and buildings	2,030,182	-	-	2,030,182
Leased premises	314,572	145,618	-	168,954
Total	<u>\$ 50,325,591</u>	<u>7,294,215</u>	<u>202,639</u>	<u>42,828,737</u>

Changes in the cost are as below:

	<u>January 1, 2015</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2015</u>
Land	\$ 14,640,386	1,193,237	316,408	22,589	15,539,804
Buildings	20,339,461	9,160,956	613,521	149,695	29,036,591
Transportation equipment	60,454	23,503	11,569	(156)	72,232
Miscellaneous equipment	5,553,527	2,007,985	920,422	35,354	6,676,444
Construction in progress	6,993,064	2,503,849	9,242,115	2,482	257,280
Prepayment for equipment	393,945	561,212	922,440	-	32,717
Prepayment for land and buildings	2,030,182	4,349,352	1,193,237	-	5,186,297
Leased premises	314,572	827,855	22,370	31,564	1,151,621
Total	<u>\$ 50,325,591</u>	<u>20,627,949</u>	<u>13,242,082</u>	<u>241,528</u>	<u>57,952,986</u>

	<u>January 1, 2014</u>	<u>Current increase(Note)</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2014</u>
Land	\$ 14,140,385	561,604	9,201	(52,402)	14,640,386
Buildings	10,576,517	10,434,812	641,372	(30,496)	20,339,461
Transportation equipment	57,830	17,158	17,282	2,748	60,454
Miscellaneous equipment	4,106,037	3,106,199	1,561,937	(96,772)	5,553,527
Construction in progress	10,032,598	5,818,801	8,850,932	(7,403)	6,993,064
Prepayment for equipment	220,069	893,510	719,634	-	393,945
Prepayment for land and buildings	1,025,229	1,004,953	-	-	2,030,182
Leased premises	289,177	62,504	33,884	(3,225)	314,572
Total	<u>\$ 40,447,842</u>	<u>21,899,541</u>	<u>11,834,242</u>	<u>(187,550)</u>	<u>50,325,591</u>

Note : For the year ended December 31, 2014, the increase of \$3,625,294 was due to the acquisition of The Tokyo Star Bank, Ltd.

Changes in accumulated depreciation are as below:

	<u>January 1, 2015</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2015</u>
Buildings	\$ 4,149,580	898,255	359,878	47,406	4,735,363
Transportation equipment	27,764	13,024	9,181	(635)	30,972
Miscellaneous equipment	2,971,253	879,939	884,976	21,950	2,988,166
Leased premises	145,618	136,936	22,370	3,162	263,346
Total	<u>\$ 7,294,215</u>	<u>1,928,154</u>	<u>1,276,405</u>	<u>71,883</u>	<u>8,017,847</u>

	<u>January 1, 2014</u>	<u>Current increase(Note)</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2014</u>
Buildings	\$ 3,488,082	1,232,779	513,667	(57,614)	4,149,580
Transportation equipment	28,920	11,856	14,296	1,284	27,764
Miscellaneous equipment	2,418,257	1,793,822	1,161,597	(79,229)	2,971,253
Leased premises	108,186	72,125	33,626	(1,067)	145,618
Total	<u>\$ 6,043,445</u>	<u>3,110,582</u>	<u>1,723,186</u>	<u>(136,626)</u>	<u>7,294,215</u>

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Note : For the year ended December 31, 2014, the increase of \$1,770,219 was due to the acquisition of The Tokyo Star Bank, Ltd.

Changes in accumulated impairment are as below:

	January 1, 2015	Current increase	Current decrease	Others (exchange difference)	December 31, 2015
Land	\$ 130,203	-	7,035	-	123,168
Buildings	72,436	-	4,278	-	68,158
Total	<u>\$ 202,639</u>	<u>-</u>	<u>11,313</u>	<u>-</u>	<u>191,326</u>

	January 1, 2014	Current increase	Current decrease	Others(exchange difference)	December 31, 2014
Land	\$ 109,949	20,254	-	-	130,203
Buildings	62,015	10,421	-	-	72,436
Total	<u>\$ 171,964</u>	<u>30,675</u>	<u>-</u>	<u>-</u>	<u>202,639</u>

On September 4, 2012, the Bank signed with Continental Development Corporation a contract of sale of buildings and land. Five years from September 4, 2012, the Bank will obtain the rights of land, currently owned by Continental Development Corporation, along with the 1st to 8th floors and parking spaces of the new building located there. The zoning code of the land is No. 99 & 100, Huikuo Section, Xitun District, Taichung City. The \$2,181,000 contract price was negotiated based on the appraisal report prepared by DTZ Real Estate Appraisal Firm and Savills Real Estate Appraisal Firm. The contract price will be paid in installments proportionate with construction progress during the contract period, accounted for under premises and equipment—net, prepayment for land and buildings.

On July 23, 2015, the Bank signed a contract of purchase of buildings and land, which located in Neihu District, Taipei City, accounted for under premises and equipment—net, prepayment for land and buildings. Please refer to Note 13(A) for related information.

On July 29, 2015, the Bank signed a contract of sale of real estate, which located in Songgao Road, Taipei City, accounted for under premises and equipment—net, buildings. The ownership transfer of real estate has been completed on September 23, 2015. Please refer to Note 13(A) for related information.

(P) Intangible assets—net

	December 31, 2015	December 31, 2014
Goodwill	\$ 10,385,891	10,385,891
Computer software	4,400,697	4,211,778
Others	2,063	3,094
Total	<u>\$ 14,788,651</u>	<u>14,600,763</u>

Goodwill of the Bank and its subsidiaries was acquired from business combination.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Changes in intangible assets were as follows:

	January 1, 2015	Current increase	Current decrease	Others (exchange difference)	December 31, 2015
Goodwill	\$ 10,385,891	-	-	-	10,385,891
Computer software	4,211,778	1,462,872	1,322,221	48,268	4,400,697
Others	3,094	-	1,031	-	2,063
Total	\$ 14,600,763	1,462,872	1,323,252	48,268	14,788,651

	January 1, 2014	Current increase(Note)	Current decrease	Others (exchange difference)	December 31, 2014
Goodwill	\$ 10,385,891	-	-	-	10,385,891
Computer software	1,808,312	3,436,996	818,464	(215,066)	4,211,778
Others	4,126	-	1,032	-	3,094
Total	\$ 12,198,329	3,436,996	819,496	(215,066)	14,600,763

Note : For the year ended December 31, 2014, the increase of \$1,617,189 was due to the acquisition of The Tokyo Star Bank, Ltd.

(Q) Other assets — net

	December 31, 2015	December 31, 2014
Prepayments	\$ 3,851,179	4,401,797
Foreclosed properties received — net	117,362	109,566
Temporary payments	78,571	176,244
Refundable deposits — net	30,220,370	16,856,457
Long-term prepaid rent	2,719,346	2,786,629
Cash surrender value of life insurance	1,810,915	1,714,669
Others	850,150	505,939
Total	\$ 39,647,893	26,551,301

In May 2006, the Bank acquired the superficies of lots 43, 43-1, 45 and 45-1 of Jingmao Section, Nankang, Taipei, from Taiwan Fertilizer Co., Ltd. for 50 years through a public tender. The acquisition cost amounted to \$3,364,140 (including business tax and other related expenses of the superficies). The rental is determined annually at the rate of 8% of the government-assessed present value. Please refer to Note 8 for information on performance guarantee deposits.

In order to fulfill the Bank's social responsibility, improve the image of the Bank and receive a long term benefit from advertisements, the Bank sponsored a professional baseball team by signing a sponsorship and cooperative advertisement contract with Hua Yi Entertaining Co. Ltd. on December 5, 2013, amounting to \$400,000 and accounted under prepaid expenses. The duration of the name of the baseball team will last for 10 years, starting from the date the Bank appointed the team name.

(R) Deposits from Central Bank and other banks

	December 31, 2015	December 31, 2014
Deposits from Central Bank	\$ 331,252	141,868
Deposits from other banks	14,351,432	4,399,721
Deposits from post offices	2,091,520	3,183,655
Overdraft against other banks	1,150,251	3,025,236
Due to other banks	27,709,819	39,183,948
Total	\$ 45,634,274	49,934,428

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(S) Due to Central Bank and other banks

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Financing from Central Bank	\$ 14,040,662	47,670,033
Financing from other banks	5,694,367	6,417,110
Total	<u>\$ 19,735,029</u>	<u>54,087,143</u>

Financing from Central Bank:

(a) The Bank

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Borrowings (USD)	\$ 51,613	64,516
Interest rate	0.52%~6M LIBOR	0.33%~6M LIBOR
Maturity date	July 26, 2019	July 26, 2019
Interest payment	semi-annually and at the maturity date.	semi-annually and at the maturity date.

(b) The Tokyo Star Bank, Ltd.

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Borrowings (JPY)	\$ 44,900,000	172,100,000
Interest rate	0.10%	0.10%
Maturity date	December 5, 2016	June 6, 2016
Interest payment	at the maturity date.	at the maturity date.

Financing from other banks:

(a) CTBC Bank Corp. (USA)

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Inter bank borrowings (USD)	\$ 85,000	85,000
Interest rate	0.91%~2.96%	0.91%~2.96%
Maturity date	December 31, 2020	December 31, 2020

(b) PT. Bank CTBC Indonesia

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Inter bank borrowings (IDR)	\$ 1,202,467,236	908,637,638
Interest rate	0.83%~9.83%	0.70%~1.83%
Maturity date	November 2, 2018	September 23, 2016

(c) The Tokyo Star Bank, Ltd.

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Inter bank borrowings (JPY)	\$ -	5,272,669
Interest rate	-	1.48%
Maturity date	-	December, 2032

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(T) Securities sold under repurchase agreements

<u>Assets</u>	December 31, 2015			
	<u>Par value</u>	<u>Selling price (Note)</u>	<u>Designated repurchase amount</u>	<u>Designated repurchase date</u>
Financial assets measured at fair value through profit or loss	\$ 6,315,000	6,310,295	6,310,508	Before January 22, 2016
Available-for-sale financial assets – net	39,734,482	40,222,075	40,233,263	Before February 5, 2016
Held-to-maturity financial assets – net	4,042,250	4,115,713	4,118,890	Before June 21, 2016
Total	\$ 50,091,732	50,648,083	50,662,661	

<u>Assets</u>	December 31, 2014			
	<u>Par value</u>	<u>Selling price (Note)</u>	<u>Designated repurchase amount</u>	<u>Designated repurchase date</u>
Financial assets measured at fair value through profit or loss	\$ 4,955,000	4,949,253	4,950,471	Before March 6, 2015
Available-for-sale financial assets – net	47,220,992	48,188,404	48,212,556	Before April 20, 2015
Held-to-maturity financial assets – net	7,021,560	7,093,119	7,097,875	Before June 23, 2015
Total	\$ 59,197,552	60,230,776	60,260,902	

Note: Recognized under securities sold under repurchase agreement.

(U) Payables

	December 31, 2015	December 31, 2014
Accounts payable	\$ 5,833,444	5,001,938
Accounts payable factoring	4,275,901	5,873,978
Accrued expenses	16,065,161	16,488,693
Interest payable	7,361,801	12,385,550
Acceptances payable	5,749,990	7,081,043
Collection payable	3,885,545	3,564,676
Other tax payable	600,906	734,599
Dividends and bonuses payable	150,937	131,974
Checks for clearance	2,167,937	3,467,222
Interbank clearing payable	609,555	494,980
Miscellaneous lottery accounts payable	8,087,772	9,294,347
Construction retainage received	603,241	1,042,395
Online accounts payable	314,370	2,147,577
Securities payable	1,748,948	6,379,083
Other payables	2,647,969	2,868,820
Total	\$ 60,103,477	76,956,875

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(V) Deposits and remittances

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
NTD deposits		
Checking accounts	\$ 8,971,872	8,548,552
Demand deposits		
Demand deposits	176,975,351	139,963,091
Demand savings deposits	590,649,492	529,450,692
Public treasury deposits	12,004,026	7,015,292
Subtotal of demand deposits	<u>779,628,869</u>	<u>676,429,075</u>
Time deposits		
Time deposits	184,822,647	182,199,435
Time savings deposits	411,297,923	357,349,403
Negotiable certificates of deposit	1,838,400	1,370,200
Public treasury deposits	10,205,362	10,370,000
Others	20,348,000	12,323,000
Subtotal of time deposits	<u>628,512,332</u>	<u>563,612,038</u>
Subtotal of NTD deposits	<u>1,417,113,073</u>	<u>1,248,589,665</u>
Foreign currency deposits	1,316,521,116	1,171,946,421
Stored value cards	167	167
Remittances under custody	97,228	216,494
Remittances outstanding	652,027	1,146,223
Total	<u><u>\$ 2,734,383,611</u></u>	<u><u>2,421,898,970</u></u>

(W) Financial debentures

<u>Bonds</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
5.625% Step-up Callable Perpetual Subordinated Notes	\$ -	15,859,998
2005-5	-	12,000,000
2006-1	3,100,000	3,100,000
2008-1	2,000,000	2,000,000
2008-2	-	700,000
2008-3	-	3,050,000
2011-1	12,900,000	12,900,000
2013-1	5,031,000	5,103,000
2014-1 (subordinated financial debentures)	20,000,000	20,000,000
2014-2 (subordinated financial debentures)	15,000,000	15,000,000
2014-1 (financial debentures) (Note 3)	9,589,140	9,198,220
2014-2 (financial debentures) (Note 3)	24,568,038	23,566,474
2015-1 (Note 3)	8,497,962	-
2015-2	12,000,000	-
2015-3	5,000,000	-
2015-4 (Note 3)	1,983,960	-
No.4 Callable Unsecured Bond	-	265,100
No.6 Callable Unsecured Bond	-	291,610
No.7 Callable Unsecured Bond	-	265,100
No.10 Callable Unsecured Bond	1,703,140	1,643,620
No.11 Callable Unsecured Bond	576,870	556,710
No.12 Callable Unsecured Bond	-	1,829,190
No.13 Callable Unsecured Bond	1,648,200	1,590,600
No.14 Callable Unsecured Bond	549,400	530,200
No.15 Callable Unsecured Bond	274,700	265,100
No.16 Callable Unsecured Bond	302,170	291,610
No.17 Callable Unsecured Bond	1,126,270	1,086,910
Adjustment for fair value increase of hedged transactions	110,072	203,130
Unamortized discount	(51,249)	(74,580)
Less: financial liability designated at fair value through profit or loss(Note 3)	(44,639,100)	(32,764,694)
	<u><u>\$ 81,270,573</u></u>	<u><u>98,457,298</u></u>

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Bonds	Terms of transactions			Bond issued
	Issue date	Maturity date	Interest rate	Type
5.625% Step-up Callable Perpetual Subordinated Notes	03/17/2005	N/A	5.625%; an interest is payable semi-annually; if redemption right is not exercised 10 years after the issue date, the interest rate will be USD 6M LIBOR + 1.86%.	Perpetual accumulated subordinated financial debentures
2005-5	11/29/2005	N/A	A=3.35%, B=3.35%; if redemption right is not exercised 10 years after the issue date, the interest rate will be 90 days CP+1.85% for A and 4.35% for B.	Perpetual non-accumulated subordinated financial debentures
2006-1	05/17/2006	05/17/2016	2.14%	Unsecured financial debentures
2008-1	04/10/2008	04/10/2023	3.49%	Unsecured subordinated financial debentures
2008-2	04/25/2008	N/A	3.60%; if redemption right is not exercised 7 years after the issue date, the interest rate will be 4.60%	Perpetual accumulated subordinated financial debentures
2008-3	04/25/2008	04/25/2015	A=3.10%	Unsecured subordinated financial debentures
2011-1	09/27/2011	09/27/2021	A=1.80%, B=1.95%. From the 4th year after the issue date, the interest rate will be the prime rate plus 0.55% (Note 1)	"
2013-1	03/12/2013	03/12/2016	2.90%	Unsecured financial debentures
2014-1 (subordinated financial debentures)	06/18/2014	N/A	A=3.70%, B=4.00%.	Perpetual non-accumulated subordinated financial debentures
2014-2 (subordinated financial debentures)	06/26/2014	06/26/2029	A=2.00%, B=The prime rate plus 0.45%. (Note 2)	Unsecured subordinated financial debentures
2014-1 (financial debentures)	10/09/2014	10/09/2034	4.10% (Note 3)	Unsecured financial debentures
2014-2 (financial debentures)	11/26/2014	11/26/2044	0% (Note 3)	"
2015-1	01/27/2015	01/27/2045	0% (Note 3)	"
2015-2	06/10/2015	N/A	3.60%	Perpetual non-accumulated subordinated financial debentures
2015-3	06/18/2015	06/18/2025	A=1.83%, B=2.00%, C=2.05%	Unsecured subordinated financial debentures
2015-4	07/20/2015	07/20/2045	0% (Note 3)	Unsecured financial debentures
No.4 Callable Unsecured Bond	01/13/2010	01/14/2020	3.49%; an interest is payable semi-annually	Unsecured subordinated financial debentures
No.6 Callable Unsecured Bond	03/30/2010	03/30/2020	4.00%; an interest is payable semi-annually	"
No.7 Callable Unsecured Bond	06/29/2010	06/29/2020	3.89%; an interest is payable semi-annually	"
No.10 Callable Unsecured Bond	09/30/2011	09/30/2021	5.25%; an interest is payable semi-annually	"
No.11 Callable Unsecured Bond	06/29/2012	06/29/2022	4.00%; an interest is payable semi-annually	"
No.12 Callable Unsecured Bond	09/28/2012	09/28/2020	3.70%; an interest is payable semi-annually	"
No.13 Callable Unsecured Bond	09/28/2012	09/28/2022	4.50%; an interest is payable semi-annually	"
No.14 Callable Unsecured Bond	10/26/2012	10/26/2022	3.80%; an interest is payable semi-annually	"
No.15 Callable Unsecured Bond	12/14/2012	12/14/2022	3.50%; an interest is payable semi-annually	"
No.16 Callable Unsecured Bond	03/13/2013	03/13/2023	3.28%; an interest is payable semi-annually	"
No.17 Callable Unsecured Bond	06/06/2013	06/06/2023	3.46%; an interest is payable semi-annually	"

Note1: The original prime rate is based on page code 6165 of Reuters, the fixed interest rate of 90-day CP/BA at 11:00 am on the interest reset date. With the consensus reached among creditors through forward rate agreement, the prime rate will be changed to the 3-month Taipei Interbank Offered Rate (TAIBOR) from January 1, 2015.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Note2: The prime rate is based on page code 6165 of Reuters, the fixed interest rate of 90-day CP/BA at 11:00 am on the interest reset date. If no quotation is available on page code 6165 of Reuters, no page is displayed, or no prime rate is retrievable from Reuters, the Bank would change the resource of the rate. The Bank would set the prime rate as Secondary Market Fixing Rate of 90-day TAIBIR 02 from the "TAIBIR Section" in the webpage of Taiwan Depository and Clearing Corporation.

Note3: Financial debentures of 2014-1、2014-2、2015-1 and 2015-4 are recognized as financial liabilities designated at fair value through profit or loss. For more information, please refer to Note 6(C).

Please refer to Note 6(E) for the information on the hedging of bonds shown above.

(X) Other financial liabilities

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Lease payable	\$ 896,414	175,361
Structured products	135,871,541	136,203,107
Guarantee deposits-securities lending transaction	14,247,666	30,671,193
Others	42,889	47,983
Total	<u>\$ 151,058,510</u>	<u>167,097,644</u>

On December 31, 2014, the guarantee deposits-securities lending transaction have been reclassified properly by following the same presentation as current financial report.

(Y) Provisions

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Settlement compensation provision	\$ 943,464	960,960
Employee benefits provision	4,659,629	4,150,680
Guarantee reserve	234,348	206,828
Other provisions	195,984	183,255
Total	<u>\$ 6,033,425</u>	<u>5,501,723</u>

Settlement compensation provision, which was the estimated amount in compliance with IAS 37, was approved by the board of directors to be appropriated for settlement compensation of structured notes, and the Bank actively negotiated with the investors.

(Z) Other liabilities

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Amount received in advance	\$ 786,362	1,454,437
Payable in custody	540,465	916,005
Deferred income	546,243	613,244
Guarantee deposits received	1,625,556	1,291,295
Temporary receipt	1,671,701	1,484,979
Others	203,919	260,056
Total	<u>\$ 5,374,246</u>	<u>6,020,016</u>

Please refer to Note 6(X) for information with regard to reclassification of guarantee deposits on December 31, 2014.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(AA) Employee benefits

(a) Defined contribution plan

The Bank's defined contribution plan follows the Labor Pension Act of the R.O.C. and makes monthly cash contributions to the employees' individual pension accounts at the Bureau of Labor Insurance at the rate of 6% of the employees' monthly salary. Under this plan, the Bank has no legal or constructive obligation to make other payments after the Bank makes the fixed amount of contribution to the Bureau of Labor Insurance.

For the year ended December 31, 2015 and 2014, the pension expense under defined contribution plan of the Bank and its subsidiaries amounted \$601,619 and \$493,252, respectively, and were contributed to the Bureau of Labor Insurance or labor agencies designated by local authorities in the case of overseas units.

(b) Employee benefits provision

Employee benefits provision recognized by the Bank in the balance sheet was as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Defined benefits plan	\$ 4,131,271	3,665,656
Retiree deposits with favorable rates and other post-employment benefits	237,442	224,895
Total	<u>\$ 4,368,713</u>	<u>3,890,551</u>

(1) Defined benefits plan

The reconciliation between present value of the Bank's defined benefits obligation and fair value of defined benefits plan assets was as below:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Present value of defined benefits obligation	\$ 9,444,207	9,047,825
Fair value of plan assets	(5,312,082)	(5,384,454)
Net defined benefit liability	<u>\$ 4,132,125</u>	<u>3,663,371</u>

The Bank's defined benefits plan contributes to designated depository account with Bank of Taiwan. Payments of pension benefits to employees who are covered by the Labor Standards Act are calculated based on the employee's average monthly salary for the last 6 months prior to approved retirement and base point (b.p.) entitlement based on years of service.

A. Composition of plan assets

The Bank's labor pension fund contributed in compliance with Labor Standard Act is managed by Bureau of Labor Funds, Ministry of Labor. According to Regulations for Revenues, Expenditures Safeguard and Utilization of the Labor Retirement Fund, with regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statement shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Please refer to the website of Bureau of Labor Funds, Ministry of Labor for information on labor pension fund assets utilization including earnings rate and fund asset allocation.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

B. Movements in present value of the defined benefits obligation

The movements in present value of defined benefits obligation for the Bank for the year ended December 31, 2015 and 2014 were as follows:

	For the year ended December 31	
	2015	2014
Defined benefits obligation at January 1	\$ 9,047,825	8,615,479
Current service costs and interest	308,124	316,934
Remeasurements of net defined benefit liability		
Actuarial gains arising from changes in financial assumptions	337,204	29,762
Actuarial gains arising from experience adjustments	299,911	346,137
Benefits paid by the plan	(548,857)	(260,487)
Defined benefits obligation at December 31	\$ 9,444,207	9,047,825

C. Movements in fair value of defined benefit plan assets

The movements in fair value of the defined benefit plan assets for the bank for the year ended December 31, 2015 and 2014 were as follows:

	For the year ended December 31	
	2015	2014
Fair value of plan assets at January 1	\$ 5,384,454	5,124,258
Interest income	99,601	97,350
Remeasurements of net defined benefit liability		
Return on plan assets (exclude current interest)	(590)	28,442
Contribution plans made	377,474	394,891
Benefits paid by the plan	(548,857)	(260,487)
Fair value of plan assets at December 31	\$ 5,312,082	5,384,454

D. Expense recognized in profit or loss

The expense recognized in profit or loss for the bank for the year ended December 31, 2015 and 2014 were as follows:

	For the year ended December 31	
	2015	2014
Current service costs	\$ 140,752	153,272
Net interest of net defined benefit liability	67,771	66,312
Total	\$ 208,523	219,584

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- E. Net remeasurement of defined benefit liability recognized in other comprehensive income

The net remeasurement of defined benefit liability recognized in other comprehensive income for the bank for the year ended December 31, 2015 and 2014 were as follows:

	For the year ended December 31	
	2015	2014
Cumulative amount at January 1	\$ (847,216)	(497,472)
Recognized during the period	(634,564)	(349,744)
Cumulative amount at December 31	\$ (1,481,780)	(847,216)

- F. Primary actuarial assumptions

The following are the primary actuarial assumptions at the reporting date

	December 31, 2015	December 31, 2014
Discount rate	1.25%	1.85%
Increasing rate of future compensation levels	3.00%	3.00%

The Bank expected \$178,907 in contributions to be paid to defined benefit plans within a year after reporting date of 2015.

Weighted average duration base on defined benefits plan was 7 years.

- G. Sensitivity analysis

When computing the present value of defined benefits obligation, the Bank should ascertain and evaluate the actuarial assumptions on the balance sheet date, including the discount rate and future compensation fluctuation. Any changes in actuarial assumptions could lead to a significant effect on the Bank's balance of defined benefits obligation.

When adopted primary actuarial assumption changes, the effects of present value of the benefit obligation were as follows:

	Present value of the benefits obligation effects	
	Increase 0.25%	Decrease 0.25%
December 31, 2015		
Discount rate	(143,215)	147,230

The sensitivity analysis above that to analyzing the effects of changes in single assumptions is base on other assumptions remains unchanged. Actually, changes in many assumptions may link together. Sensitivity analysis and net pension liability of balance sheet were calculated under the same approach.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(2) Retiree deposits with favorable rates and other post-employment benefits

The reconciliation between present value of the Bank's defined benefits obligation and fair value of defined benefits plan assets were as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Present value of the defined benefits obligation	\$ 237,442	224,895
Fair value of plan assets	-	-
Net defined benefit liability	<u>\$ 237,442</u>	<u>224,895</u>

The Bank's obligation to grant retirees, including current employees retiring in the future, fixed-amount deposits with favorable rates is based on the Bank's Regulations for Subsidizing the Retiree Benefits.

A. Movements in present value of the defined benefits obligation

The movements in present value of defined benefits obligation for the Bank for the year ended December 31, 2015 and 2014 were as follows:

	<u>For the year ended December 31</u>	
	<u>2015</u>	<u>2014</u>
Defined benefits obligation at January 1	\$ 224,895	211,315
Current service costs and interest	7,216	6,549
Past service costs	26,266	15,093
Remeasurements of net defined benefit liability		
Actuarial (losses) gains arising from changes in demographic assumptions	(9,740)	5,994
Actuarial gains (losses) arising from changes in financial assumptions	2,926	(470)
Actuarial gains arising from experience adjustments	2,966	1,103
Benefits paid by the plan	(17,087)	(14,689)
Defined benefits obligation at December 31	<u>\$ 237,442</u>	<u>224,895</u>

B. Expense recognized in profit or loss

The expense recognized in profit or loss for the Bank for the year ended December 31, 2015 and 2014 were as follows:

	<u>For the year ended December 31</u>	
	<u>2015</u>	<u>2014</u>
Past service costs	\$ 26,266	15,093
Net interest of net defined benefit liability	7,216	6,549
Total	<u>\$ 33,482</u>	<u>21,642</u>

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

C. Net remeasurement of defined benefit liability recognized in other comprehensive income

The net remeasurement of defined benefit liability recognized in other comprehensive income for the bank for the year ended December 31, 2015 and 2014 were as follows:

	For the year ended December 31	
	2015	2014
Cumulative amount at January 1	\$ (41,715)	(35,088)
Recognized during the period	3,848	(6,627)
Cumulative amount at December 31	\$ (37,867)	(41,715)

D. Primary actuarial assumption

	December 31, 2015		December 31, 2014	
	Favorable rates for employee deposits	Other post- employment benefits	Favorable rates for employee deposits	Other post- employment benefits
Discount rate	4.00%	2.00%	4.00%	2.125%
Expected rate of return on deposited fund	2.00%	2.00%	2.00%	2.125%
Yearly rate of decrease on account balance/utilization rate on subsidy for health examination and social networking	1.65%	32%~72%	1.15%	32%~70%
Probability of future changes in favorable rates deposits scheme	50.00%	- %	50.00%	- %

E. Sensitivity analysis

When computing the present value of defined benefits obligation, the Bank should ascertain and evaluate the actuarial assumptions on the balance sheet date, including the discount rate and future compensation fluctuation. Any changes in actuarial assumptions could lead to a significant effect on the Bank's balance of defined benefits obligation.

When adopted primary actuarial assumption changes, the effects of present value of the benefits obligation were as follows:

	Present value of the benefits obligation effects	
	Increase 0.25%	Decrease 0.25%
Favorable rates for employee deposits December 31, 2015		
Discount rate	(4,303)	4,508
Yearly rate of decrease on account balance	(4,556)	4,761
	Present value of the benefits obligation effects	
	Increase 0.25%	Decrease 0.25%
Other post- employment benefits December 31, 2015		
Discount rate	(2,763)	2,930

The sensitivity analysis above that to analyzing the effects of changes in single assumptions is base on other assumptions remains unchanged. Actually, changes in many assumptions may link together. Sensitivity analysis and net pension liability of balance sheet were calculated under the same approach.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(3) Defined benefits plan of overseas branches and subsidiaries

Defined benefits plan of overseas branches and subsidiaries recognized in balance sheets were as follows:

	December 31, 2015	December 31, 2014
Defined benefits plan	\$ 290,916	260,129

For the year ended December 31, 2015 and 2014, expense recognized by overseas branches and subsidiaries in profit and loss amounted to \$120,547 and \$119,562, respectively.

For the year ended December 31, 2015 and 2014, actuarial (losses) gains recognized by overseas subsidiaries in other comprehensive income amounted to \$(1,781) and \$44,992, respectively.

(AB) Income tax

(a) Income tax

For the year ended December 31, 2015 and 2014, the income tax (expenses) benefits and related accounts were as follows:

	For the year ended December 31	
	2015	2014
Current income tax expenses	\$ (5,141,093)	(6,004,084)
Deferred income tax (expenses) benefits	(403,779)	279,048
Income tax expenses	\$ (5,544,872)	(5,725,036)

For the year ended December 31, 2015 and 2014, the income tax (expenses) benefits recognized under other comprehensive income were as follows:

	For the year ended December 31	
	2015	2014
Items that will not be reclassified subsequently to profit or loss		
Remeasurement losses related to defined benefit plans	\$ 109,870	59,456
Proportionate share of other comprehensive losses from associates or joint ventures under the equity method	523	-
	\$ 110,393	59,456
Items that are or may be reclassified subsequently to profit or loss		
Exchange differences of overseas subsidiaries' financial reports translation	\$ (100,503)	125,354
Unrealized valuation losses on available for sale financial assets	274,811	142,984
	\$ 174,308	268,338

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The reconciliations of income tax (expenses) benefits and net income before tax were as follows:

	For the year ended December 31, 2015	For the year ended December 31, 2014
Net income	\$ 34,244,529	36,874,449
Income tax expenses	(5,544,872)	(5,725,036)
Net income before income tax	<u>39,789,401</u>	<u>42,599,485</u>
Straight income tax	(8,642,225)	(8,864,975)
Effects of foreign and domestic tax rate spread	(125,546)	(51,417)
Tax-exempt income	3,257,393	3,945,957
Adjustments of prior year's income tax	(469,404)	(1,116,034)
10% surtax on undistributed earnings	(29)	-
Income basic tax	(59,087)	-
Others	494,026	361,433
Income tax expense	<u>\$ (5,544,872)</u>	<u>(5,725,036)</u>

(b) Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

The movements of deferred tax assets and liabilities for the year ended December 31, 2015 and 2014 were as follows:

	For the year ended December 31, 2015				
	Beginning Balance	Recognize in profit and loss	Recognize in other comprehensive income	Others	Ending Balance
Proportion of losses (gains) recognized from the investments in associates and joint ventures under equity method	\$ 42,734	(83,441)	-	-	(40,707)
Unrealized losses (gains) on foreign exchange and derivative financial instruments	194,968	(67,000)	-	(312)	127,656
Allowance for credit losses	3,225,201	(413,543)	-	63,080	2,874,738
Unrealized valuation (gains) losses on available-for-sale financial assets	(334,871)	589	274,811	18,713	(40,758)
Assets retirement losses	-	519,596	-	-	519,596
Impairment losses on assets	21,331	(727)	-	327	20,931
Employee benefits liability	603,697	(16,337)	-	(69,515)	517,845
Settlement compensation provision	163,363	(2,974)	-	-	160,389
Exchange differences of overseas subsidiaries' financial reports translation	760,692	-	(100,503)	-	660,189
Defined benefit plan actuarial losses (gains)	149,992	-	109,870	(1,522)	258,340
Loss carryforward and others	3,467,749	(339,942)	-	174,130	3,301,937
Deferred tax assets (liabilities)- net	<u>\$ 8,294,856</u>	<u>(403,779)</u>	<u>284,178</u>	<u>184,901</u>	<u>8,360,156</u>
Information disclosed in balance sheet :					
Deferred income tax assets	\$ 9,181,990				8,829,447
Deferred tax liabilities	(887,134)				(469,291)
Total	<u>\$ 8,294,856</u>				<u>8,360,156</u>

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	For the year ended December 31, 2014				
	Beginning Balance	Recognize in profit and loss	Recognize in other comprehensive income	Others (Note)	Ending Balance
Proportion of losses (gains) recognized from the investments in associates and joint ventures under equity method	\$ 113,563	(70,829)	-	-	42,734
Unrealized losses (gains) on foreign exchange and derivative financial instruments	(1,143)	194,732	-	1,379	194,968
Allowance for credit losses	1,367,281	260,682	-	1,597,238	3,225,201
Unrealized valuation (gains) losses on available-for-sale financial assets	-	(1,200)	142,984	(476,655)	(334,871)
Impairment losses on assets	10,543	1,772	-	9,016	21,331
Employee benefits liability	559,516	(23,947)	-	68,128	603,697
Settlement compensation provision	174,671	(11,308)	-	-	163,363
Exchange differences of overseas subsidiaries' financial reports translation	635,338	-	125,354	-	760,692
Defined benefit plan actuarial losses	90,536	-	59,456	-	149,992
Loss carryforward and others	2,690,451	(70,854)	-	848,152	3,467,749
Deferred tax assets (liabilities)- net	\$ 5,640,756	279,048	327,794	2,047,258	8,294,856
Information disclosed in balance sheet :					
Deferred income tax assets	\$ 5,913,413				9,181,990
Deferred tax liabilities	(272,657)				(887,134)
Total	\$ 5,640,756				8,294,856

Note: The transfer-in amount resulting from the acquisition of The Tokyo Star Bank, Ltd. was included.

- (c) The Bank's income tax returns examination, application for reexamination, and appeal are as below:

	Latest year of examination	
CTBC Bank Co., Ltd.	2010	
Chinatrust Bills Finance Corp. (dissolved)	2008	
CTBC Insurance Brokers Co., Ltd. (dissolved)	2010	
	Year	Re-examination
CTBC Bank Co., Ltd.	2007	Amortization of goodwill and interest income
"	2008	Amortization of goodwill and tax credits prescribed in Statute for Upgrading Industries
"	2009	Amortization of goodwill
Chinatrust Bills Finance Corp. (dissolved)	2007	Interest income
CTBC Insurance Brokers Co., Ltd. (dissolved)	2007~2008	"
"	2009	Interest income and operating expenses allocation
	Year	Litigation
CTBC Bank Co., Ltd.	2004~2005	Interest income
"	2006	Interest income and other expenses
Chinatrust Bills Finance Corp. (dissolved)	2005~2006	Interest income
CTBC Insurance Brokers Co., Ltd. (dissolved)	2005~2006	"

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(AC) Imputation credit account

	December 31, 2015	December 31, 2014
(a) Imputation credit account balance	\$ 4,943	3,897

(b) Tax deduction ratio for earnings distribution to resident in the Republic of China:

	For the year ended December 31, 2014 (forecast)	For the year ended December 31, 2013 (actual)
Stock dividends	0.14%	1.33%

All the ending balance of undistributed earnings incurred after 1998.

(c) The above imputation calculation is in accordance with Tax Ruling No. 10204562810 issued by the Ministry of Finance, R.O.C. on October 17, 2013.

(AD) Capital stock, capital surplus, and other equity interest

(a) Capital stock

As of December 31, 2015, the Bank's authorized capital was \$120,000,000, representing 12,000,000 thousand common shares with par value at NTD 10 per share, and paid-in capital for common stock was \$105,205,779, with 10,520,578 thousand common shares issued.

On November 30, 2015, the Bank merged with CTBC Insurance Brokers Co., Ltd. by issuing 52,350 thousand common shares to exchange for the shares of CTBC Insurance Brokers Co., Ltd.

On May 26, 2015, the Bank's board of directors, on behalf of stockholders, decided a capital increase of 1,411,300 thousand shares from retained earnings which amounted to \$14,113,004, with August 6, 2015 as its baseline for capital increase.

On May 12, 2014, the Bank's board of directors, on behalf of stockholders, decided a capital increase of 646,988 thousand shares from retained earnings which amounted to \$6,469,878, with August 28, 2014 as its baseline for capital increase.

On January 22, 2014, the Bank's board of directors, on behalf of stockholders, decided a capital increase by cash of 600,000 thousand common shares, par value NTD 10 per share, with the price of private placement at NTD 25 per share. The total amount raised was \$15 billion, with May 13, 2014 as its baseline for capital increase.

(b) Capital surplus

The components and sources of capital surplus were as follows:

	December 31, 2015	December 31, 2014
Additional paid-in capital — stock	\$ 26,911,545	25,000,568
Share-based payment transactions	1,184,264	1,184,264
Others	(2,773)	(2,773)
Total	\$ 28,093,036	26,182,059

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

In compliance with the Company Act, capital surplus can only be used to offset a deficit when surplus reserve is not sufficient to offset losses or to be distributed by issuing new shares or by cash pursuant to a resolution to be adopted by a shareholders' meeting as required in Article 241, Paragraph 1 of the Company Act. Furthermore, according to Article 72-1, Paragraph 1 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus to be used to increase capital shall not exceed 10% of total paid-in capital. The capital surplus arising from a capital increase can be capitalized only in the following fiscal year after being registered by the Company with the competent authority for approval.

(c) Other equity interest

Changes in the Bank's other equity interest were as below:

	Unrealized (losses) gains on available-for-sale financial assets	Exchange differences of overseas subsidiaries' financial reports translation	Changes in financial liabilities designated at fair value through profit or loss attributable to credit risk	Total
January 1, 2015	\$ (775,636)	(3,537,116)	464,012	(3,848,740)
Available-for-sale financial assets— net				
— Valuation adjustment	1,027,549	-	-	1,027,549
— Realized amount	(1,329,640)	-	-	(1,329,640)
Foreign currency translation difference				
— Exchange difference	-	2,586,030	-	2,586,030
— Losses on effective hedging instrument	-	(801,547)	-	(801,547)
— Reclassified losses of hedging instruments to profit or loss as disposal of foreign operation	-	(6,833)	-	(6,833)
— Reclassified exchange differences to profit or loss as disposal of foreign operation	-	39,765	-	39,765
Proportionate share of other comprehensive income from associates under equity method				
— Recognized amount	316,178	-	-	316,178
Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk				
— Recognized amount	-	-	1,150,729	1,150,729
December 31, 2015	<u>\$ (761,549)</u>	<u>(1,719,701)</u>	<u>1,614,741</u>	<u>(866,509)</u>

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	Unrealized (losses) gains on available-for-sale financial assets	Exchange differences of overseas subsidiaries' financial reports translation	Changes in financial liabilities designated at fair value through profit or loss attributable to credit risk	Total
January 1, 2014	\$ (489,806)	(4,119,096)	-	(4,608,902)
Available-for-sale financial assets— net				
— Valuation adjustment	1,322,484	-	-	1,322,484
— Realized amount	(1,651,904)	-	-	(1,651,904)
Foreign currency translation difference				
— Exchange difference	-	(235,881)	-	(235,881)
— Gains on effective hedging instrument	-	817,861	-	817,861
Proportionate share of other comprehensive income from associates under equity method				
— Recognized amount	43,590	-	-	43,590
Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	-	-	-	-
— Recognized amount	-	-	464,012	464,012
December 31, 2014	<u>\$ (775,636)</u>	<u>(3,537,116)</u>	<u>464,012</u>	<u>(3,848,740)</u>

(AE) Earnings distribution and dividend policy

As a subsidiary of CTBC Financial Holding Co., Ltd., the Bank is required to fulfill the operating fund demands of the parent company and to maintain its own capital adequacy ratio. Therefore, common stock dividends and bonuses are generally distributed as cash dividends. The Bank adopts a constant and balanced dividend policy through annual common stock dividends and distribution of bonuses.

The above-mentioned methodology is merely a guideline used to select an appropriate dividend policy. In consideration of current operations and capital budget planning for the next year, an appropriate dividend distribution ratio is selected.

Annual earnings, if any, are used to pay taxes, to make certain adjustments in accordance with financial accounting standards, and to offset cumulative losses. Then 30% of the remaining earnings are appropriated as legal reserve and set provision for or reversal of special reserve according to the regulations. Subsequent to all appropriations aforesaid, the remaining balance and the undistributed earnings at the beginning period should report to the board of directors for the discussion of dividend distribution ahead of seeking approval from shareholders. Before the legal reserve balance reaches an amount equal to total paid-in capital, cash dividends are limited to 15% of total paid-in capital. When the legal reserve balance reaches an amount equal to total paid-in capital, or satisfies the Article 50, paragraph 2 of the Banking Law, if the bank is sound in both its finance and business operations and has set aside legal reserve in compliance with the Company Act, the restrictions stipulated in the preceding paragraph shall not apply.

A resolution on 2013 earnings distribution of the Bank was approved by the board of directors on May 12, 2014, and stock dividend and employee bonuses were distributed, amounting to \$6,469,878 and \$3,235, respectively. Nevertheless, the estimate of employee bonuses recognized in the annual financial report of 2013 was \$3,218, with \$17 difference. The difference is regarded as a change of accounting estimates and will reflect as a loss in the fiscal year of 2014.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

A resolution on 2014 earnings distribution of the Bank was approved by the board of directors on May 26, 2015, and stock dividend and employee bonuses were distributed, amounting to \$14,113,004 and \$7,187, respectively. Nevertheless, the estimate of employee bonuses recognized in the annual financial report of 2014 was \$4,973, with \$2,214 difference. The difference is regarded as a change of accounting estimates and will reflect as a loss in the fiscal year of 2015.

According to the Company Act, amended in May, 2015, employee compensations are excluded from the scope of earnings distribution, the Bank has revised the articles of incorporation to meet the regulatory deadline.

Relevant information about employee bonuses approved by the board of directors on behalf of stockholders is available on Market Observation Post System or other sites.

(AF) Share based payment transactions

For the year ended December 31, 2015 and 2014, the Bank and its subsidiaries had set out the measurement principles and specific requirements for the share-based payment transactions as below:

	Management stock appreciation rights plan for the years			
	2011	2012	2013	2014
Grant date	01.13.2012	02.05.2013	01.28.2014	02.06.2015
Grant number	93,583	139,535	192,778	239,965
Exercise period	12.31.2014	12.31.2015	12.31.2016	12.31.2017
Exercise price at grant date	19.05	16.69	20.07	20.35

The Bank and its subsidiaries implement the above plan via cash settlements, yet absentee and resigned employees' stock appreciation rights will be deemed abandoned and forfeited.

Disclosures for the Bank and its subsidiaries' Employee Stock Appreciation Rights Plan (SARs):

	For the year ended December 31, 2015					
	Management stock appreciation rights plan for the years					
	2012		2013		2014	
	Number	Weighted-average exercise price	Number	Weighted-average exercise price	Number	Weighted-average exercise price
Outstanding at the beginning of the period	157,773	12.53	200,026	16.97	239,965	18.19
Granted during the period	18,194	12.53	23,617	16.97	28,329	18.19
Forfeited during the period	1,000	12.53	1,863	16.97	2,350	18.19
Exercised during the period	174,967	12.53	1,922	16.97	1,868	18.19
Expired during the period	-	12.53	-	16.97	-	18.19
Outstanding at the end of the period	-	12.53	219,858	16.97	264,076	18.19
Exercisable at the end of the period	-	12.53	-	16.97	-	18.19

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended December 31, 2014						
Management stock appreciation rights plan for the years						
	2011		2012		2013	
	Number	Weighted- average exercise price	Number	Weighted- average exercise price	Number	Weighted- average exercise price
Outstanding at the beginning of the period	105,435	14.23	151,777	14.02	192,778	18.99
Granted during the period	6,055	14.23	8,580	14.02	10,935	18.99
Forfeited during the period	1,128	14.23	1,783	14.02	3,020	18.99
Exercised during the period	110,362	14.23	801	14.02	667	18.99
Expired during the period	-	14.23	-	14.02	-	18.99
Outstanding at the end of the period	-	14.23	157,773	14.02	200,026	18.99
Exercisable at the end of the period	-	14.23	-	14.02	-	18.99

For the year ended December 31, 2015, the weighted-average stock prices executed under SARs for 2012, 2013 and 2014 were NT\$17.77, \$20.55 and \$21.40 (dollars), respectively.

Up to December 31, 2015, the weighted-average remaining durations of outstanding shares under SARs for 2013 and 2014 were 1 and 2 years, respectively.

On January 27, 2016, the Bank's board of directors has passed Management Stock Appreciation Rights Plan for the Year 2015. 225,564 units of share based payment have been granted, with the execution price of NT\$14.92 (dollars). On the execution date of December 31, 2018, the plan is intended to be settled through cash payments.

(AG) EPS

	For the year ended December 31	
	2015	2014
Net income attributable to common stockholders	\$ 34,240,268	36,868,148
Weighted-average outstanding shares of common stock (in thousands)	10,572,928	10,303,488
Basic EPS (in dollars)	\$ 3.24	3.58

Retroactive adjustments are applied to the Bank's basic EPS for the year ended December 31, 2014.

Since the Bank and its subsidiaries deal with share-based payment transactions via cash settlement, no impact is expected to be on its weighted-average outstanding shares, nor does the diluted EPS needed to be calculated.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(AH) Net interest income

	For the year ended December 31	
	2015	2014
<u>Interest income</u>		
Loan	\$ 49,480,626	42,588,761
Revolving credit	2,641,476	2,835,373
Securities	6,794,016	5,167,053
Due from Central Bank	365,936	334,353
Due from banks and call loans to banks	2,184,401	4,157,549
Hedging derivatives	350,069	1,048,357
Others	2,117,217	2,701,727
Subtotal	<u>63,933,741</u>	<u>58,833,173</u>
<u>Interest expense</u>		
Deposit	17,128,472	16,544,446
Due to other banks	317,577	366,150
Borrowings and other financing	3,204,031	3,339,747
Hedging derivatives	133,569	276,064
Others	76,296	40,482
Subtotal	<u>20,859,945</u>	<u>20,566,889</u>
	<u>\$ 43,073,796</u>	<u>38,266,284</u>

Interest income and expense from financial assets and liabilities measured at fair value through profit and loss are excluded.

(AI) Service fee and commission income

	For the year ended December 31	
	2015	2014
<u>Commission income</u>		
Credit card business	\$ 5,198,033	4,802,392
Wealth management business	6,226,477	6,037,802
Corporate business	5,216,960	4,128,540
Banking business	4,538,220	3,881,553
Insurance business	10,937,420	10,083,521
Lottery business	5,676,453	5,359,550
Others	18,253	7,798
Total commission income	<u>37,811,816</u>	<u>34,301,156</u>
<u>Service fee</u>		
Credit card business	(288,930)	(224,636)
Wealth management business	(214,192)	(278,919)
Corporate business	(260,904)	(246,354)
Banking business	(1,909,011)	(1,413,095)
Lottery business	(433,874)	(402,742)
Insurance business	-	(327)
Others	(10,019)	(17,345)
Total service fee	<u>(3,116,930)</u>	<u>(2,583,418)</u>
Service fee and commission income	<u>\$ 34,694,886</u>	<u>31,717,738</u>

For the year ended December 31, 2014, the service fee and commission income have been reclassified properly by following the same presentation as current financial report.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(AJ) Gains and losses on financial assets or liabilities measured at fair value through profit or loss

	For the year ended December 31	
	2015	2014
<u>Disposal gains (losses)</u>		
Commercial paper	\$ 16,936	6,143
Treasury bills	(130)	241
Government bonds	26,715	(79,217)
Corporate bonds	44,926	20,070
Financial debentures	67,391	36,190
Convertible bonds	5,151	9,569
Beneficiary certificates	(19,481)	(51)
Listed and OTC securities	(42,864)	219,012
Other securities and bonds	3,250	1,027
Derivative financial instruments	11,917,575	5,265,505
Borrowed securities	1,641	(10,205)
Subtotal	<u>12,021,110</u>	<u>5,468,284</u>
<u>Valuation gains (losses)</u>		
Commercial paper	(21,858)	4,114
Treasury bills	240	(234)
Government bonds	5,107	38,882
Corporate bonds	(77,999)	(14,232)
Financial debentures	2,157,372	2,601,584
Convertible bonds	(165,081)	56,792
Listed and OTC securities	4,461	(79,553)
Other securities and bonds	9,670	(31,994)
Derivative financial instruments	(1,356,874)	3,503,342
Beneficiary certificates	(19,905)	17,946
Borrowed securities	-	72
Fair value hedge adjustment	(91,323)	(658,334)
Subtotal	<u>443,810</u>	<u>5,438,385</u>
<u>Dividend income</u>	1,357	13,241
<u>Interest income</u>	541,479	557,735
<u>Interest expense</u>	(1,800,213)	(185,457)
Total	<u>\$ 11,207,543</u>	<u>11,292,188</u>

(AK) Employee benefits expenses

	For the year ended December 31	
	2015	2014
Salary expenses	\$ 22,085,070	19,882,800
Insurance expenses	1,627,152	1,368,140
Share based payment transactions	257,862	974,518
Retirement expenses		
Defined contribution plan	601,619	493,252
Defined benefits plan	362,552	360,788
Other personnel expenses	1,424,782	1,331,199
Total	<u>\$ 26,359,037</u>	<u>24,410,697</u>

As of December 31, 2015 and 2014, numbers of the Bank and its subsidiaries' employees were 13,794 and 13,439, respectively.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(AL) Depreciation and amortization expenses

	For the year ended December 31	
	2015	2014
Housing	\$ 898,256	545,889
General equipment	388,382	289,450
Transportation equipment	37,875	30,426
Information equipment	603,641	474,598
Subtotal of depreciation expenses	<u>1,928,154</u>	<u>1,340,363</u>
Amortization of information software	1,046,449	732,486
Bond issuance expenses and others	4,612	17,872
Total	<u><u>\$ 2,979,215</u></u>	<u><u>2,090,721</u></u>

(AM) Compensations of employees

Annual earnings, if any, should be appropriated 0.05% as compensations of employees. However, if there is any cumulative loss, the Bank should offset cumulative losses in priority. Compensations of employees which are recognized as current period operating expenses based on the Bank's net income before tax excluding the amount of the compensations of employees at the end of the accounting period multiplied by the estimate of remuneration distribution set by the Bank's articles of incorporation. Relevant information is available on Market Observation Post system. Any difference lies between the actual allocation amount and previously recognized in the financial report is considered as change in accounting estimates which is then recognized as profit or loss in next year.

(AN) Other general and administrative expenses

	For the year ended December 31	
	2015	2014
Site usage and general equipment expenses	\$ 4,865,709	4,119,044
Information equipment expenses	1,805,233	1,466,853
General administration expenses	4,352,759	3,824,725
Marketing and promotion expenses	2,764,841	2,563,938
Other expenses	4,894,295	4,706,648
Business tax	3,481,290	2,650,826
Total	<u><u>\$ 22,164,127</u></u>	<u><u>19,332,034</u></u>

(AO) Financial instruments

(a) Methods and assumptions used by the Bank and its subsidiaries for fair value evaluation of financial instruments were as follows:

1. Fair value of short-term financial instruments is estimated by their book value on the balance sheet date. Since these instruments have short maturities, the book value is adopted as a reasonable basis in estimating the fair value. The method is applied to cash and cash equivalents, due from Central Bank and call loans to banks, securities purchased under reverse repurchase agreements, receivables, other financial assets, deposits from Central Bank and other banks, due to Central Bank and other banks, securities sold under repurchase agreements, payables, remittances, and other financial liabilities.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

2. If there is a quoted price in an active market for the financial asset, including financial instruments measured at fair value through profit or loss, available-for-sale, held-to-maturity financial assets, and hedging derivative financial instruments, the quoted price is regarded as its fair value. If there is no quoted price in an active market for the financial asset, its fair value is estimated on the basis of the result of a valuation technique that refers to quoted prices provided by financial institutions. The estimates, hypotheses and discount rates for valuation referring to quoted prices, from financial institutions, of financial instruments have substantially the same terms and characteristics, including the credit quality of debtors, the remaining term over which the contractual interest rate is fixed, the remaining term to repayment of the principal, and the currency in which the payments are to be made. Fair value of debt investments without an active market accounted for under other financial assets is determined by the quoted estimated fair value from the counterparties, and recorded in accordance with the “Regulations Governing the Preparation of Financial Reports by Public Banks,” which required the amount to be booked at amortized cost. Fair value for an equity investment is determined based on either the price calculated using a valuation technique or its book value.
3. Loans and deposits are both classified as interest-bearing financial assets; therefore, the book value of financial assets is equivalent to their fair value. The net book value of the non-accrual account, after deducting provision for credit loss, is adopted as the fair value.
4. Fair value of long-term liabilities is estimated by the present value of expected future cash flows. The discount rate is based on rates of equivalent loans available elsewhere; that is, loans with similar maturity date and terms (close to the maturity date).
5. Derivatives usually adopt mark-to-model prices. The Discounted-Cash-Flow method is adopted for non-option derivatives, and the Black-Scholes model is adopted for most options.
6. The exchange price is used for financial instruments traded on an exchange. Over-the-counter (OTC) positions use independent price/parameter quotes by reliable brokers or data vendors, such as Reuters, Bloomberg, etc. In general, the closing price, settlement price, mid-price at a fixed cut-off time, and the average price of several independent brokers could be used as market data for valuation purposes.
7. The Bank and its subsidiaries would calculate credit valuation adjustment (CVA) by assessing probability of default (PD) and loss given default (LGD) of the counterparty before multiplying exposure at default (EAD) of the counterparty. On the contrary, debit valuation adjustment (DVA) is computed by applying probability of default of the Bank and its subsidiaries and considering loss given default of the Bank and its subsidiaries before being multiplied by exposure at default of the Bank and its subsidiaries.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The Bank and its subsidiaries adopt IAS39 or take any observable data into account to evaluate the probability of impairment and loss rate of allowance for doubtful accounts as the estimates of PD and LGD. In addition, mark to market assessment of a derivative instrument from Over the Counter (OTC) is applied as EAD. For those accounts have showed significant increase in credit risk, would be the CVA assessed individually by taking into account of the changes of exposures, conditions of collaterals and the recovery probabilities.

8. Except the following listed items, the book value is considered to be a reasonable basis of estimated fair value if the Bank and its subsidiaries do not measure a financial instrument at fair value.

<u>Financial Assets</u>	<u>December 31, 2015</u>	
	<u>Book value</u>	<u>Fair value</u>
Held-to-maturity financial assets – net	\$ 147,667,106	151,666,293

<u>Financial Assets</u>	<u>December 31, 2014</u>	
	<u>Book value</u>	<u>Fair value</u>
Held-to-maturity financial assets – net	\$ 71,154,327	71,108,786
Other financial assets- Investment in debt instruments without active markets	17,600,409	17,578,333

(b) Fair value hierarchy information on financial instruments

1. The definition of fair value hierarchy

(A) Level 1

Fair value measurement for a financial instrument classified in Level 1 is determined as the quoted price for an identical financial instrument in an active market. The definition of active market has all of the following conditions: (1) the products traded in the market are homogeneous, (2) willing parties are available anytime in the market, and (3) price information is available for the public.

(B) Level 2

Fair value measurement for a financial instrument classified in Level 2 is determined as the observable price other than quoted price in an active market, including an observable input obtained in an active market, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The examples of observable price are as follows:

- A. The quoted price for an identical financial instrument in an active market means the fair value from the market transaction prices for an identical financial instrument. An identical financial instrument should be determined by its characteristics and terms of transaction. The fair value of a financial instrument has to be adjusted according to the observable market price of the identical financial instrument. The reasons for adjustments include time lag of the occurring market transaction prices for an identical financial instrument (the quoted prices do not represent fair value at the measurement date), the difference in transaction terms for

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

financial instruments, transaction prices involving related parties, and the correlation between the observable transaction prices of identical financial instruments and the market prices of held financial instruments.

- B. The quoted market price of the same or identical financial instruments in an inactive market.
- C. The fair value is estimated on the basis of the results of a valuation technique, and the market inputs used (ie., interest rate, yield curve, and fluctuation rate) are based on obtainable data from the market (an observable input means an input can be derived from market data and can reflect the expectation of market participants when the inputs were used in evaluating the prices of financial instruments).
- D. A majority of inputs are derived from observable market data, or the input correlation can be tested based on observable market data.

(C) Level 3

Input for a fair value measurement for a financial instrument classified in Level 3 is not based on obtainable data from the market (an unobservable input, such as volatility for a share option derived from the share's historical prices, as it does not generally represent current market expectations about future volatility).

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

2. Fair value hierarchy information on financial instruments

<u>Assets and Liabilities</u>	<u>December 31, 2015</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Instruments measured at fair value</u>				
<u>Instruments measured at fair value on a recurring basis</u>				
<u>Non-Derivative Financial Instruments</u>				
<u>Assets and Liabilities</u>				
Assets:				
Financial assets measured at fair value through profit or loss				
Financial assets held for trading				
Investment in stocks	\$ 308,468	308,468	-	-
Investment in debt instruments	51,049,561	663,378	50,386,183	-
Others	30,977	30,977	-	-
Designated as financial assets measured at fair value through profit or loss				
Investment in debt instruments	6,802,051	-	6,802,008	43
Others	1,305,554	-	-	1,305,554
Available-for-sale financial assets—net				
Investment in stocks	3,895,479	3,895,479	-	-
Investment in debt instruments	444,014,773	109,647,213	333,932,763	434,797
Others	7,798,048	2,525,826	5,272,222	-
Liabilities:				
Designated as financial liabilities measured at fair value through profit or loss	38,683,355	-	-	38,683,355
<u>Derivative Financial Instruments Assets and Liabilities</u>				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 81,105,512	27,657	60,964,974	20,112,881
Derivative financial assets—hedging	107,526	-	107,526	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss	88,909,223	45,156	68,078,575	20,785,492
Derivative financial liabilities—hedging	441,428	-	441,428	-
<u>Instruments not measured at fair value</u>				
Held-to-maturity financial assets—net	151,666,293	124,735,603	26,930,690	-
Other financial assets- Investment in debt instruments without active markets	14,198,752	-	-	14,198,752

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	December 31, 2014			
<u>Assets and Liabilities</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Instruments measured at fair value</u>				
<u>Instruments measured at fair value on a recurring basis</u>				
<u>Non-Derivative Financial Instruments</u>				
<u>Assets and Liabilities</u>				
Assets:				
Financial assets measured at fair value through profit or loss				
Financial assets held for trading				
Investment in stocks	\$ 157,311	157,311	-	-
Investment in debt instruments	38,492,988	2,658,944	35,834,044	-
Others	283,213	283,213	-	-
Designated as financial assets measured at fair value through profit or loss				
Investment in stocks	2,842,058	-	2,842,058	-
Investment in debt instruments	6,639,722	-	6,639,681	41
Others	2,275,242	-	-	2,275,242
Available-for-sale financial assets – net				
Investment in stocks	2,362,362	2,362,362	-	-
Investment in debt instruments	540,769,169	175,907,750	364,018,798	842,621
Others	6,164,105	1,711,963	4,452,142	-
Liabilities:				
Designated as financial liabilities measured at fair value through profit or loss	30,260,239	-	-	30,260,239
<u>Derivative Financial Instruments Assets and Liabilities</u>				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 57,709,720	57,842	45,550,438	12,101,440
Derivative financial assets – hedging	1,499,486	-	1,347,553	151,933
Liabilities:				
Financial liabilities measured at fair value through profit or loss	62,556,008	46,020	50,409,731	12,100,257
Derivative financial liabilities – hedging	916,322	-	916,322	-

3. No instrument measured at fair value has been transferred between level 1 and level 2 by the Bank and its subsidiaries for the year ended on December 31, 2015.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4. Statements of changes in financial assets which were classified to Level 3 based on fair value measurement

Items	For the year ended December 31, 2015									
	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Purchase or issue	Current increase		Current decrease			Ending balance
					Transfer in of Level 3 and out of other levels	Transfer in of Level 3 of financial assets and out of Level 3 of financial liabilities	Sale, disposal, or settlement	Transfer in of other levels and out of Level 3	Transfer in of Level 3 of financial liabilities and out of Level 3 of financial assets	
Financial assets measured at fair value through profit or loss										
Financial assets held for trading	\$ 12,101,440	20,920,935	-	1,291,026	-	430,462	13,046,155	1,584,827	-	20,112,881
Designated as financial assets measured at fair value through profit or loss	2,275,283	107,443	-	-	-	-	1,077,129	-	-	1,305,597
Available-for-sale financial assets – net	842,621	(40,543)	11,007	-	-	-	378,288	-	-	434,797
Derivative financial assets – hedging	151,933	(151,933)	-	-	-	-	-	-	-	-
Total	\$ 15,371,277	20,835,902	11,007	1,291,026	-	430,462	14,501,572	1,584,827	-	21,853,275

The policy for when to recognize the transfers in or out of Level 3 is according to the actual date of the event or change in circumstances. In the current year, the transfer of financial assets from Level 3 to Level 2 was due to a switch of valuation approach.

Items	For the year ended December 31, 2014									
	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Purchase or issue	Current increase		Current decrease			Ending balance
					Transfer in of Level 3 and out of other levels	Transfer in of Level 3 of financial assets and out of Level 3 of financial liabilities	Sale, disposal, or settlement	Transfer in of other levels and out of Level 3	Transfer in of Level 3 of financial liabilities and out of Level 3 of financial assets	
Financial assets measured at fair value through profit or loss										
Financial assets held for trading	\$ 2,684,544	12,477,652	-	1,796,927	1,148,480	67,128	4,765,926	1,307,365	-	12,101,440
Designated as financial assets measured at fair value through profit or loss	-	120,145	-	2,155,138	-	-	-	-	-	2,275,283
Available-for-sale financial assets – net	504,161	25,983	41,969	575,613	-	-	305,105	-	-	842,621
Derivative financial assets – hedging	818,787	(666,854)	-	-	-	-	-	-	-	151,933
Total	\$ 4,007,492	11,956,926	41,969	4,527,678	1,148,480	67,128	5,071,031	1,307,365	-	15,371,277

Note : For the year ended December 31, 2014, the increase of \$923,524 in designated as financial assets measured at fair value through profit or loss was due to the acquisition of Tokyo Star Bank, Ltd; the increase of \$640,752 in available-for-sale financial assets- net was due to the acquisition of Tokyo Star Bank, Ltd.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

5. Statements of changes in financial liabilities which were classified to Level 3 based on fair value measurement

For the year ended December 31, 2015										
Items	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Purchase or issue	Current increase		Current decrease			Ending balance
					Transfer in of Level 3 and out of other levels	Transfer in of Level 3 of financial liabilities and out of Level 3 of financial assets	Sale, disposal, or settlement	Transfer in of other levels and out of Level 3	Transfer in of Level 3 of financial assets and out of Level 3 of financial liabilities	
Financial liabilities measured at fair value through profit or loss										
Financial liabilities held for trading	\$ 12,100,257	19,642,070	-	2,564,312	-	430,462	12,366,782	1,584,827	-	20,785,492
Financial liabilities designated at fair value through profit or loss	30,260,239	(3,209,535)	1,150,729	10,481,922	-	-	-	-	-	38,683,355
Total	\$ 42,360,496	16,432,535	1,150,729	13,046,234	-	430,462	12,366,782	1,584,827	-	59,468,847

The policy for when to recognize the transfers in or out of Level 3 is according to the actual date of the event or change in circumstances. In the current year, the transfer of financial liabilities from Level 3 to Level 2 was due to a switch of valuation approach.

For the year ended December 31, 2014										
Items	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Purchase or issue	Current increase		Current decrease			Ending balance
					Transfer in of Level 3 and out of other levels	Transfer in of Level 3 of financial liabilities and out of Level 3 of financial assets	Sale, disposal, or settlement	Transfer in of other levels and out of Level 3	Transfer in of Level 3 of financial assets and out of Level 3 of financial liabilities	
Financial liabilities measured at fair value through profit or loss										
Financial liabilities held for trading	\$ 2,601,503	11,132,254	-	3,122,954	387,401	67,128	4,758,415	452,568	-	12,100,257
Financial liabilities designated at fair value through profit or loss	-	(2,040,443)	(464,012)	32,764,694	-	-	-	-	-	30,260,239
Total	\$ 2,601,503	9,091,811	(464,012)	35,887,648	387,401	67,128	4,758,415	452,568	-	42,360,496

6. Sensitivity analysis of Level 3 fair value if reasonably possible alternative assumptions used

Valuation techniques used by the Bank and its subsidiaries for fair value measurements of financial instruments are appropriate. However, the use of different valuation models or inputs could lead to different outcomes of fair value measurements. The following statement analyses Level 3 sensitivities for those unobservable inputs in valuation models that have a material impact on the valuation of Level 3 financial instrument. The Bank and its subsidiaries' major Level 3 financial instruments include:

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- A. Back-to-back derivative transactions: the movements of fair value between financial assets and liabilities can be fully offset for back-to-back trades, so there is no material impact on the income statement.
- B. Financial Debentures issued by the Bank: the sensitivity analysis based on the assumption of one basis point change in the Bank's credit spread would have the following effects on the statement of other comprehensive income.

	Impacts on the statement of other comprehensive income as fair value changes	
	Favorable changes	Unfavorable changes
December 31, 2015		
<u>Liabilities</u>		
Financial liabilities measured at fair value through profit or loss		
Designated as financial liabilities measured at fair value through profit or loss	\$ 60,988	(60,734)
December 31, 2014		
<u>Liabilities</u>		
Financial liabilities measured at fair value through profit or loss		
Designated as financial liabilities measured at fair value through profit or loss	\$ 42,456	(42,122)

7. Quantitative information about the significant unobservable inputs in Level 3

Quantitative information about the significant unobservable inputs was as follows:

		December 31, 2015				
Fair value	Valuation technique	Key unobservable inputs	Range of inputs	The relation between inputs and fair value		
<u>Recurring fair value measurements</u>						
<u>Non-Derivative Financial Instruments Assets and Liabilities</u>						
Assets:						
Financial assets measured at fair value through profit or loss						
Designated as financial assets measured at fair value through profit or loss	\$ 1,305,597	Discounted cash flow model	Loss rate	0.11%~7.00%	The higher loss rate, the lower fair value	
Available-for-sale financial assets—net						
Investment in debt instruments	434,797	Discounted cash flow model	Interest rate	1.00%~2.00%	The lower interest rate, the higher fair value	
Liabilities:						
Designated as financial liabilities measured at fair value through profit or loss	38,683,355	Interest rate option pricing model	Credit spread	1.03%~1.59%	The higher credit spread, the lower fair value	
<u>Derivative Financial Instruments Assets and Liabilities</u>						
Assets:						
Financial assets measured at fair value through profit or loss						
Financial assets measured at fair value through profit or loss	20,112,881	Interest rate option pricing model	Interest rate correlation	71%~82%	The higher correlation, the lower fair value	
Liabilities:						
Financial liabilities measured at fair value through profit or loss	20,785,492	Interest rate option pricing model	Interest rate correlation	71%~82%	The higher correlation, the higher fair value	

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

8. The valuation process to level 3 financial instruments

Market risk management unit is responsible for independent model validation, with using and confirming the reliable for independent market data, calibrating valuation model on a regular basis, executing back testing, as well as applying any fair value adjustments if necessary to ensure the valuation results are reasonable.

(c) For the year ended December 31, 2015 and 2014, unrealized gains due to the estimated change of fair value recognized by the Bank and its subsidiaries were \$449,872 and \$5,456,625, respectively.

(d) Financial risk information

The major objective of the risk management of the Bank and its subsidiaries is to control the risk under the scope approved by the board of directors by using effective management methods to utilize resource and create maximum economic profit. For major risks, the Bank and its subsidiaries have established the risk management policies to serve as its primary principle, which covers managerial objective, organizational structure, accountability, and risk management procedures, and by implementing these mechanisms, operational risks can be controlled at an acceptable level.

The organization structure of risk management includes Board of Directors, General Auditor, Risk Management Committee, Senior Management and Global Risk Management Group. The scope of their authorities illustrates as follow:

Board of Directors, who is in charge of risk strategy approval, risk policies, risk management frameworks, and creating a culture of risk management, serves as the primary guidance for all risks and undertakes ultimate responsibility of overall risk management.

General Auditor is responsible for planning and carrying out all kind of audit business and is directly accountable to the Board. The internal auditing unit under the General Auditor must regularly review and assess the integrity and actual implementation on various kinds of risk management mechanism, and timely provide suggestions for improvement so that the risk management mechanism can be run continually effectively.

Risk Management Committee assists the Board in risk governance, by communicating, reporting, and recommendations; Risk Management Committee also builds appropriate risk authorization and will monitor and ensure risk authorization operates properly. We expect the senior managers to support the Bank's culture of risk management, through decision-making processes and leader's supportive behavior, and thus influence all employees and organization.

Senior Management is responsible for supervising and ensuring risk authorization system operates properly in accordance with the direction of the board approved.

Global Risk Management Group is responsible for planning and managing the Bank's risk profiles which include credit, market, operations, interest and liquidity risks of the banking book, and developing proper policies and strategies relating to risk identification, measurement, control, and management.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

1. Market Risk Management

Definition and sources of market risk management

Market risk is the risk that the Bank and its subsidiaries' earnings or capital or its ability to meet business objectives will be adversely affected by changes in the level, volatility or correlation of market risk factors, such as interest rate (including credit spread), foreign exchange rate, securities price and commodity price. The market correlation and liquidity of these types of instruments are also covered.

The market risk of the Bank and its subsidiaries arises from either trading or non-trading portfolios. The trading portfolio includes positions arising from trading activities, which aim at benefiting from short-term price movements, such as proprietary trading and market making. The non-trading portfolio includes positions not held for the purpose of earning capital gains.

The market risk management framework for trading and non-trading portfolios is described as follows:

A. Trading Portfolios Management

a. Objective

The Market Risk Management Policy is the cornerstone of managing market risk-taking activities in the Bank and its subsidiaries. The Policy is developed to establish definite market risk management mechanisms of financial transaction, to facilitate market risk communication within the Bank and its subsidiaries, and to provide proper management.

b. Market Risk Management Procedure and Measurement

(A) Management Procedures

(a) Risk identification

Risk-taking unit shall identify the market risk of financial instruments, and this should be clearly stated in the relevant product program documentation. Market risk management unit (MRMU) executes the identification of market risk independently.

(b) Risk measurement

MRMU shall define appropriate and consistent market risk measurement methodologies in line with the business characteristics and risk source to properly evaluate the primary market risk exposure. The risk measurement shall be applied to daily management and shall serve as a foundation for market risk planning, monitoring, and controlling.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Valuation approach and market data adoption for calculating P/L, risk sensitivities, Value at Risk (VaR), stress testing should be approved by MRMU.

(c) Risk controlling

Market risk limit is a tool for authorizing and controlling specific forms of market risk arising from the trading activities of the Bank and its subsidiaries to ensure that the Bank and its subsidiaries are not exposed to market risk beyond the risk appetite. Market risk limit management procedures, such as the establishment, approval, exception management, limit excess treatment, etc., shall comply with the relevant market risk management documents.

(d) Risk reporting

Market risk reporting is an effective risk communication tool. MRMU shall submit market risk management reports to senior managers on a daily basis and periodically report the integrated market risk profile to senior executives and the Board to evaluate risk concentration and capacity of the Bank and its subsidiaries and to form necessary risk adjusting strategies.

(B) Risk Measurement Approaches

(a) Value at Risk, VaR

The VaR model is developed as a quantitative technique for internal risk management purpose, and will be continually refined to meet the quantitative and qualitative standards of IMA (Internal Model Approach) requirements.

(b) Stress Testing

Stress testing is used to calculate a range of trading exposures which result from extreme market events or scenarios. Stress testing measures the impact of exceptional changes in market rate/price, volatility or correlation in the fair value of trading portfolios as a supplement to VaR which is unable to capture the tail risk.

(c) Factor Sensitivity

Factor sensitivity is a measurement for monitoring the cross-product exposures within each risk type, including but not limited to foreign exchange, interest rate, equity, commodity, and credit.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

c. Market Risk Mitigation and Hedging

The Bank and its subsidiaries' trading portfolios include spots and derivatives. The derivatives are employed to reduce spots exposure or combined with other derivatives to form trading strategy. MRMU evaluates and controls the mitigation effectiveness between trading positions and its' hedge positions by using risk measurement tools, such as VaR, risk sensitivities, etc.

d. Interest Rate Risk Management

(A) Definition

Interest rate risk arises from adverse changes in interest rates. Primary interest rate related instruments held in the Bank and its subsidiaries' trading portfolios include bonds and interest rate derivatives, such as interest rate swaps, caps/floors, and swaptions.

(B) Management Procedure

In order to effectively control the interest rate risk in the trading portfolios, the Bank and its subsidiaries control interest rate risk by setting limits in different yield curves and currencies depending on its own business development and management needs.

(C) Measurement Approach

PVBP, the change in fair value as the yield curve parallel shifts up by 0.01% (1bp), is used to measure interest rate risk exposures of the Bank and its subsidiaries' trading portfolios.

Unit : In Thousands of New Taiwan Dollars

<u>Yield curve parallel shift of +0.01%</u>	<u>Currency</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	CNY	\$ (128)	192
	EUR	28	88
	HKD	(824)	(153)
	JPY	(315)	(56)
	NTD	(3,486)	99
	USD	1,611	(443)
	Others	(274)	(395)

e. Foreign Exchange Risk

(A) Definition

Foreign exchange risk arises from adverse changes in exchange rates. Primary foreign exchange instruments held in the Bank and its subsidiaries' trading portfolios include spots, forwards, and currency options.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(B) Management Procedure

In order to effectively control the foreign exchange risk for the trading portfolios, the Bank and its subsidiaries control foreign exchange risk by setting limits in different currencies or currency pairs depending on its own business development and management needs.

(C) Measurement Approach

FX Delta, the change in net present value as the foreign exchange rate moves up by one unit, 1%, is used to measure foreign exchange risk exposure of the Bank and its subsidiaries' trading portfolios.

Unit : In Thousands of New Taiwan Dollars

<u>Underlying currency upward movement by 1%</u>	<u>Currency</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	AUD	\$ (894)	(912)
	CNY	(139,940)	47,368
	EUR	6,167	(6,012)
	GBP	334	256
	HKD	(15,292)	(2,726)
	JPY	(1,136)	2,318
	KRW	(360)	(2,431)
	USD	240,032	1,812
	Others	(18,191)	2,985

f. Other Risk Factor Sensitivities

(A) Equity Factor Sensitivity (Equity delta)

Equity Delta is the change in fair value as the underlying stock price or index price moves up by 1%. Primary equity instruments held in the Bank and its subsidiaries' trading portfolios include stocks, convertible bonds, equity index futures and options.

(B) Commodity Factor Sensitivity (Commodity delta)

Commodity Delta is the change in fair value as the underlying commodity price moves up by 1%. Primary commodity instruments held in the Bank and its subsidiaries' trading portfolios include derivatives in gold and crude oil.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(C) Credit Spread Factor Sensitivity (CR01, Credit 01)

CR01 is the change in fair value as the credit spread shift up by 0.01% (1bp). Primary credit-linked instruments held in the Bank and its subsidiaries' trading portfolios include credit default swaps.

<u>Equity factor sensitivity (Equity delta)</u>	<u>Country/ Commodity</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Equity Factor Sensitivity			
Stock price or index upward movement by 1%	Taiwan	\$ 454	11,402
	USA	510	(825)
	Hong Kong	1,120	3,064
	Others	1,576	2,832
Commodity Factor Sensitivity			
Commodity price upward movement by 1%	Gold	50	8
	Copper	-	(30)
	Others	-	335
Credit Spread Factor Sensitivity			
Credit spread upward shift by 0.01%		(170)	(160)

B. Management Mechanism of Non-Trading Purpose Investment Portfolio

a. Management of Non-Trading Purpose Interest Rate Risk

(A) Definition of Non-Trading Purpose Interest Rate Risk

Non-trading purpose interest rate risk of the Bank and its subsidiaries refer to the impact on the profit or the equity of non-trading purpose interest rate sensitive assets and liabilities when interest rate changes.

Interest rate risk mainly stems from different sensitivity of assets and liabilities to interest rate change. Such risk could arise from mismatches of repricing timing amount of asset and liability, varying magnitude of changes in short-term and longer-term interest rates, various interest rate indexes to which asset and liability are linked, or embedded options.

(B) Management Objective of Non-Trading Purpose Interest Rate Risk

The "Asset and Liability Management Policy" is the highest guideline of managing the Bank and its subsidiaries' non-trading purpose interest rate risk. The Policy defines the authorities, responsibilities and management procedures. Through the Funds Transfer Mechanism (FTP) and funding activities, the Bank and its subsidiaries navigate the asset and liability structure to keep the interest risk exposure within the risk appetite, attain a balanced risk profile and maximize shareholder value.

(C) Management Procedures and Risk Measurement of Non-Trading Purpose Interest Rate Risk.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

In order to earn stabilized profits, the Bank and its subsidiaries control the interest rate risk by keeping the interest rate exposures within the limit approved by the Board, centralizing the interest rate risk from business unit to specified unit through the Match-Term Fund Transfer Mechanism, and adjusting the funding positions proactively.

The measurement includes on balance sheet banking book interest-sensitive asset and liabilities, non-trading purpose financial instruments, and interest rate related derivatives which apply hedge accounting.

Interest rate risk monitoring unit periodically conducts the risk reports, which contain the analysis of limit usage, interest rate risk sensitivity and stress test. The risk report shall periodically be submitted to related risk management meetings.

The Bank and its subsidiaries frequently measure interest rate risks by the following tools:

- (a) Repricing Gap Report : This report measures the repricing gap between asset and liability by various time buckets in order to understand interest rate mismatch.
- (b) Interest Rate Sensitivity :
 - 1. Asset and Liability Mismatch: This measures the impact of 1 basis point change in interest rate on net interest income (NII) and that on economic value of equity (EVE). The analysis of such impact on NII ($1bp\Delta NII$) focuses on changes in interest income and expense within a year; hence, this analysis is of a short-term perspective. The analysis of such impact on EVE ($1bp\Delta EVE$) is of a long-term perspective as it focuses on changes of economic value which will become net interest income received every year later on.
 - 2. Non-trading purpose financial instruments specified: Use the PVBP to measure the impact of 1 basis point change in interest rate on fair value.
- (c) Stress Test : This evaluates the impact of a significant change in interest rate on EVE. The test results will be compared with capital in order to examine the appropriateness of exposure.
- (d) (Non-trading purpose financial instruments specified) Profit and Loss: This evaluates the market value of financial instrument; aim to keep the impact on earnings or equity within the Bank and its subsidiaries risk appetite.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(D) Risk Mitigation and Hedge of Non-Trading Purpose Interest Rate Risk

The Bank and its subsidiaries set limits to manage risk. When an excess of limit is confirmed, risk monitoring unit analyzes the impact, coordinates funding management unit and other related units to submit the action plan to the limit authority for approval, and traces the effectiveness of the action plan.

The Bank and its subsidiaries may adjust the interest rate risk exposure by adjusting the asset and liability structures or entering derivative with external counterparties. Prior to executing an external hedge, the hedge plan with specified hedged position, profit and loss analysis and detailed scheme shall gain approval from the limit authority. After a hedge executed, risk management unit shall periodically review the hedge execution and its effectiveness, and report to the limit authority depending on the impact.

b. Management of Non-Trading Purpose Foreign Exchange Rate Risk

(A) Definition and Sources of Non-Trading Purpose Foreign Exchange Rate Risk

Non-trading purpose foreign exchange (FX) rate risk of the Bank and its subsidiaries refer to the impact on the profit or loss due to fluctuation of FX rate on the following non-trading purpose FX positions:

- (a) Realized FX gains/ losses of all non-trading purpose transactions, such as interest income/ expenses of foreign-currency denominated loans/ deposits. Unrealized foreign currency gains and losses of “available-for-sale” positions are not included.
- (b) Non-trading purpose foreign-currency positions such as current-period foreign-currency gains/ losses of money market swap.

(B) Management Objective of Non-Trading Purpose Foreign Exchange Rate Risk

The “Asset and Liability Management Policy” is the highest guideline of managing the Bank and its subsidiaries’ non-trading purpose FX risk. The Policy defines the authorities, responsibilities and management procedures, by which keep FX exposures within the risk appetite.

(C) Management Procedure and Risk Measurement of Non-Trading Purpose Foreign Exchange Rate Risk

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The Bank and its subsidiaries identify, measure, monitor, and report the FX risk through the thorough risk management framework and procedure. To control the FX risk, the Bank and its subsidiaries periodically monitor the risk exposure according to the approved limit hierarchy and sweep FX risk centrally from business units to designated FX management unit. For overseas branches without a specified FX management unit, FX positions will be centrally managed by the Funding Management Unit. The risk factor which measures non-trading purpose Foreign Exchange Risk is “FX Delta”, which measures the impact on the profit and loss when FX rate changes.

(D) Risk Mitigation and Hedge of Non-Trading Purpose Foreign Exchange Rate Risk

The Bank and its subsidiaries set the limits and control mechanisms to manage the FX risk. When an excess of limit is confirmed, business unit will explain the reason; risk monitoring unit analyzes the impact, coordinates business unit to submit the action plan to the limit authority for approval, and traces the effectiveness of the action plan.

Prior to executing an external hedge, the hedge plan with specified hedged position, profit and loss analysis and detailed scheme shall gain approval from the limit authority. After a hedge executed, risk management unit shall periodically review the hedge execution and its effectiveness, and report to the limit authority depending on the impact.

c. Management of Non-Trading Purpose Equity Risk

(A) Definition and Sources of Non-Trading Purpose Equity Risk

Non-trading purpose equity risk of the Bank and its subsidiaries refer to the impact on the profit or loss due to equity price fluctuation of non-trading purpose equity positions.

(B) Management Objective of Non-Trading purpose Equity Risk

The “Asset and Liability Management Policy” is the highest guideline of managing the Bank and its subsidiaries’ non-trading purpose equity risk. The Policy defines the authorities, responsibilities and management procedures, by which keep equity exposures within the risk appetite and prevent severe impact on profit or owner equity.

(C) Management Procedure and Risk Measurement of Non-Trading Purpose Foreign Exchange Rate Risk

The Bank and its subsidiaries identify, measure, monitor, and report the equity risk through the thorough risk management framework and procedure. To control the equity risk, the Bank and its subsidiaries

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

periodically monitor the risk exposure according to the approved limit hierarchy. The major aspects of Equity limits include the position limit and the year to date loss trigger.

(D) Risk Mitigation and Hedge of Non-Trading Purpose Equity Risk

The Bank and its subsidiaries set the limits and control mechanisms to manage the equity risk. When an excess of limit is confirmed, business unit will explain the reason; risk monitoring unit analyzes the impact, coordinates business unit to submit the action plan to the limit authority for approval, and traces the effectiveness of the action plan.

d. Factor Sensitivity Analysis

Factor sensitivity analysis by the Bank and its subsidiaries summarized as below:

December 31, 2015			
Risk Items	Movement	Amount	
		Profit and Loss	Equity
Interest Rate Risk	Interest rate curve shift up 1bp	106,473	(66,135)
	Interest rate curve shift down 1bp	(106,473)	66,135
Foreign Exchange Rate Risk	Foreign currency appreciate 1% against NTD	164	-
	Foreign currency depreciate 1% against NTD	(164)	-
Equity Price Risk	Equity price appreciate 1%	-	117,008
	Equity price depreciate 1%	-	(117,008)

December 31, 2014			
Risk Items	Movement	Amount	
		Profit and Loss	Equity
Interest Rate Risk	Interest rate curve shift up 1bp	77,066	(53,334)
	Interest rate curve shift down 1bp	(76,347)	53,334
Foreign Exchange Rate Risk	Foreign currency appreciate 1% against NTD	(787)	-
	Foreign currency depreciate 1% against NTD	787	-
Equity Price Risk	Equity price appreciate 1%	28,421	100,293
	Equity price depreciate 1%	(28,421)	(100,293)

Note: When a fair value hedge or hedge of a net investment in a foreign operation is in conformity with all the conditions for applying hedge accounting, the mentioned positions will not be covered by summarized details above. Because the affected profit or loss is recognized by offsetting the changes in the fair value of hedging instruments and hedged items.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

C. Foreign exchange rate gap information

According to IFRS 7 “Financial Instruments” paragraph No. 34(a), an entity shall disclose summarized quantitative data about its exposure to that risk at the end of the reporting period. Significant foreign exchange rate risk exposure of the Bank and its subsidiaries was as below:

December 31, 2015			
	Foreign currency	Spot rate	NTD amount
<u>Financial assets</u>			
<u>Monetary items</u>			
	\$		
USD	24,205,828	33.0660	800,389,922
JPY	4,449,792,779	0.2747	1,222,358,076
CNY	25,966,387	5.0937	132,264,986
EUR	454,985	36.1411	16,443,661
AUD	655,217	24.1613	15,830,904
<u>Non-monetary items</u>			
USD	24,897	33.0660	823,239
JPY	29,325,801	0.2747	8,055,798
<u>Financial liabilities</u>			
<u>Monetary items</u>			
	\$		
USD	24,821,800	33.0660	820,757,633
JPY	4,324,117,242	0.2747	1,187,835,006
CNY	30,988,110	5.0937	157,844,137
EUR	560,033	36.1411	20,240,201
AUD	653,036	24.1613	15,778,193
December 31, 2014			
	Foreign currency	Spot rate	NTD amount
<u>Financial assets</u>			
<u>Monetary items</u>			
	\$		
USD	18,595,632	31.7180	589,816,252
CNY	19,177,553	5.1150	98,093,186
JPY	2,937,094,360	0.2651	778,623,715
AUD	158,110	25.9640	4,105,171
CAD	355,770	27.3150	9,717,846
<u>Non-monetary items</u>			
USD	21,621	31.7180	685,774
JPY	34,967,362	0.2651	9,269,847
<u>Financial liabilities</u>			
<u>Monetary items</u>			
	\$		
USD	19,852,119	31.7180	629,669,506
CNY	26,113,514	5.1150	133,570,627
JPY	2,713,412,503	0.2651	719,325,655
AUD	155,996	25.9640	4,050,278
CAD	312,300	27.3150	8,530,475

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

D. Disclosure items required by the “Regulations Governing the Preparation of Financial Reports by Public Banks”

a. Interest rate sensitivity information

(A) Sensitivity analysis of interest rate for assets and liabilities (New Taiwan Dollars)

December 31, 2015

Unit : In Thousands of New Taiwan Dollars , %

Items	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest rate sensitive assets	\$ 1,348,255,026	83,781,357	45,753,090	115,573,465	1,593,362,938
Interest rate sensitive liabilities	462,514,675	850,575,000	144,510,047	67,683,780	1,525,283,502
Interest rate sensitivity gap	885,740,351	(766,793,643)	(98,756,957)	47,889,685	68,079,436
Net worth					233,410,926
Ratio of interest-rate-sensitive assets to liabilities (%)					104.46
Ratio of interest rate sensitivity gap to net worth (%)					29.17

December 31, 2014

Unit : In Thousands of New Taiwan Dollars , %

Items	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest rate sensitive assets	\$ 1,219,636,138	68,633,003	49,510,989	87,358,287	1,425,138,417
Interest rate sensitive liabilities	485,270,399	738,958,317	105,522,631	49,238,999	1,378,990,346
Interest rate sensitivity gap	734,365,739	(670,325,314)	(56,011,642)	38,119,288	46,148,071
Net worth					199,329,912
Ratio of interest-rate-sensitive assets to liabilities (%)					103.35
Ratio of interest rate sensitivity gap to net worth (%)					23.15

Note :

1. The aforementioned are the Bank's position denominated in NTD, and do not include contingent asset or liabilities.
2. Interest rate sensitive assets and liabilities are the interest-earning asset or interest-bearing liabilities whose revenue or costs are affected by interest rate change.
3. Interest rate sensitivity gap= Interest rate sensitive assets - Interest rate sensitive liabilities.
4. Ratio of interest rate sensitive assets to liabilities = Interest rate sensitive assets / Interest-rate-sensitive liabilities (denominated in NTD)

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(B) Sensitivity analysis of interest rate for assets and liabilities (USD)

December 31, 2015

Unit : In Thousands of U.S. Dollars, %

Items	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest rate sensitive assets	\$ 13,019,716	912,386	674,756	1,403,221	16,010,079
Interest rate sensitive liabilities	5,231,416	10,090,700	1,125,664	80,969	16,528,749
Interest rate sensitivity gap	7,788,300	(9,178,314)	(450,908)	1,322,252	(518,670)
Net worth					7,058,940
Ratio of interest-rate-sensitive assets to liabilities (%)					96.86
Ratio of interest rate sensitivity gap to net worth (%)					(7.35)

December 31, 2014

Unit : In Thousands of U.S. Dollars, %

Items	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest rate sensitive assets	\$ 12,108,479	891,022	371,141	193,863	13,564,505
Interest rate sensitive liabilities	5,189,503	7,797,518	1,313,693	18,074	14,318,788
Interest rate sensitivity gap	6,918,976	(6,906,496)	(942,552)	175,789	(754,283)
Net worth					6,284,441
Ratio of interest-rate-sensitive assets to liabilities (%)					94.73
Ratio of interest rate sensitivity gap to net worth (%)					(12.00)

Note :

1. The aforementioned are the Bank's position denominated in USD, and do not include contingent asset or liabilities.
2. Interest rate sensitive assets and liabilities are the interest-earning asset or interest-bearing liabilities whose revenue or costs are affected by interest rate change.
3. Interest rate sensitivity gap= Interest rate sensitive assets – Interest rate sensitive liabilities.
4. Ratio of interest rate sensitive assets to liabilities = Interest rate sensitive assets / Interest rate sensitive liabilities (denominated in USD)

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

2. Credit Risk Management

A. Definition and sources of credit risk management

Credit risk of the Bank and its subsidiaries is the risk of financial loss if a client, guarantor or counterparty fails to meet its contractual obligations. Credit risk arises from both on-balance-sheet items and off-balance-sheet items. On-balance-sheet items include Loan, Discounting bills and notes, Credit Card, Due from Central Bank and Call loans to banks, Debt Investment and Derivatives Transaction and so on. Off-balance-sheet items mainly include Guarantees, Bank Acceptance, Letter of Credit and Loan Commitments.

B. Objectives of Credit Risk Management

The objective of credit risk management of the Bank and its subsidiaries is minimizing the potential financial losses by appropriate strategies, policies and procedures. By strengthening credit risk management framework, which is transparent, systematic, professional and well-established, credit risk management is rooted in its corporate governance to reinforce business performance and improve shareholder's equity.

C. Credit Risk Management Process and Credit Risk Measurement

a. Credit risk Management Process

(A) Risk Identification

Credit risk comes from the default risk and significant decline in credit quality of a credit client, change on collateral value or the default risk of derivatives counterparty. Credit risk factors identification shall consider not only internal business operations but also external environmental changes.

(B) Risk Measurement

In order to appropriately evaluate and monitor obligor's credit risk, the Bank and its subsidiaries implement the internal rating system factored in the characteristics of obligors and products to quantify it. The corresponding policies and procedures are established and the regular model validation mechanism is executed to ensure the appropriateness and effectiveness of the model. Credit risk management policy and experienced credit officers' judgment supplement the credit rating application on credit approval, facility management and performance analysis, etc.

(C) Risk Monitoring

To ensure credit risk is under control, the Bank and its subsidiaries have established credit risk limit management mechanism and set up the information management system to monitor the credit risk

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

portfolio and risk concentration situation. The Bank and its subsidiaries have developed comprehensive credit process, such as credit extension and annual review procedure, loan review mechanism, guideline for early-warning and watch-list accounts, guideline for collateral appraisal and management, rules of pre-settlement risk mitigation, procedure for bad loan management, guideline for provision allowance and so on to reduce the probability of loss and ensure our claim on exposure.

(D) Risk Reporting

Risk management unit periodically prepares credit risk portfolio/management report and submits these reports to senior management. The reports disclose the Bank and its subsidiaries' credit risk profile from various dimensions, such as credit quality, portfolio concentration, industry sector exposure, scorecard model validation result, etc.

b. Measurement of Credit Risk

(A) Internal Rating System

The development of internal rating system and the estimation of parameters for credit risk measurement are based on the Bank and its subsidiaries' internal historical data and the experience of internal experts. The three major risk components include Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are used to measure the expected loss and unexpected loss, to assist the Bank and its subsidiaries in their stable growth of long-term operation.

(a) Probability of default

The Bank and its subsidiaries' institutional banking group has developed various scorecard models for Jumbo Enterprise, Middle Enterprise, Small Enterprise, Real Estate Developer and Personal, etc. based on obligor's characteristics, including exposure types, industrial characteristics, revenue scales, and the correspondent with the Bank and its subsidiaries. The Bank and its subsidiaries also develop a master scale to segment obligor's default risk; each segment of the master scale is associated with a predefined one-year forward-looking probability of default. As for retail banking group, we also developed the risk segmentation with predefined one-year forward-looking probability of default, which is developed according to obligor's risk characteristics, such as credit score, and delinquency status.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(b) Loss given default

CTBC institutional banking group calculates the parameters of LGD, such as Collateral Recovery Rate, based on the product characteristics, collateral types, and guarantee forms, etc. The parameters are used to estimate the LGD for each facility. CTBC retail banking group established the LGD segmentation with long-run default-weighted average LGD, which is developed according to the product characteristics and obligor's payment behavior, such as Loan-to-value, exposure, collateral type, payment status, etc.

(c) Exposure at default

Exposure at default is calculated by current outstanding plus potential extra outstanding at default. The credit conversion factor (CCF) for potential extra outstanding at default is calculated by taking the facility commitment, usage ratio, loan outstanding and headroom into consideration. For off-balance-sheet exposure, CCF is used to estimate the portion of off-balance-sheet exposure converted into on-balance-sheet if default.

(B) Stress Testing

Depending on credit risk materiality and business scale, stress testing of credit risk portfolios was implemented. Stress testing helps the Bank and its subsidiaries aware of the possible change of risk component resulting from stress event, and assesses the amount of capital needed to absorb losses or plan remedial actions to mitigate the impact of exceptional loss when such incident occurs.

D. Mitigation of Credit Risk

a. Collateral Management

In assessing the credit extension, the business prospect, future cash flow, and repayment ability and willingness of an obligor are the main factors for determining the repayment capability. However, for the creditor's sake, the Bank, under government regulations, could ask the obligor or a third party to deliver pledge of real estate, chattel, or securities as collateral which could be disposed for recovering the creditor's right if the obligor defaults. In order to maintain the good standing value of collateral, the Bank and its subsidiaries have established guidelines regarding collateral management, which is as follows. By taking the volatility of market value and the characteristic of collateral into account, the Bank and its subsidiaries set the type of collateral that can be pledged and consider the historical recovery situation to draw up the highest loan to value. To verify the fairness of the value of the collateral, the value is identified not only through valuation reports issued by professional appraisers but also market price and the actual registered price. With the periodic revaluation, the

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

adequacy of the guarantee capability of an object which is highly fluctuational can be timely monitored.

b. Pre-settlement risk mitigation

For pre-settlement risk, the Bank and its subsidiaries might take mitigation actions such as calling for additional collateral (or margin), signing a netting agreement or signing an early determination agreement so as to reduce the credit loss.

c. Post-lending loan review mechanisms

Post-lending loan review mechanism refers that the Bank and its subsidiaries periodically monitor customer's usage of fund, performance and repayment capability so as to control the change of customer's risk. The review frequency and content depend on the risk grade of customers. The Bank and its subsidiaries stipulated Guideline for Loan Reviews based on the lending principle issued by The Bankers Association of The Republic of China and Credit Officer System established by the Bank and its subsidiaries. Loan review items cover change of borrower's business, inspection of credit standing, change of operation and financial condition, change of the collateral value, change of bank debt, the proceeds in accordance with funding purpose, and change of repayment sources and so on. If there is significant change of obligor's credit risk profile, the credit grade will be re-rated and unused facility might be adjusted depending on the situation.

d. Credit Risk Assurance Review

In order to ensure the adequacy of entire credit risk management and control mechanisms, credit risk portfolio and credit risk management process are assessed, reviewed, monitored and examined periodically by the Bank and its subsidiaries, to assist the Bank and its subsidiaries in their stable growth of long-term operation.

e. External guarantee

In order to enhance the credit for weak small and medium business borrowers and risk mitigation for the unsecured exposure of small and medium business borrower, external guarantee provided by R.O.C SMEG fund approved by government is one of the eligible guarantees.

f. Concentrations Risk Management

Besides periodic and intermittent monitoring of various risk components' credit risk exposure via different relevant credit risk management reports, the Bank and its subsidiaries have risk limit control mechanism, effective after approval by the board of directors, at the risk level of asset portfolio and singular conglomerate, considering that changes in external macro environment are likely to introduce concentration risk from clientele of the same characteristics.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Dimensions of limit ceiling monitoring include country risk, high risk grade obligors, product types, industry, pre-settlement limit, project limit, collateral, concentration in the same affiliate and trading counterparty, and so on.

E. Maximum exposure to credit risk

Without taking collateral or other credit enhancement mitigation effect into account, the maximum exposure to credit risk of on-balance-sheet financial assets is equal to their carrying values.

Please refer to Note 6 (AO)(3)G. for off-balance sheet financial instruments' maximum exposure to credit risks maturity analysis.

F. Concentrations of credit risk

Significant concentrations of credit risk occur when there are exposures, significant enough to threaten a Bank's security or its ability to maintain core businesses, to an individual counterparty to a transaction or a number of related counterparties engage in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Concentrations of credit risk originate from assets, liabilities, and off-balance-sheet items by means of performing an obligation to deliver products or service, execution of a trade, or combination of cross-classification exposures. The Bank and its subsidiaries have proper internal policies, systems, and controls to recognize, measure, monitor, and control concentrations of credit risk. The following table illustrates the diversification of the loan portfolio among industry sectors and geographical regions of the Bank and its subsidiaries.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

a. By Industry

December 31, 2015									
	Individual						Financial		Total
	Clients	Service	Public Sector	High Tech	Real Estate	Manufacturing	Institution	Others	
Receivables—credit card	\$ 57,595,519	-	-	-	-	-	-	-	57,595,519
Receivables—Factoring	-	2,272,680	179,499	9,395,433	-	1,899,983	30,655,083	991,771	45,394,449
Loans									
-Consumer loans	555,866,062	-	-	-	-	-	-	-	555,866,062
-Corporate loans	54,262,033	66,688,639	188,421,778	69,931,331	51,964,391	82,113,408	12,825,784	882,804	527,090,168
-Micro-business loans	18,042,433	1,477,856	4,300	346,999	462,367	880,070	73,078	1,204,332	22,491,435
-Foreign currency loans	265,326,177	219,856,130	2,649,462	51,528,645	133,193,246	156,937,813	81,912,165	8,192,888	919,596,526
-Non-accrual loans	4,314,028	7,658,494	-	1,428,426	554,291	940,292	15,784	-	14,911,315
-Adjustment of discount and premium	(214,344)	(619,874)	(1,235)	(79,861)	(217,534)	(72,346)	(76,940)	(285,478)	(1,567,612)
Other financial assets	90,149	-	-	-	-	4,345	-	-	94,494
Total	\$ 955,282,057	297,333,925	191,253,804	132,550,973	185,956,761	242,703,565	125,404,954	10,986,317	2,141,472,356

December 31, 2015					
	Public Sector	Corporate	Financial Institution	Individual Clients	Total
Available-for-sale financial assets— debt securities	\$ 356,836,059	12,125,093	66,172,130	8,956,985	444,090,267
Derivative financial assets—hedging	-	-	107,526	-	107,526
Held-to-maturity financial assets	122,820,173	5,077,236	19,770,169	-	147,667,578
Other financial assets—debt investment without active market	-	14,226,134	-	-	14,226,134
Total	\$ 479,656,232	31,428,463	86,049,825	8,956,985	606,091,505

December 31, 2014									
	Individual						Financial		Total
	Clients	Service	Public Sector	High Tech	Real Estate	Manufacturing	Institution	Others	
Receivables—credit card	\$ 59,638,764	-	-	-	-	-	-	-	59,638,764
Receivables—Factoring	-	1,750,527	8,694	10,083,804	-	1,301,682	68,780,376	851,139	82,776,222
Loans									
-Consumer loans	465,924,705	-	-	-	-	-	-	-	465,924,705
-Corporate loans	50,084,543	49,555,062	168,335,987	73,052,825	42,480,808	79,395,263	15,050,380	288,854	478,243,722
-Micro-business loans	13,174,739	1,057,487	-	214,680	273,153	544,337	40,714	762,198	16,067,308
-Foreign currency loans	256,487,408	191,515,973	3,459,455	57,383,620	115,984,731	174,479,454	66,419,746	7,163,930	872,894,317
-Non-accrual loans	4,463,020	7,745,334	-	1,042,511	903,038	1,298,825	38,915	127,148	15,618,791
-Adjustment of discount and premium	(141,558)	(593,024)	(1,660)	(36,335)	(242,476)	(165,910)	(164,167)	(249,500)	(1,594,630)
Other financial assets	91,707	-	-	-	-	13,873	-	-	105,580
Total	\$ 849,723,328	251,031,359	171,802,476	141,741,105	159,399,254	256,867,524	150,165,964	8,943,769	1,989,674,779

December 31, 2014					
	Public Sector	Corporate	Financial Institution	Individual Clients	Total
Available-for-sale financial assets— debt securities	\$ 468,519,000	7,913,421	55,165,015	9,177,213	540,774,649
Derivative financial assets—hedging	-	-	1,499,486	-	1,499,486
Held-to-maturity financial assets	53,161,097	3,810,290	14,183,413	-	71,154,800
Other financial assets—debt investment without active market	-	17,647,759	-	-	17,647,759
Total	\$ 521,680,097	29,371,470	70,847,914	9,177,213	631,076,694

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

b. By Area

	December 31, 2015				
	Taiwan	North America	Asia (excluding Taiwan)	Others	Total
Available-for-sale financial assets— debt securities	\$ 275,359,480	54,497,871	93,459,510	20,773,406	444,090,267
Derivative financial assets— hedging	99,349	-	-	8,177	107,526
Receivables— credit card	57,595,519	-	-	-	57,595,519
Receivables— factoring	5,477,596	1,716,481	35,448,327	2,752,045	45,394,449
Loans					
Consumer finance					
— Mortgage loans	449,872,194	-	-	-	449,872,194
— Automobile loans	923	-	-	-	923
— Consumer loans	105,992,945	-	-	-	105,992,945
Corporate finance					
— Corporate loans	524,127,050	-	2,963,118	-	527,090,168
— Micro-business loans	22,491,435	-	-	-	22,491,435
Foreign currency loans	58,332,585	90,631,662	751,308,574	19,323,705	919,596,526
Non-accrual loans	2,048,803	256,739	12,605,773	-	14,911,315
Adjustment of discount and premium	(408,929)	(32,920)	(826,821)	(298,942)	(1,567,612)
Held-to-maturity financial assets	87,138,803	32,650,152	23,722,729	4,155,894	147,667,578
Other financial assets	90,149	-	14,230,479	-	14,320,628
Total	\$ 1,588,217,902	179,719,985	932,911,689	46,714,285	2,747,563,861

	December 31, 2014				
	Taiwan	North America	Asia (excluding Taiwan)	Others	Total
Available-for-sale financial assets— debt securities	\$ 320,444,605	50,470,922	139,536,925	30,322,197	540,774,649
Derivative financial assets— hedging	86,813	-	-	1,412,673	1,499,486
Receivables— credit card	59,638,764	-	-	-	59,638,764
Receivables— factoring	7,884,744	784,785	71,543,406	2,563,287	82,776,222
Loans					
Consumer finance					
— Mortgage loans	363,754,381	-	-	-	363,754,381
— Automobile loans	1,273	-	-	-	1,273
— Consumer loans	102,169,051	-	-	-	102,169,051
Corporate finance					
— Corporate loans	474,546,123	-	3,697,599	-	478,243,722
— Micro-business loans	16,067,308	-	-	-	16,067,308
Foreign currency loans	63,854,421	74,766,374	720,340,928	13,932,594	872,894,317
Non-accrual loans	2,524,233	120,926	12,973,632	-	15,618,791
Adjustment of discount and premium	(290,377)	(12,390)	(1,041,566)	(250,297)	(1,594,630)
Held-to-maturity financial assets	45,440,331	77,865	22,891,268	2,745,336	71,154,800
Other financial assets	91,707	-	15,777,022	1,884,610	17,753,339
Total	\$ 1,456,213,377	126,208,482	985,719,214	52,610,400	2,620,751,473

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

G. Credit quality and impairment analysis of financial assets

Some financial assets held by the Bank and its subsidiaries, such as cash and equivalent cash, due from central bank, call loans to banks, financial assets measured at fair value through profit or loss, securities purchased under reverse repurchase agreements, refundable deposits, operational guarantee deposits, and settlement fund, are excluded from this analysis since most of counterparties are normally with good credit quality and can be considered as low credit risk. Below tables provide the credit quality analysis for the rest of financial assets.

Item	December 31, 2015										Total(A)+(B) +-(C)+(D)-(E)	
	Neither Past due nor impaired					Past due not impaired						
	Investment grade	Sub-investment grade	High Risk Grade	Subtotal(A)	Investment grade	Sub-investment grade	High Risk Grade	Subtotal(B)	Individually assessed impaired(C)	Collectively assessed impaired(D)		Impairment allowances(E)
Available-for-sale financial assets— debt securities	\$ 364,900,258	78,678,008	-	443,578,266	-	-	-	-	512,001	-	75,297	444,014,970
Derivative financial assets—hedging	105,449	2,466	(389)	107,526	-	-	-	-	-	-	-	107,526
Receivables—credit card	43,882,890	7,705,382	1,904,211	53,492,483	43,014	104,542	489,450	637,006	-	3,466,030	1,080,809	56,514,710
Receivables—factoring	29,384,286	13,606,184	1,854,344	44,844,814	170,697	200,029	117,100	487,826	61,809	-	82,271	45,312,178
Loans												
Consumer finance												
— Mortgage loans	434,994,722	4,192,306	400,377	439,587,405	2,470,486	1,515,303	861,967	4,847,756	-	5,437,033	443,271	449,428,923
— Automobile loans	-	-	-	-	-	-	-	-	-	923	66	857
— Consumer loans	75,391,475	16,463,925	3,174,884	95,030,284	553,020	753,598	1,678,491	2,985,109	-	7,977,552	2,573,776	103,419,169
Corporate finance												
— Corporate loans	288,789,186	187,020,650	49,196,848	525,006,684	-	125,762	209,598	335,360	1,748,124	-	682,601	526,407,567
— Micro-business loans	15,690,834	4,326,090	1,963,011	21,979,935	13,929	4,194	33,909	52,032	22,904	436,564	13,988	22,477,447
Foreign currency loans	380,793,792	387,546,005	144,444,420	912,784,217	381,402	498,833	1,618,674	2,498,909	2,044,826	2,268,574	4,095,209	915,501,317
Non-accrual loans	-	-	-	-	-	-	7,511	7,511	10,176,229	4,727,575	6,028,828	8,882,487
Adjustment of discount and premium	(575,011)	(698,899)	(326,862)	(1,600,772)	621	166	(443)	344	31,645	1,171	(630)	(1,566,982)
Held-to-maturity financial assets—net	68,939,311	78,727,795	-	147,667,106	-	-	-	-	472	-	472	147,667,106
Other financial assets	9,931,183	1,128,863	3,166,088	14,226,134	-	-	-	-	4,345	90,149	106,812	14,213,816
Total	\$ 1,712,228,375	778,698,775	205,776,932	2,696,704,082	3,633,169	3,202,427	5,016,257	11,851,853	14,602,355	24,405,571	15,182,770	2,732,381,091

Note: The balances of impairment allowance, as shown above, are in compliance with the IFRSs accepted by FSC.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

December 31, 2014

Item	Neither Past due nor impaired				Past due not impaired				Total(A)+(B) -(C)+(D)-(E)		
	Investment grade	Sub-investment grade	High Risk Grade	Subtotal(A)	Investment grade	Sub-investment grade	High Risk Grade	Subtotal(B)			
Available-for-sale financial assets — debt securities	\$ 491,685,518	48,640,622	129,899	540,456,039	-	-	-	-	318,610	5,282	540,769,367
Derivative financial assets — hedging	1,337,641	161,845	-	1,499,486	-	-	-	-	-	-	1,499,486
Receivables — credit card	45,325,647	7,904,154	2,009,863	55,239,664	139,804	135,539	295,869	571,212	-	3,827,888	58,441,275
Receivables — factoring	62,266,987	17,077,844	3,142,638	82,487,469	102,344	83,706	40,894	226,944	61,809	-	82,666,525
Loans											
Consumer finance											
— Mortgage loans	336,477,220	4,274,628	537,055	341,288,903	13,753,959	1,265,735	458,989	15,478,683	-	6,986,795	363,133,139
— Automobile loans	-	-	-	-	-	-	-	-	-	1,273	1,143
— Consumer loans	69,502,443	16,275,194	3,131,444	88,909,081	2,634,048	1,245,603	1,092,802	4,972,453	-	8,287,517	99,524,643
Corporate finance											
— Corporate loans	254,790,211	158,065,868	54,716,234	467,572,313	2,000	27,960	135,460	165,420	10,505,989	-	476,514,469
— Micro-business loans	11,189,238	3,068,945	1,175,715	15,433,898	257,232	21,173	19,241	297,646	5,515	330,249	16,051,780
Foreign currency loans	372,646,927	339,651,738	151,305,299	863,603,964	394,941	450,440	2,175,950	3,021,331	4,370,725	1,898,297	867,766,722
Non-accrual loans	-	-	-	-	-	42,380	-	42,380	10,284,154	5,292,257	9,236,851
Adjustment of discount and premium	(545,687)	(712,297)	(290,919)	(1,548,903)	427	(183)	(86)	158	(49,381)	3,496	(1,593,651)
Held-to-maturity financial assets — net	25,653,452	45,500,875	-	71,154,327	-	-	-	-	473	-	71,154,327
Other financial assets	7,815,932	4,415,971	5,415,856	17,647,759	-	-	-	-	13,873	91,707	17,619,489
Total	\$ 1,678,145,529	644,325,387	221,273,084	2,543,744,000	17,284,755	3,272,353	4,219,119	24,776,227	25,511,767	26,719,479	2,602,785,565
										17,965,908	

Note: The balances of impairment allowance, as shown above, are in compliance with the IFRSs accepted by FSC.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

H. Aging analysis on past due but not impaired financial assets

Past due but not impaired loans might result from some temporary administration reasons so the customer is in the early stages of delinquency but no actual impairment has occurred yet. Unless there is other objective evidence shown the potential loss, according to internal credit risk assets impairment evaluation guideline, a less than 90-day past due loan is typically not to be treated as impairment.

	December 31, 2015				
	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Receivables					
-Credit cards	\$ 451,178	125,272	60,556	-	637,006
-Factoring	212,373	172,647	947	101,859	487,826
Loans					
Consumer finance					
-Mortgage loans	4,701,585	132,346	13,825	-	4,847,756
-Consumer loans	2,542,521	301,138	141,450	-	2,985,109
Corporate finance					
-Corporate loans	316,247	18,928	185	-	335,360
-Micro-business loans	39,614	12,409	9	-	52,032
Foreign currency loans	1,519,197	782,236	197,476	-	2,498,909
Non-accrual loans	7,511	-	-	-	7,511
Adjustment of discount and premium	594	(367)	117	-	344
Total	\$ 9,790,820	1,544,609	414,565	101,859	11,851,853

	December 31, 2014				
	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Receivables					
-Credit cards	\$ 417,912	105,423	47,877	-	571,212
-Factoring	120,712	97,319	2,045	6,868	226,944
Loans					
Consumer finance					
-Mortgage loans	15,293,805	169,627	15,251	-	15,478,683
-Consumer loans	4,568,917	278,052	125,484	-	4,972,453
Corporate finance					
-Corporate loans	165,420	-	-	-	165,420
-Micro-business loans	293,379	3,345	922	-	297,646
Foreign currency loans	1,933,390	873,529	214,412	-	3,021,331
Non-accrual loans	42,380	-	-	-	42,380
Adjustment of discount and premium	230	14	(86)	-	158
Total	\$ 22,836,145	1,527,309	405,905	6,868	24,776,227

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

J. Foreclosed properties

Foreclosed properties of the Bank and its subsidiaries are classified under other assets. Please refer to Note 6(Q).

K. Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

a. Asset quality of the Bank and its subsidiaries' non-performing loans and overdue receivables

(A) Asset quality of the Bank and its subsidiaries

Unit : In Thousands of New Taiwan Dollars , %

Month/ Year		December 31, 2015					
		Non-performing loans	Total loans	Non-performing loans ratio	Allowance for credit losses	Coverage ratio	
Corporate finance	Secured	8,992,444	454,808,547	1.98%	14,931,581	129.70%	
	Unsecured (Note 10)	2,520,095	762,373,947	0.33%			
Consumer finance	Residential mortgages	1,819,969	649,231,342	0.28%	6,169,554	338.99%	
	Cash cards	76,980	3,117,459	2.47%	167,343	217.39%	
	Micro-credit loans	Original	1,980,235	106,701,083	1.86%	4,979,904	251.48%
		Purchase	-	87,720	- %	3	- %
	Others	Secured	287,563	58,248,074	0.49%	778,341	125.24%
		Unsecured	333,940	5,387,334	6.20%		
Total loan business		16,011,226	2,039,955,506	0.78%	27,026,726	168.80%	
		Overdue receivables	Balance of receivables	Delinquency ratio	Allowance for credit losses	Coverage ratio	
Credit cards business		86,512	57,594,326	0.15%	1,156,759	1,337.11%	
Without-recourse factoring		-	45,394,449	- %	782,188	- %	

Month/ Year		December 31, 2014					
		Non-performing loans	Total loans	Non-performing loans ratio	Allowance for credit losses	Coverage ratio	
Corporate finance	Secured	11,075,249	424,439,206	2.61%	16,062,138	125.62%	
	Unsecured (Note 10)	1,710,903	697,066,726	0.25%			
Consumer finance	Residential mortgages	1,716,707	564,224,674	0.30%	5,163,314	300.77%	
	Cash cards	93,543	3,529,678	2.65%	240,139	256.72%	
	Micro-credit loans	Original	2,224,407	103,705,737	2.14%	4,762,807	214.12%
		Purchase	-	693	- %	4	- %
	Others	Secured	443,715	50,436,756	0.88%	907,641	108.23%
		Unsecured	394,872	5,345,373	7.39%		
Total loan business		17,659,396	1,848,748,843	0.96%	27,136,043	153.66%	
		Overdue receivables	Balance of receivables	Delinquency ratio	Allowance for credit losses	Coverage ratio	
Credit cards business		87,989	59,642,129	0.15%	1,275,061	1,449.11%	
Without-recourse factoring		-	82,776,222	- %	615,685	- %	

Note 1: Non-performing loans represent the amount of overdue loans as reported in accordance with the "Regulations on the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans." The credit card overdue loans represent the amount of overdue loans as reported in accordance with Jin-Kuan-Yin-(4)-Zi No. 0944000378, dated July 6, 2005.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Note 2: Non-performing loans ratio = Non-performing loans ÷ total loans;
 Credit card delinquency ratio = Overdue receivables ÷ balance of receivables.

Note 3: Coverage ratio for loans = allowance for credit losses ÷ non-performing loans; Coverage ratio for credit card = allowance for credit losses ÷ overdue receivables.

Note 4: For residential mortgage loans, a borrower provides his/her (or spouse's or minor child's) house as collateral in full and pledges it to the financial institution for the purpose of obtaining funds to purchase property and to construct or repair a house.

Note 5: Microcredit loans are defined by Jin-Kuan-Yin-(4)-Zi No. 09440010950, dated December 19, 2005, and do not include credit cards or cash cards.

Note 6: Others in consumer finance are secured and unsecured consumer loans other than residential mortgage loans, cash cards, and microcredit loans, and do not include credit cards.

Note 7: In accordance with Jin-Kuan-Yin-(5)-Zi No. 094000494, dated July 19, 2005, the amounts of without-recourse factoring will be classified as overdue receivables within 3 months after the date that suppliers or insurance companies resolve not to compensate the loss.

Note 8: The balances of impairment allowance, as shown above, are calculated in accordance with the IFRSs accepted by FSC and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans," and other related regulations. Additionally, the amounts exclude non-accrual loans arising from guarantees. Related allowance for credit losses is recognized under provisions.

Note 9: Supplemental disclosures:

The information below shows supplemental disclosures of the Bank's loans and receivables that may be exempted from reporting as non-performing loans and overdue receivables, respectively.

Unit : In Thousands of New Taiwan Dollars

	December 31, 2015		December 31, 2014	
	Loans that may be exempted from reporting as a non-performing loan	Receivables that may be exempted from reporting as overdue receivables	Loans that may be exempted from reporting as a non-performing loan	Receivables that may be exempted from reporting as overdue receivables
Pursuant to a contract under a debt negotiation plan (Note 1)	111,506	92,655	150,743	91,485
Pursuant to a contract under a debt liquidation plan and a debt relief plan (Note 2)	619,712	71,018	503,667	72,154
Total	731,218	163,673	654,410	163,639

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Note 1: In accordance with Jin-Kuan-Yin-(1)-Zi No. 09510001270, dated April 25, 2006, a bank is required to make supplemental disclosure of credit information which was approved under the “debt coordination mechanism of unsecured consumer debts by the Bankers Association of the R.O.C”.

Note 2: In accordance with Jin-Kuan-Yin-(1)-Zi No. 09700318940, dated September 15, 2008, a bank is required to make supplemental disclosure of credit information once debtors apply for pre-negotiation, relief and liquidation under the “Consumer Debt Clearance Act.”

Note 10: Those loans that are not 100% backed by collateral are classified as unsecured.

b. Concentration of the Bank’s credit extensions

Unit : In Thousands of New Taiwan Dollars , %

December 31, 2015			
Ranking	Enterprise group by industry sector	Credit amount	Credit amount/ stockholders’ equity (%)
1	A group. Liquid crystal panel and components manufacturing	12,788,820	5.48%
2	B group. Liquid crystal panel and components manufacturing	10,974,168	4.70%
3	C group. Marine shipping	10,874,555	4.66%
4	D group Cable and other pay program broadcast industry	10,205,453	4.37%
5	E group. Print circuits manufacturing	7,397,869	3.17%
6	F group. Cement products manufacturing	6,598,351	2.83%
7	G group. Wires and cables manufacturing	6,406,017	2.74%
8	H group. Consulting group	6,207,253	2.66%
9	I group. Marine freight forwarder	5,742,185	2.46%
10	J group. Other unclassified financial intermediaries	5,621,409	2.41%

December 31, 2014			
Ranking	Enterprise group by industry sector	Credit amount	Credit amount/ stockholders’ equity (%)
1	A group. Liquid crystal panel and components manufacturing	14,068,900	7.06%
2	B group. Liquid crystal panel and components manufacturing	11,349,711	5.69%
3	C group. Marine shipping	10,315,135	5.17%
4	E group. Print circuits manufacturing	8,322,704	4.18%
5	K group. Other retail sale	7,264,226	3.64%
6	L group. Other unclassified electronic components manufacturing	6,344,377	3.18%
7	M group. Integrated circuits manufacturing	6,265,717	3.14%
8	F group. Cement products manufacturing	5,463,013	2.74%
9	N group. Petroleum and coal products manufacturing	5,215,000	2.62%
10	O group. Automobile parts manufacturing	5,191,783	2.60%

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Note 1: The top ten enterprise groups other than government or state-owned enterprises are ranked according to their total outstanding credit amount. If the borrowers belong to an enterprise group, the aggregate credit balance of the enterprise should be calculated and disclosed as a code number for each such borrower together with an indication of the borrowers' line of business. In addition, if the borrowers are enterprise groups, the enterprise group's industry sector with the maximum exposure to credit risk in its main industry sector should be disclosed, along with the "class" of the industry, in compliance with the Standard Industrial Classification System of the R.O.C. posted by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C.

Note 2: Enterprise group is as defined in Article 6 of the "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for of Securities Listings."

Note 3: The total outstanding credit amount is the sum of the balances of all loan types (including import and export bill negotiations, loans, overdrafts, short/medium/long-term secured and unsecured loans, margin loans receivable, and non-accrual loans), bills purchased, without-recourse factoring, acceptances receivable, and guarantees receivable.

3. Liquidity Risk Management Mechanism

A. Definition and sources of liquidity risk

Liquidity risk of the Bank and its subsidiaries refers to the risk of inability to obtain funds at a reasonable cost within a reasonable timeframe to meet financial obligations, and thus impact the Bank and its subsidiaries' profits or economic value.

Liquidity risk may stem from external and internal factors, such as undermined payment capability caused by financial market volatility, early withdraws and concerns of creditors or depositors over the Bank's ability to meet payment obligations due to credit, market or operational risk.

B. Objectives of liquidity risk management

There is cost associated with the level of liquidity. Liquidity risk management for the Bank and its subsidiaries aims to satisfy funding needs and maximize profits by allocating assets and liabilities in the most cost effective way within the approved risk tolerance.

C. Management procedures and risk measurement of liquidity risk

Based on the "Asset and Liability Management Policy", the Bank and its subsidiaries set robust management procedures and risk measurement to identify, measure, monitor, and report the liquidity risk. By periodically

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

monitoring the liquidity limit approved by the Board, continuously conducting the development and application of quantitative risk assessment tools, and studying liquidity related issues, the liquidity risk is properly managed. The Bank and its subsidiaries set various limits for managing liquidity risk, including the mismatch of cash inflow and outflow and funding concentration to assure the Bank and its subsidiaries maintain adequate.

Funding Management Unit is entrusted the responsibility to centrally manage the liquidity risk of the Bank and its subsidiaries, and to act as sole window to engage in funding activities. The risk management unit will monitor the liquidity risk independently. The main responsibilities of funding management unit are as follows:

- a. Keep abreast of market condition/ trend, and adjust liquidity gap to conform to approved risk limits using financial instruments with appropriate allocations in amount and maturity.
- b. Maintain adequate stock of liquid assets to meet regulatory requirements and to fulfill the obligations.
- c. Diversify funding instruments and counterparties in order to prevent overdependence on specific funding sources.
- d. Activate Contingency Funding Plan (CFP) and adjust positions when a liquidity crisis is detected.

The liquidity risk monitoring unit is responsible to identify the cause of liquidity risk, develop and enhance the measurement of risk, periodically conducts the risk reports, activate the Contingency Funding Plan when liquidity crisis is detected, and monitor the effectiveness of action plan. Tools and characteristics of risk measurements and reporting are as follow:

- (a) Thorough liquidity risk measurement
 - (A) Maximum Cumulative Outflow (MCO): Analyzing maturity mismatch to capture each time bucket cash flow changes, which serve as a early warning of liquidity risk.
 - (B) Liquidity risk heat map: Liquidity risk indicators can be further developed into an easily understandable map to facilitate systematic monitoring and to effectively highlight changes, causes and impact.
- (b) The liquidity risk monitoring unit periodically conducts the risk reports, which contain the analysis of limit usage and liquidity risk indicators. The risk report with supporting stress test result will periodically be submitted to related risk management meetings. For important liquidity risk issues, depend on the impact, report to the Bank or the Holding Company's management level to discuss the action plan.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

D. Risk mitigation and hedge of liquidity risk

Through liquidity risk management framework, the Bank and its subsidiaries maintain sufficient liquidity status and robust funding structure. By using rigorous liquidity risk measurement and monitoring, the Bank and its subsidiaries can observe potential issues on liquidity risk and report them to risk meeting. Therefore, the responsible units can adjust their strategies based on the decision to avoid liquidity risk. Once the risk limit is exceeded, risk management unit will analyze the cause, then report reaction plans and follow-ups to corresponding authority for approval.

In addition, the Bank and its subsidiaries have a Liquidity Contingency Plan as guidance to all units when a liquidity crisis emerges. It aims to resolve the crisis in an effective manner by pulling together all resources available to the Bank and its subsidiaries.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

E. Maturity analysis of non-derivatives liabilities

Table below shows the analysis of cash outflows of non-derivatives liabilities based on time remaining until the contractual maturity date. The amount disclosed is based on contractual cash flows and may be different from that included in the consolidated balance sheets.

	December 31, 2015					
	0~30 days	31~90 days	91~180 days	181days~1year	Over 1 year	Total
Deposits from Central Bank and other banks	\$ 31,215,198	8,094,550	2,809,693	2,828,083	686,750	45,634,274
Due to Central Bank and other banks	832,730	176,789	3,912,068	11,045,584	3,767,858	19,735,029
Non-derivative financial liabilities measured at fair value through profit and loss	-	-	-	-	38,683,355	38,683,355
Securities sold under repurchase agreements	45,253,236	4,877,945	516,902	-	-	50,648,083
Payables	37,446,894	7,428,582	7,910,981	14,048,208	109,303,122	176,137,787
Current income tax liabilities	-	-	2,981,280	-	-	2,981,280
Deposits and remittances	1,728,588,625	326,839,576	208,707,403	367,827,305	102,420,702	2,734,383,611
Financial debentures	-	5,031,000	3,100,000	1,703,140	71,377,610	81,211,750
Other financial liabilities	16,884,925	5,805,289	4,624,288	9,017,623	114,726,385	151,058,510

	December 31, 2014					
	0~30 days	31~90 days	91~180 days	181days~1year	Over 1 year	Total
Deposits from Central Bank and other banks	\$ 41,740,803	3,452,293	1,719,207	3,022,125	-	49,934,428
Due to Central Bank and other banks	293,455	8,512,928	10,964,481	26,910,546	7,405,733	54,087,143
Non-derivative financial liabilities measured at fair value through profit and loss	-	-	-	-	30,260,239	30,260,239
Securities sold under repurchase agreements	57,496,933	2,167,599	566,244	-	-	60,230,776
Payables	45,422,694	13,152,378	9,983,149	15,697,215	80,578,553	164,833,989
Current income tax liabilities	-	-	3,397,373	-	-	3,397,373
Deposits and remittances	1,501,964,195	282,660,354	197,215,208	331,704,485	108,354,728	2,421,898,970
Financial debentures	265,100	16,151,608	4,015,100	13,829,190	64,067,750	98,328,748
Other financial liabilities	5,760,651	5,302,074	7,395,855	10,468,993	138,170,071	167,097,644

Note: For demand deposits included in “Deposit and remittances,” the amount will be disclosed in the earliest period since such deposits can be withdrawn at anytime.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

F. Maturity analysis of derivatives liabilities

a. Net settled derivatives

Net settled derivatives engaged by the Bank and its subsidiaries include but not limited to:

Foreign exchange derivatives: non-deliverable forwards and net settled FX options;

Interest rate derivatives: forward rate agreement, interest rate swaps, and interest rate futures;

Other derivatives: equity options and commodity futures.

For derivatives held by trading purpose, the amount will be disclosed in the earliest period with fair value to reflect the nature of short-term trading behavior; for hedging derivatives, the amount disclosed is based on contractual cash flow and may be different from that included in the consolidated balance sheets. The maturity analysis of net settled derivatives liabilities is as follows:

	December 31, 2015					
	0~30 days	31~90 days	91~180 days	181days~1year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit and loss						
– Foreign exchange derivatives	\$31,506,480	-	-	-	-	31,506,480
– Interest rate derivatives	16,637,436	-	-	-	-	16,637,436
– Other derivatives	105,550	-	-	-	-	105,550
Derivative financial liabilities—hedging						
– Foreign exchange derivatives	1,478,749	1,970,813	-	-	-	3,449,562
– Interest rate derivatives	20,857	2,888	19,935	32,425	138,661	214,766
Total	\$ 49,749,072	1,973,701	19,935	32,425	138,661	51,913,794

	December 31, 2014					
	0~30 days	31~90 days	91~180 days	181days~1year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit and loss						
– Foreign exchange derivatives	\$ 15,985,495	-	-	-	-	15,985,495
– Interest rate derivatives	12,384,654	-	-	-	-	12,384,654
– Other derivatives	90,196	-	-	-	-	90,196
Derivative financial liabilities—hedging						
– Foreign exchange derivatives	-	2,210,969	158,590	-	-	2,369,559
– Interest rate derivatives	22,480	42,178	26,408	52,114	340,112	483,292
Total	\$ 28,482,825	2,253,147	184,998	52,114	340,112	31,313,196

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

G. Maturity analysis of off-balance-sheet items

Table below shows the maturity analysis of off-balance-sheet items for the Bank and its subsidiaries. The amount of the guarantee and committed credit lines will be allocated to the earliest period when such obligation can be exercised at anytime by clients. The amount disclosed is based on contractual cash flow and may be different from that included in the consolidated balance sheets.

	December 31, 2015					
	0~30 days	31~90 days	91~180 days	181days~1year	Over 1 year	Total
Financial guarantee contracts	\$ 58,899,846	-	-	-	-	58,899,846
Unused amount of irrevocable loan commitments	142,847,473	-	-	-	-	142,847,473
Unused amount of irrevocable letter of credit	15,639,992	-	-	-	-	15,639,992
Unused amount of irrevocable credit card commitments	551,901,999	-	-	-	-	551,901,999
Total	\$ 769,289,310	-	-	-	-	769,289,310

	December 31, 2014					
	0~30 days	31~90 days	91~180 days	181days~1year	Over 1 year	Total
Financial guarantee contracts	\$ 46,738,824	-	-	-	-	46,738,824
Unused amount of irrevocable loan commitments	172,962,743	-	-	-	-	172,962,743
Unused amount of irrevocable letter of credit	15,138,378	-	-	-	-	15,138,378
Unused amount of irrevocable credit card commitments	523,847,137	-	-	-	-	523,847,137
Total	\$ 758,687,082	-	-	-	-	758,687,082

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

H. Disclosures required by the Regulations Governing the Preparation of
Financial Reports by Public Banks

a. Maturity analysis of the Bank's assets and liabilities for New Taiwan
Dollars

December 31, 2015

Unit: In Millions of New Taiwan Dollars

	Total	Amount remaining to maturity date					
		0~10 days	11~30 days	31~90 days	91~180 days	181days~1year	Over 1 year
Major cash inflow at maturity	\$ 2,366,372	336,647	283,454	295,364	186,962	266,367	997,578
Major cash outflow at maturity	2,606,045	185,497	232,454	410,265	387,220	546,310	844,299
Gap	(239,673)	151,150	51,000	(114,901)	(200,258)	(279,943)	153,279

December 31, 2014

Unit: In Millions of New Taiwan Dollars

	Total	Amount remaining to maturity date					
		0~10 days	11~30 days	31~90 days	91~180 days	181days~1year	Over 1 year
Major cash inflow at maturity	\$ 2,169,944	366,358	300,408	250,072	151,258	271,008	830,840
Major cash outflow at maturity	2,481,287	192,320	229,472	386,805	350,885	574,995	746,810
Gap	(311,343)	174,038	70,936	(136,733)	(199,627)	(303,987)	84,030

Note: The above tables refer to the Bank's overall position denominated
in NTD.

b. Maturity analysis of the Bank's assets and liabilities for U.S. Dollars

December 31, 2015

Unit: In Thousands of U.S. Dollars

	Total	Amount remaining to maturity date				
		0~30 days	31~90 days	91~180 days	181days~1year	Over 1 year
Major cash inflow at maturity	\$ 79,301,385	30,247,798	20,638,798	11,815,133	10,350,572	6,249,084
Major cash outflow at maturity	92,264,738	34,692,681	22,936,398	11,513,579	13,080,528	10,041,552
Gap	(12,963,353)	(4,444,883)	(2,297,600)	301,554	(2,729,956)	(3,792,468)

December 31, 2014

Unit: In Thousands of U.S. Dollars

	Total	Amount remaining to maturity date				
		0~30 days	31~90 days	91~180 days	181days~1year	Over 1 year
Major cash inflow at maturity	\$ 60,678,466	21,603,751	17,626,107	8,850,965	7,833,891	4,763,752
Major cash outflow at maturity	80,134,194	29,781,738	18,878,171	11,657,756	11,412,992	8,403,537
Gap	(19,455,728)	(8,177,987)	(1,252,064)	(2,806,791)	(3,579,101)	(3,639,785)

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Note: The above tables refer to the Bank's overall position denominated in USD.

c. Maturity analysis of the Bank's overseas branches' assets and liabilities for U.S. Dollars

December 31, 2015

Unit: In Thousands of U.S. Dollars

	Total	Amount remaining to maturity date				
		0~30 days	31~90 days	91~180 days	181days~1year	Over 1 year
Major cash inflow at maturity	\$ 38,735,946	15,929,113	9,815,532	5,098,977	4,833,659	3,058,665
Major cash outflow at maturity	47,044,970	22,026,532	12,053,267	4,741,036	4,778,024	3,446,111
Gap	(8,309,024)	(6,097,419)	(2,237,735)	357,941	55,635	(387,446)

December 31, 2014

Unit: In Thousands of U.S. Dollars

	Total	Amount remaining to maturity date				
		0~30 days	31~90 days	91~180 days	181days~1year	Over 1 year
Major cash inflow at maturity	\$ 23,938,826	9,603,357	5,602,017	3,199,986	3,172,571	2,360,895
Major cash outflow at maturity	33,403,099	17,139,290	7,250,910	3,729,030	3,113,889	2,169,980
Gap	(9,464,273)	(7,535,933)	(1,648,893)	(529,044)	58,682	190,915

(e) Transferred financial assets that are not fully derecognized

The transactions, relating to transferred financial assets not qualifying for full derecognition, the Bank and its subsidiaries conduct during daily operation mostly involve securities lending in accordance to repurchase agreements. Since the right to receive contractual cash flow has been transferred to others and the Bank and its subsidiaries' obligation to repurchase the transferred assets for a fixed price at a future date is recognized under liabilities, the said transferred assets are not fully derecognized.

Types of financial assets	December 31, 2015				
	Carrying amount of transferred financial assets	Carrying amount of associated financial liabilities	Fair value of transferred financial assets	Fair value of associated financial liabilities	Net fair value
Financial assets measured at fair value through profit or loss					
Repurchase agreement	\$ 6,300,259	6,310,295	6,300,259	6,310,295	(10,036)
Available-for-sale financial assets					
Repurchase agreement	34,937,558	40,222,075	34,937,558	40,222,075	(5,284,517)
Securities lending segment	25,778,849	14,247,666	25,778,849	14,247,666	11,531,183
Held-to-maturity financial assets					
Repurchase agreement	4,035,643	4,115,713	4,235,723	4,115,713	120,010

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(f) Offsetting financial assets and financial liabilities

The Bank and its subsidiaries have an exercisable master netting arrangement or similar agreement in place with counterparties. When both parties reach a consensus regarding net settlement, the aforesaid exercisable master netting arrangement or similar agreement can be net settled by offsetting financial assets and financial liabilities. If not, the transaction can be settled at the total amount. In the event of default involving one of the parties, the other party can have the transaction net settled.

The following tables present the aforementioned offsetting financial assets and financial liabilities.

December 31, 2015						
Financial assets that are offset, have an exercisable master netting arrangement or similar agreement						
	Gross amounts of financial liabilities offset in the balance sheet (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial assets	\$ 81,213,038	-	81,213,038	41,504,479	714,887	38,993,672

December 31, 2015						
Financial liabilities that are offset, have an exercisable master netting arrangement or similar agreement						
	Gross amounts of financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative financial liabilities	\$ 89,350,651	-	89,350,651	33,220,890	24,514,412	31,615,349
Securities lending segment	14,247,666	-	14,247,666	14,247,666	-	-
Repurchase agreement	50,648,083	-	50,648,083	6,967,635	-	43,680,448
Total	<u>\$ 154,246,400</u>	<u>-</u>	<u>154,246,400</u>	<u>54,436,191</u>	<u>24,514,412</u>	<u>75,295,797</u>

December 31, 2014						
Financial assets that are offset, have an exercisable master netting arrangement or similar agreement						
	Gross amounts of financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial assets	\$ 59,209,206	-	59,209,206	34,496,743	767,893	23,944,570

December 31, 2014						
Financial liabilities that are offset, have an exercisable master netting arrangement or similar agreement						
	Gross amounts of financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative financial liabilities	\$ 63,472,330	-	63,472,330	23,790,002	14,585,941	26,096,387
Securities lending segment	30,671,193	-	30,671,193	30,671,193	-	-
Total	<u>\$ 94,143,523</u>	<u>-</u>	<u>94,143,523</u>	<u>54,461,195</u>	<u>14,585,941</u>	<u>26,096,387</u>

Note : Master netting arrangements and non-cash financial collaterals are included.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(g) Capital management

1. Capital management goal and procedure

The goal of the Bank's capital management is to meet the regulatory requirement on capital adequacy and the organization's target of maximizing returns for shareholders by following capital management procedures and raising return on capital.

The Bank's capital planning accounts for short-term and long-term capital requirements. The Bank makes yearly capital planning based on operation planning, internal planned reference index, current and forecast future capital requirement, and promised returns for shareholders. The Bank also has a back-up plan to meet capital requirement not included in the planning. The Bank also regularly conducts stress tests and scenario simulation analyses to calculate different capital ratios, fully taking into account external conditions and other factors, including potential risks, changes in financial markets, and other events impacting risk taking capabilities, to make sure that the Bank can maintain adequate capital in case of detrimental events and huge market changes.

Planning for yearly earnings distribution follows the principles and a ratio mandated by the articles of incorporation and dividend policy, and is put into effect after being approved by the board of directors on behalf of the shareholders'. Capital adequacy, potential investment needs, and dividend amount of previous years are taken into account. The needs to maintain proper financial ratios and satisfy capital requirement of the parent company are also preconditions of the distribution.

2. Definition and regulation

The regulator of the Bank is the FSC of the Republic of China, and the Bank follows the "Regulations Governing the Capital Adequacy and Capital Category of Banks" issued by the FSC.

Starting from January 1, 2013, according to the regulations aforementioned, the ratio of regulatory capital to risk-weighted assets shall mean common equity ratio, Tier 1 Capital ratio, and total capital adequacy ratio. Besides calculating these three ratios of the Bank, it should also calculate the consolidated common equity ratio, Tier 1 Capital ratio, and total capital adequacy ratio by consolidating its investments in subsidiaries in consolidated financial statements prepared in accordance with IAS 27, and the three consolidated ratios should follow article 5 of the "Regulations Governing the Capital Adequacy and Capital Category of Banks".

3. Regulatory capital

The Bank's regulatory capital is divided into net Tier 1 Capital and net Tier 2 Capital following the "Regulations Governing the Capital Adequacy and Capital Category of Banks":

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- A. Net Tier 1 Capital: The aggregate amount of net Common Equity Tier 1 and net additional Tier 1 Capital.
- Net common equity Tier 1 Capital: Primarily consists of the aggregate amount of Common stock and additional paid-in capital in excess of par - common stock, Capital collected in advance, Capital reserves, Statutory surplus reserves, Special reserves, accumulated profit or loss, Non-controlling interests, and Other equity interest items, minus intangible assets (including goodwill), 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 statutory adjustment items calculated in accordance with “the Methods for Calculating Bank’s Regulatory Capital and Risk Weighted Assets”.
 - Net additional Tier 1 Capital: Consists of the aggregate amount of non-cumulative perpetual preferred stock and its capital stock premium, non-cumulative perpetual subordinated debts, additional Tier 1 Capital issued by the Bank’s subsidiaries and not directly or indirectly held by the Bank, minus statutory adjustment items calculated in accordance with “the Methods for Calculating Bank’s Regulatory Capital and Risk Weighted Assets.”
- B. Net Tier 2 Capital: Consists of the aggregate amount of cumulative perpetual preferred stock and its capital stock premium, cumulative perpetual subordinated debts, convertible subordinated debts, long-term subordinated debts, non-perpetual preferred stock and its capital stock premium; the increase in retained earnings when fair value or re-estimated value is adopted as deemed cost for the first-time adoption of IFRSs on premises, 45% of unrealized gains on changes in the fair value of investment properties using fair value method, as well as the 45% of unrealized gains on available-for-sale financial assets, operational reserves and loan-loss provisions, and Tier 2 Capital issued by the Bank’s subsidiaries and not directly or indirectly held by the Bank, minus statutory adjustment items calculated in accordance with “the Methods for Calculating Bank’s Regulatory Capital and Risk Weighted Assets.”

The Bank issues different capital instruments via versatile venues to maintain a sound capital structure. The Bank does not provide holders of such capital instruments with relevant financing. Subsidiaries of the financial holding company, to which the Bank belongs, do not own such capital instruments.

The regulator examines a Bank’s capital category in accordance with the common equity ratio, Tier 1 Capital ratio, and total capital adequacy ratio filing by the Bank. When the Bank’s capital is graded as inadequate capital, significantly inadequate capital or seriously inadequate capital by the regulator, the regulator shall take prompt corrective actions pursuant to Sections 1 to 3, Paragraph 1, Article 44-2 of the Banking Act.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The aforementioned regulations governing categories issued by the regulator follows the new BASEL capital agreement issued by Bank for International Settlements. A brief description of three pillars of the agreement and the Bank's compliance with them is as below:

A. Pillar 1

Pillar 1 covers the capital requirement for credit risk, market risk, and operational risk.

- a. Credit risk measures the risk that a bank suffers losses when loan clients, guarantors or counterparties breach agreements, and can be divided into on/off-balance-sheet items. Measurement methods include standardized approach and internal ratings-based (IRB) approaches. The Bank adopts standardized approach in the calculation of required capital.
- b. Market risk stirs negative impact on a bank's overall revenue, capital, value or operating capacity due to changes in interest rates (including credit spread risk), foreign exchange rate, securities prices, commodities prices and its volatility, correlation interaction, market liquidity and other market risk factors. Market risk capital accrual methods include standardized approach and internal model approach. The Bank adopts standardized approach in the calculation of required capital.
- c. Operational risk is the risk that a bank suffers losses from external events or improprieties or failures of its internal operation, personnel, or systems, including legal risk, but excluding strategic and reputational risk. Methods to measure capital required for operational risk include basic indicator approach (BIA), standardized approach (SA); alternative standardized approaches (ASA), and advanced measurement approaches (AMA). The Bank adopts standardized approach in dividing the gross profits into eight business lines, and calculating required capital for each business line's operational risk based on their respective risk quotient.

B. Pillar 2

Pillar 2 ensures that each bank has a sound internal assessment process and is able to forecast its capital adequacy based on the thorough assessment of bank risks, and that, with proper regular monitoring, regulatory capital matches the overall risk characters.

For compliance with regulatory monitoring of capital adequacy, the Bank conducts regular filing of capital adequacy self-assessment and various risks management every year in accordance with regulatory mandate.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

C. Pillar 3

Pillar 3 involves market discipline and requires banks to follow new BASEL capital agreement framework by disclosing more detailed information on risk, capital, and risk management, to improve banking information transparency. To be in compliance with the pillar 3 market discipline principle, the Bank has on its website a page “capital adequacy and risk management” dedicated to disclosure of qualitative and quantitative information.

4. Capital adequacy ratios of the Bank and its subsidiaries

Analyzed items		Period	December 31, 2015	December 31, 2014 (Note)	
Regulatory capital		Common equity capital	211,655,003	180,144,347	
		Other Tier 1 capital	31,225,848	28,825,791	
		Tier 2 capital	43,200,398	56,329,620	
		Regulatory capital	286,081,249	265,299,758	
Risk-weighted assets	Credit risk	Standardized approach (SA)	1,913,322,309	1,686,451,055	
		Internal ratings-based (IRB) approach	-	-	
		Assets securitization	81,350,784	73,148,358	
	Operational risk	Basic indicator approach (BIA)	-	-	
		Standardised approach (SA)/Alternative Standardised approaches (ASA)	132,817,691	123,148,154	
		Advanced measurement approaches (AMA)	-	-	
	Market risk	Standardised approach (SA)	75,682,237	88,707,956	
		Internal model approach	-	-	
			Total amount of risk weighted assets	2,203,173,021	1,971,455,523
			Capital adequacy ratio	12.98%	13.46%
		Ratio of common equity to risk weighted assets (%)	9.61%	9.14%	
		Ratio of tier 1 capital to risk weighted assets (%)	11.02%	10.60%	
		Leverage ratio	6.46%	4.53%	

Note: The Bank’s consolidated capital adequacy ratio includes total amount of risk weighted assets from The Tokyo Star Bank, Ltd., which is the Bank’s subsidiary in Japan. The aforementioned total amount is computed in compliance with the BASEL III related regulations approved by the authorities of banking sector in Japan.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(AP) Structured entities that are not included in consolidated financial reports

- (a) The table below presents the types of structured entities that the Bank and its subsidiaries do not include in consolidated financial reports but in which they hold an interest.

<u>The types of structured entities</u>	<u>Nature and purpose</u>	<u>Interests held by the Bank and its subsidiaries</u>
Asset Backed Securities	Securitizing financial or non-financial assets and issuing them to raise funds.	Investing or lending in securities issued by these entities.
Private fund	Raising funds to create investment opportunities in a variety of assets.	Investing in funds issued by these entities.

- (b) The scales of structured entities not included in consolidated financial reports as of December 31, 2015 are as follows.

	<u>December 31, 2015</u>
Asset Backed Securities	\$ 174,377,205,932
Private fund	1,420,739,807

- (c) The carrying amounts of interests held by the Bank and its subsidiaries in these structured entities as of December 31, 2015 are as follows.

<u>Assets held by the Bank and its subsidiaries</u>	<u>December 31, 2015</u>
Available-for-sale financial assets — net	\$ 23,764,710
Loans — net	1,652,719
Held-to-maturity financial assets — net	133,846
Other financial assets — net	22,282
Other assets — net	394,716
Total assets held by the Bank and its subsidiaries	\$ 25,968,273
<u>Liabilities held by the Bank and its subsidiaries</u>	<u>December 31, 2015</u>
Deposits and remittances	\$ 7,212

The maximum amount of risk exposure the Bank and its subsidiaries endure to a loss incurred from special purpose entities that are not included in consolidated financial reports is the carrying amount of interests held by the Bank and its subsidiaries.

- (d) As of December 31, 2015, the Bank and its subsidiaries have not provided any financial support to their special purpose entities that are not included in consolidated financial reports.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

7. RELATED-PARTY TRANSACTIONS

(A) Names of related parties and relationship with the Bank

<u>Name of related party</u>	<u>Relationship with the Bank</u>
CTBC Financial Holding Co., Ltd.	Parent company of the Bank.
Grand Bills Finance Corporation	Investee company under equity method
GCB Finance (HK) Limited	// (Liquidated in 2015)
Taiwan Institute of Economic Research	The Bank contributed over 1/3 of its total funds.
CTBC Charity Foundation	//
CTBC Culture Foundation	//
CTBC Financial Management College	The Chairman of the Bank's subsidiary is its director.
Importer and Exporter Association of Taipei	The director of the Bank is its representative.
Showa Denko Hd Trace Corp.	The Chairman of the Bank is its director.
Straits Exchange Foundation	The Chairman of the Bank is its representative.
CTBC Securities Co., Ltd.	Controlled by the same company as the Bank.
CTBC(Mauritius) Holding Co., Ltd.	//
CTBC Asia Limited	//
CTBC Securities Investment Service Co., Ltd.	//
CTBC Venture Capital Co., Ltd.	//
CTBC Asset Management Co., Ltd.	//
CTBC Security Co., Ltd.	//
Taiwan Lottery Co., Ltd.	//
CTBC Life Insurance Co., Ltd.	//
CTBC Investments Co., Ltd.	//
Taiwan Life Insurance Co., Ltd.	//
TLG Capital Co., Ltd	//
TLG Insurance Co., Ltd.	//
CTBC Venture Capital Investment Management (Shanghai) Co., Ltd.	//
CTBC International Co., Limited.	//
CTBC Leasing Co., Ltd.	//
CTBC Capital International Co., Limited.	//
Overseas Investment & Development Corp.	The Bank is its Chairman.
Changchi Investments Co., Ltd.	The director of the parent company.
Wei Fu Investment Co., Ltd.	//
Weihung Investment Co., Ltd.	The Chairman of the parent company of the Bank is its director.
Hwei Investment Co., Ltd.	//
Sunghung Investment Co., Ltd.	//
Fenglu Development & Investment Co., Ltd.	//
Taiwan Sports Lottery Co., Ltd.	The company's Chairman is the second-degree relative of the Chairman of the Bank's parent company.
Quanwei Investment Limited	//
Landrich International Ltd.	The second-degree relatives of the Chairman of the Bank's parent company have substantive control (indirect) over the Company.
Kainan High School of Commerce and Industry	The Chairman of the parent company of the Bank is its body corporate representative.
Kinpo Electronics, Inc.	The Chairman of the Bank's subsidiary is its director.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

<u>Name of related party</u>	<u>Relationship with the Bank</u>
Taipei Financial Center Corporation	The Chairman of the company which is controlled by the same parent company as the Bank is its director.
Collamatrix Co., Ltd.	//
Taishin International Bank	//
Nan Ya Plastics Corporation	//
Formosa Sumco Technology Corporation	//
Taiwan Relo Club,limited	//
Nan Ya Technology Corporation	//
Brothers Entertaining Co., Ltd	//
Ho-Yeh Investment Co., Ltd	The Chairman of the company which is controlled by the same parent company as the Bank is its Chairman.
Acacia Company	The director of the company which is controlled by the same parent company as the Bank is its Chairman.
National Credit Card Center of R.O.C.	//
Abico Asia Capital Co., Ltd.	The General Manager of the company which is controlled by the same parent company as the Bank is its director.
The Third Wednesday Club	The Chairman of the Bank's subsidiary is its representative.
Huaku Development Co., Ltd.	The company's General Manager is the second-degree relative of the director. Related party in substance.
Chailease Finance Co., Ltd.	//
Sungyong Investment Co., Ltd.	//
Sungbo Co., Ltd.	//
Jungguan Investment Co., Ltd.	//
Kuan Ho Development Co., Ltd.	//
Zhonghang Co., Ltd.	//
Chailease Resources Technology Co. Ltd	//
Wei Chuang Information Co., Ltd.	//
Bosser Design Inc.	//
CTC Group Inc.	//
Chailease International Leasing Co., Ltd. (Vietnam).	//
Chung Cheng Investment Co., Ltd.	//
Lean Dev Technology Co., Ltd.	//
APEX Credit Solutions Inc.	//
My Leasing(Mauritius) Corp.	//
Hu-Yi Solution Corp. (Shanghai)	// (Note) (Liquidated in 2015)
Other related parties	The directors of CTBC Financial Holding Co., Ltd. and subsidiaries (including independent directors), supervisors, managers and their families, spouses, etc.

Note: The special purpose entity that is controlled by the Bank.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(B) Significant transactions between related parties and the Bank

(a) Lease

For the year ended December 31, 2015 and 2014, the rental revenue that the Bank received from related parties for the rental of buildings, parking spaces, and safe deposit boxes amounted to \$146,243 and \$59,794, respectively, constituting 46.15% and 41.62%, respectively, of total rental income.

As of December 31, 2015 and 2014, deposits for renting safe boxes to related parties amounted were all \$6, respectively, the rents received in advance from related parties amounted \$2,990 and \$9,026, respectively. The guarantee deposit for the use of space and machinery received from related parties amounted to \$39,887 and \$20,382, respectively.

(b) Donations

<u>Related party</u>	For the year ended December 31	
	2015	2014
CTBC Charity Foundation	\$ 911	46,005
CTBC Culture Foundation	40,000	31,000
CTBC Financial Management College	92,000	-
Total	\$ 132,911	77,005

(c) Guarantee

December 31, 2015					
<u>Related party</u>	<u>Maximum balance</u>	<u>Ending balance</u>	<u>Balance of guarantee reserve</u>	<u>Range of interest rates</u>	<u>Collateral</u>
Showa Denko Hd Trace Corp.	\$ 3,000	3,000	-	1%	Securities/ the NTD deposits in the Bank
December 31, 2014					
<u>Related party</u>	<u>Maximum balance</u>	<u>Ending balance</u>	<u>Balance of guarantee reserve</u>	<u>Range of interest rates</u>	<u>Collateral</u>
Showa Denko Hd Trace Corp.	\$ 3,000	3,000	-	1%	Securities/ the NTD deposits in the Bank
Collamatrix Co., Ltd.	3,639	-	-	1%	Batch-type credit guarantee

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(d) Loans

December 31, 2015							
Categories	Number/name of related parties	Maximum balance	Ending balance	Settlement status		Collateral	Loan conditions
				Normal loans	Overdue loans		
Consumer loan—employee	48	\$ 21,472	9,821	9,821	-	None	Note
Home loan mortgage	371	2,141,077	1,847,642	1,847,642	-	Real estate/ others	"
Others	Huaku Development Co., Ltd.	1,050,000	1,050,000	1,050,000	-	Real estate	"
"	Nan Ya Technology Corporation	1,080,000	800,000	800,000	-	Machinery	"
"	CTC Group Inc.	518,072	502,106	502,106	-	Real estate	"
"	Nan Ya Plastics Corporation	979,632	468,004	468,004	-	Real estate/ plant/ machine room	"
"	Taipei Financial Center Corporation	449,483	416,849	416,849	-	Real estate/ buildings for commercial use	"
"	Jungguan Investment Co.,Ltd.	355,000	355,000	355,000	-	Real estate	"
"	Zhonghang Co.,Ltd	319,200	271,600	271,600	-	Vehicle/ cargo aircraft	"
"	Kuan Ho Development Co., Ltd.	245,000	245,000	245,000	-	Real estate	"
"	Sunghung Investment Co., Ltd.	44,000	44,000	44,000	-	Real estate	"
"	Changchi Investments Co., Ltd.	10,780	10,058	10,058	-	Real estate	"
"	Wei Fu Investment Co., Ltd.	90,000	50,000	50,000	-	Real estate	"
"	Acacia Company	5,000	5,000	5,000	-	Other/ batch-type credit guarantee	"
"	Others	55,719	47,346	47,346	-	Real estate	"
December 31, 2014							
Categories	Number/name of related parties	Maximum balance	Ending balance	Settlement status		Collateral	Loan conditions
				Normal loans	Overdue loans		
Consumer loan—employee	40	\$ 17,745	9,071	9,071	-	None	Note
Home loan mortgage	327	1,835,333	1,574,958	1,574,958	-	Real estate/ others	"
Others	Nan Ya Plastics Corporation	951,744	919,187	919,187	-	Real estate/ plant/ machine room	"
"	CTC Group Inc.	509,920	496,022	496,022	-	Real estate	"
"	Taipei Financial Center Corporation	525,270	449,483	449,483	-	Real estate/ buildings for commercial use	"
"	Jungguan Investment Co.,Ltd.	355,000	355,000	355,000	-	Real estate	"
"	Zhonghang Co.,Ltd	366,800	319,200	319,200	-	Vehicle/ cargo aircraft	"
"	Kuan Ho Development Co., Ltd.	245,000	245,000	245,000	-	Real estate	"
"	Chailease International Leasing Co., Ltd. (Vietnam)	205,500	122,792	122,792	-	Machinery	"
"	Wei Fu Investment Co., Ltd.	90,000	90,000	90,000	-	Real estate	"
"	Sunghung Investment Co., Ltd.	43,300	43,300	43,300	-	Real estate	"
"	Changchi Investments Co., Ltd.	10,604	10,305	10,305	-	Real estate	"
"	Formosa Sumco Technology Corporation	8,316	5,544	5,544	-	Machinery	"
"	Acacia Company	10,000	5,000	5,000	-	Batch-type credit guarantee	"
"	Others	144,637	43,764	43,764	-	Real estate	"

Note: The terms of loans between related and non-related parties are identical.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(e) Deposits

December 31, 2015					
Related party	Maximum balance	Ending balance	Range of interest rates	Interest expenses (for the year 2015)	
Taiwan Life Insurance Co., Ltd.	\$ 25,878,918	25,878,918	0~0.65%	2,750	
Showa Denko Hd Trace Corp.	4,901,855	3,766,981	0~1.35%	14,512	
CTBC Life Insurance Co., Ltd.	19,294,132	3,706,034	0~0.6%	7,566	
CTBC Securities Co., Ltd.	3,765,610	1,903,127	0~1.35%	12,829	
CTBC Financial Holding Co., Ltd.	16,599,011	1,854,073	0~0.17%	3,455	
CTBC Charity Foundation	1,328,042	1,090,386	0~1.35%	8,258	
Abico Asia Capital Co., Ltd.	1,001,000	939,537	0~1.09%	1,401	
Taiwan Sports Lottery Co., Ltd.	1,114,698	804,450	0~0.17%	1,067	
CTBC Investments Co., Ltd.	461,278	426,595	0~0.75%	1,587	
Taiwan Lottery Co., Ltd.	1,850,677	419,120	0~0.55%	3,309	
Taiwan Institute of Economic Research	446,689	386,229	0~1.40%	2,048	
Overseas Investment & Development Corp.	377,893	337,543	0~1.10%	917	
Kainan High School of Commerce and Industry	405,969	290,350	0~1.37%	3,006	
National Credit Card Center of R.O.C.	788,827	272,257	0~1.39%	1,426	
CTBC Venture Capital Co., Ltd.	399,482	214,366	0~0.17%	131	
Straits Exchange Foundation	187,164	187,030	0.02~1.37%	2,456	
Hewei Investment Co., Ltd.	337,350	183,176	0~0.17%	423	
Fenglu Development & Investment Co., Ltd.	300,307	165,830	0~0.17%	183	
Kuan Ho Development Co., Ltd.	254,132	154,393	0~0.17%	233	
My Leasing (Mauritius) Corp.	1,291,229	149,698	0.02~0.30%	112	
Sungyong Investment Co., Ltd.	282,081	137,456	0~0.17%	202	
CTBC Financial Management College	135,296	129,917	0~1.37%	75	
Weihung Investment Co., Ltd.	298,396	114,254	0.01~0.04%	55	
Jungguan Investment Co., Ltd.	361,256	110,142	0~0.17%	273	
Others	14,715,658	5,635,055		45,512	
Total	\$ 96,776,950	49,256,917		113,786	

December 31, 2014					
Related party	Maximum balance	Ending balance	Range of interest rates	Interest expenses (for the year 2014)	
CTBC Life Insurance Co., Ltd.	\$ 15,967,785	8,582,652	0~0.68%	6,294	
Showa Denko Hd Trace Corp.	6,504,731	3,913,211	0~1.35%	13,382	
CTBC Securities Co., Ltd.	2,450,221	1,723,328	0~1.35%	14,682	
CTBC Charity Foundation	1,174,858	925,923	0~1.35%	8,291	
Taiwan Sports Lottery Co., Ltd.	592,386	532,524	0~0.17%	462	
Chung Cheng Investment Co., Ltd.	513,360	512,650	0~0.17%	853	
Sunghung Investment Co., Ltd.	435,506	434,306	0~0.17%	497	
Taiwan Institute of Economic Research	415,208	386,495	0~1.40%	1,675	
Hewei Investment Co., Ltd.	489,911	337,350	0~0.17%	769	
Taiwan Lottery Co., Ltd.	595,449	310,190	0~0.55%	611	
Weihung Investment Co., Ltd.	310,698	298,396	0.04%	120	
Kainan High School of Commerce and Industry	316,567	290,969	0~1.37%	3,042	
CTBC Investments Co., Ltd.	350,387	290,366	0~0.75%	2,069	
Sungyong Investment Co., Ltd.	305,596	282,078	0~0.17%	489	
Kuan Ho Development Co., Ltd.	503,247	254,204	0~0.17%	759	
Jungguan Investment Co., Ltd.	321,421	204,068	0~0.17%	325	
Quanwei Investment Limited	615,626	177,979	0~0.17%	267	
Straits Exchange Foundation	157,464	157,464	0.04~1.37%	1,277	
CTBC Financial Holding Co., Ltd.	15,228,409	144,632	0~0.17%	1,910	
CTBC Venture Capital Co., Ltd.	383,968	138,752	0~0.17%	77	
GCB Finance (HK) Limited	133,876	129,525	0~0.001%	-	
Fenglu Development & Investment Co., Ltd.	121,466	121,466	0~0.17%	183	
Ho-Yeh Investment Co., Ltd.	131,323	118,858	0~0.04%	31	
Overseas Investment & Development Corp.	265,633	106,945	0~1.10%	958	
Others	12,236,987	5,033,987		34,792	
Total	\$ 60,522,083	25,408,318		93,815	

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(f) Call loans to banks

Related party	For the year ended December 31, 2015		
	Ending balance	Range of interest rates	Interest revenues
Taishin International Bank	\$ -	0.08~3.80%	553

(g) Financial derivatives

December 31, 2015						
Related party	Derivative financial instruments	Contract period	Notional principal	Unrealized profit (loss)	Balance sheet	
					Account	Ending Balance
Taiwan Life Insurance Co., Ltd.	Non-deliverables	08.05.2015~ 01.11.2016	NTD 3,165,200	(147,276)	(Note2)	(147,276)
"	"	01.05.2015~ 03.24.2016	USD 130,000	179,103	(Note1)	179,103

December 31, 2014						
Related party	Derivative financial instruments	Contract period	Notional principal	Unrealized profit (loss)	Balance sheet	
					Account	Ending Balance
Taishin International Bank	Interest rate swaps	04.06.2010~ 09.12.2019	NTD 41,290,000	18,143	(Note1)	18,143
"	Non-deliverables	05.12.2014~ 06.18.2015	CNY 62,295	(235)	(Note2)	(235)
"	"	01.02.2014~ 01.06.2015	USD 5,000	199	(Note1)	199
"	Cross currency swap	01.07.2014~ 01.09.2015	NTD 300,800	(18,037)	(Note2)	(18,037)
"	Money market swap	09.11.2014~ 09.15.2015	CNH 124,450	5,405	(Note1)	5,405
"	"	02.13.2014~ 09.23.2015	USD 175,000	318,461	"	318,461
"	"	07.02.2014~ 07.07.2015	USD 20,000	2,354	"	2,354
"	"	01.10.2014~ 01.14.2015	NTD 296,550	(20,637)	(Note2)	(20,637)

Note 1: Financial assets measured at fair value through profit or loss.

Note 2: Financial liabilities measured at fair value through profit or loss.

(h) Trading of bills and bonds

Related party	For the year ended December 31, 2015	
	Bills and bonds purchased	Bills and bonds sold
Taishin International Bank	\$ 450,000	-

Related party	For the year ended December 31, 2014	
	Bills and bonds purchased	Bills and bonds sold
Taishin International Bank	\$ 1,000,000	-

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(i) Others

(1) Commission and other income

<u>Related party</u>	<u>Summary</u>	<u>For the year ended December 31</u>	
		<u>2015</u>	<u>2014</u>
CTBC Financial Holding Co., Ltd.	Allocation of information, commission income and income from group catering	\$ 28,267	26,540
CTBC Securities Co., Ltd.	Allocation of information, profits from selling products, income from group catering, and commission income	16,336	12,258
Taiwan Lottery Co., Ltd.	Allocation of information, income from machine relocation and income from group catering	7,228	7,346
CTBC Asia Limited	Commission income	2,568	2,374
CTBC Life Insurance Co., Ltd.	Allocation of information, profits from selling products and commission income	571,045	193,957
Chailease Finance Co., Ltd.	Management revenue and commission income	1,352	698
CTBC Investments Co., Ltd.	Commission for trust, allocation of information, income from group catering and feedback fund	75,647	32,828
Kinpo Electronics, Inc.	Commission income	2,084	2,076
Huaku Development Co., Ltd.	Commission income	600	-
Taiwan Life Insurance Co., Ltd.	Commission income and insurance commission for joint sales.	8,532	-
TLG Insurance Co., Ltd.	Commission income and insurance commission for joint sales.	1,454	-
Grand Bills Finance Corporation	Commission income	521	593
Individuals	Commission for funds	9,379	7,691
Total		<u>\$ 725,013</u>	<u>\$ 286,361</u>

The balance of accounts receivable for foregoing transactions were as follows:

<u>Related party</u>	<u>Summary</u>	<u>December 31,</u>	<u>December 31,</u>
		<u>2015</u>	<u>2014</u>
CTBC Financial Holding Co., Ltd.	Allocation of information, commission income and income from group catering	\$ 1,823	2,079
CTBC Securities Co., Ltd.	Allocation of information, profits from selling products, income from group catering, and commission income	1,846	299
Taiwan Lottery Co., Ltd.	Allocation of information, income from machine relocation and income from group catering	599	616
CTBC Asia Limited	Commission income	163	133
CTBC Life Insurance Co., Ltd.	Allocation of information, profits from selling products and commission income	324,881	2,713
CTBC Investments Co., Ltd.	Commission for trust, allocation of information, income from group catering and feedback fund	341	12
Kinpo Electronics, Inc.	Commission income	322	161
Taiwan Life Insurance Co., Ltd.	Commission income and insurance commission for joint sales.	3,948	-
TLG Insurance Co., Ltd.	Commission income and insurance commission for joint sales.	2	-
Grand Bills Finance Corporation	Commission income	36	43
Total		<u>\$ 333,961</u>	<u>6,056</u>

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(2) Handling fees and other general administration expenses

<u>Related party</u>	<u>Summary</u>	<u>For the year ended December 31</u>	
		<u>2015</u>	<u>2014</u>
CTBC Securities Co., Ltd.	Service fees for trust, brokerage fees and site usage expenses	\$ 41,849	42,088
CTBC Security Co., Ltd.	Security fees	131,357	102,500
Taiwan Lottery Co., Ltd.	Lottery service fees	2,261,302	2,317,847
Chailease Finance Co., Ltd.	Business service fees, leasing of official vehicles and rental fees	59,677	27,034
Taiwan Institute of Economic Research	Expense for domestic economics research and business consulting commissioned research	10,200	10,650
Sungbo Co., Ltd.	Gift expenses	2,509	2,223
Chailease Resources Technology Co. Ltd.	Gift expenses	-	599
APEX Credit Solutions Inc.	Collection assistance fees	21,182	14,628
Importer and Exporter Association of Taipei	Rental fees , utilities expenses and management fees for branches	4,431	4,157
Bosser Design Inc.	Upholstery fees	25,191	43,972
Taipei Financial Center Corporation	Feedback fund for joint-brand credit card payment and complimentary gift	99,220	112,759
Hu-Yi Solution Corp. (Shanghai)	Consultancy fees	-	5,265
Landrich International Ltd.	Gift expenses	725	511
CTBC Life Insurance Co., Ltd.	Group insurance fees and bonus for joint sales campaigns	110,676	124,225
National Credit Card Center of R.O.C.	Computer operation handing charge and functional expenses	95,756	-
Brothers Entertaining Co., Ltd.	Sponsorship and advertising expenses	210,812	-
The Third Wednesday Club	Annual fee and Sponsorship	3,309	-
Lean Dev Technology Co., Ltd.	System function improvement fees	1,903	-
Taiwan Relo Club, Limited	Gift expenses	40,673	-
Wei Chuang Information Co., Ltd.	System function improvement fees	632	-
CTBC Culture Foundation	Advertising Sponsorship	2,783	-
Taiwan Life insurance Co., Ltd	Rental fees	1,320	-
Total		<u>\$ 3,125,507</u>	<u>2,808,458</u>

Foregoing transactions, accounts payable balances were as follows:

<u>Related party</u>	<u>Summary</u>	<u>December 31,</u>	<u>December 31,</u>
		<u>2015</u>	<u>2014</u>
CTBC Securities Co., Ltd.	Service fees for trust, brokerage fees and site usage expenses	\$ 6,400	5,610
CTBC Security Co., Ltd.	Security fees	8,087	569
Taiwan Lottery Co., Ltd.	Lottery service fees	1,086,226	1,501,538
APEX Credit Solutions Inc.	Collection assistance fees	3,333	811
Taipei Financial Center Corporation	Feedback fund for joint-brand credit card payment and complimentary gift	-	11,138
CTBC Life Insurance Co., Ltd.	Group insurance fees and bonus for joint sales campaigns	11,528	17,998
Total		<u>\$ 1,115,574</u>	<u>1,537,664</u>

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(3) Others

<u>Related party</u>	<u>Summary</u>	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
Chailease Finance Co., Ltd.	Released undue loans (Note)	\$ 307,708	928,742
CTBC Asia Limited	Advances for office rentals	4,527	3,548
GCB Finance (HK) Limited	Advances for office rentals	-	894
National Credit Card Center of R.O.C.	Advances for acquiring service and settlement receivable	2,194,305	-
Others	Advances for utilities expenses, security fees training and other expense	4,907	2,332
Total		<u>\$ 2,511,447</u>	<u>935,516</u>

Note: The Bank signed a strategic alliance agreement with Chailease Finance Co., Ltd. agreeing loans will be released directly to Chailease's clients, and Chailease pledged to buyback and settle all debts once any delay arises.

Please refer to Note 9(A) for more information regarding the Bank loaned to PT Bank CTBC Indonesia, CTBC Bank (Philippines) Corp. and The Tokyo Star Bank, Ltd. with guaranteed.

No significant discrepancy in transaction terms found between related party transaction and non-related party transaction.

(C) Key management personnel compensation in total

	<u>For the year ended December 31</u>	
	<u>2015</u>	<u>2014</u>
Salary and other short-term employee benefits	\$ 1,120,607	936,111
Post-employment benefits	68,017	16,569
Share-based payment	236,070	28,575
Total	<u>\$ 1,424,694</u>	<u>981,255</u>

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

8. PLEDGED ASSETS

Pledged assets of the Bank and its subsidiaries were as follows:

Unit: In Thousands of New Taiwan dollars

Assets	Type of securities	Par value of refundable deposits		Purpose of collateral
		December 31, 2015	December 31, 2014	
Due from Central Bank and call loans to bank	Time deposit	-	500,000	Deposits for calling loans in foreign currency
	"	4,400,000	1,400,000	Call loan liquidation account in U.S. Dollars
	"	800,000	-	Call loan liquidation account in JPY Dollars
	"	100,000	100,000	Deposits for bills dealer
Available-for-sale financial assets— net	Bond	5,643,281	3,272,834	Credit line from Federal Reserve Bank and other deposits
	NCD of Central Bank	-	8,000,000	Daytime overdrafts of Central Bank
	"	-	9,500,000	Deposits for calling loans in foreign currency
	Government bond	211,477	198,555	Overdrafts secured
	"	-	5,772,165	Collateral for derivative transactions
	"	22,002,097	63,625,670	Guarantee deposits for transaction settlements and call loans from banks
	"	24,688,027	31,022,192	Repurchase agreement pledge
	"	330,940	584,537	Futures margins
	"	8,256,109	7,965,195	Marketable securities entrusted
	"	49,900	68,787	Other required reserve
Receivables	Matured securities classified under other receivables	2,200	2,200	Deposits for litigation and others
Held-to-maturity financial assets— net	NCD of Central Bank	9,000,000	-	Daytime overdrafts of Central Bank
	"	10,000,000	-	Deposits for calling loans in foreign currency
	"	5,600,000	8,600,000	Call loan liquidation account in U.S. dollars
	NCD	391,000	391,000	Guarantee fulfillment of long-term prepaid rent
	Government bond	490,000	470,000	Trust funds reserve
	"	150,000	150,000	Bond settlement reserves
	"	72,900	82,600	Deposits for litigation and others
Other financial assets	Time deposit	70,000	70,000	Operational guarantee deposit for securities dealer
	"	40,000	40,000	Underwriting guarantee deposit for securities dealer
	"	10,000	10,000	Guarantee deposit for futures dealer
	"	242,869	241,606	CPC Corporation, Taiwan guarantee fulfillment
	"	49,500	49,500	Public welfare walkway guarantee fulfillment
	"	49,500	49,500	Public welfare walkway guarantee fulfillment

As of December 31, 2015 and 2014, the deposits for public welfare lottery issuance of the Bank's irrevocable standby letter of credit were all \$1,050,000.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(A) Major commitments and contingencies

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Contingent liabilities from guarantee and letter of credit business	\$ 76,308,410	62,629,544
Promissory note to Central Bank for Bank's clearance	1,793,032	2,124,206
Client notes in custody	98,204,393	92,353,292
Marketable securities and debts in custody	482,388,251	452,164,076
Consigned travelers' checks in custody	361,597	350,251
Designated purpose trust accounts	836,715,001	819,397,816
Other items in custody	456,473	402,644
Total	<u>\$ 1,496,227,157</u>	<u>1,429,421,829</u>

As of December 31, 2015 and 2014, the credit amount of the cancellable loan commitments of the Bank and its subsidiaries were \$1,608,365,918 and \$1,041,080,399, respectively.

On September 1, 2012, the Bank signed a formal renewal of the services contract for information resources supply the Bank with International Business Machines, authorizing a five-year contract term commencing from September 1, 2012, and ending on August 31, 2017, for the amount of \$1,805,000, which includes a fixed monthly fee of \$7,844 comprising a host computer lease fee, an authorization fee, and an annual software maintenance fee.

The Bank was designated by the Ministry of Finance (the "MOF") as the issuing institution for the fourth term of public welfare lottery. The periods of for each term are from January 1, 2014 to December 31, 2023, respectively. The Bank was authorized to arrange and issue traditional lottery, scratch-and-win lottery, and computerized lottery tickets. For the fourth term of public welfare lottery, the Bank receives a commission for issuing lottery tickets, representing 4.35% of the total lottery sales amount. The commission will be settled monthly. And the Bank's profit will be what remains after a fixed payment of \$2,700,000 to the MOF per year. However, if the amount of annual total lottery sales of year of 2015 is less than 80% of promised sales, which is \$116 billion, then the Bank needs to pay 26.75% of the shortage between the promised and actual sales amount to the government. Furthermore, in order to ensure that the lottery prize pay-out rate is not greater than 60% of the lottery issuing amount, the Bank created a transitional monitoring account, provision for the lottery prize. By creating the account, the Bank also helps the Government to settle and distribute the public welfare earnings. The amount of provision for the lottery prize may be negative (debit) or positive (credit), depending on the possibility of winning the lottery. In accordance with MOF Tai-Cai-Ku No. 09800050290, the Bank has the financial responsibility for the negative provision for the lottery prize. When the period designated by the MOF ends and the amount of provision for the lottery prize is negative, the Bank has to absorb it. However, the Bank has already adopted appropriate risk control strategies in order to control the aforesaid financial risk.

On May 18, 2006, the Bank signed a contract with LotRich Information Co. for lottery software, hardware and maintenances services amounting to \$1,159,185(within which \$638,880 was for software service). The maintenance service sustains for six years, starting from August 2008 to July 2014. On May 31, 2013, the Bank signed a renewed contract for lottery software, hardware purchase and establishment and maintenances services amounting

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

to \$2,322,756 (within which \$1,633,581 was for software service). The maintenance service sustains for ten years, starting from January 2014 to December 2023.

The Bank entrusted Taiwan Lottery Co., Ltd. to operate the public welfare lottery's ticket issuing, sales, promotion, drawing, payment of prize, and management, with a contract period from January 1, 2007, and ending on June 30, 2014. The Bank will disburse 1.50% of the total lottery sales amount as commission to Taiwan Lottery Co., Ltd. monthly. Additionally, if the annual total lottery sales amount is over \$90 billion, the commission for the excess part (over \$90 billion) will be equal to 1.80% of the total excess lottery sales amount. The Bank signed an amended contract with Taiwan Lottery Co., Ltd. on July 9, 2008, and rescinded the guarantee deposit amounting to \$500,000. In addition, the Bank will disburse 1.20% of the total lottery sales amount as commission to Taiwan Lottery Co., Ltd. monthly from January 1, 2008. Additionally, if the annual total lottery sales amount is over \$90 billion, the commission for the excess part will be equal to 1.50% of the total excess lottery sales amount. On September 23, 2009, the Bank signed a second amended contract with Taiwan Lottery Co., Ltd., commencing from January 1, 2009, the Bank will distribute \$700 million as commission to Taiwan Lottery Co., Ltd. annually. Additionally, if the annual total lottery sales amount is over \$64 billion, the commission for the excess part (over \$64 billion) will be equal to 0.45% of the total excess lottery sales amount.

The Bank entrusted Taiwan Lottery Co., Ltd. to operate the public welfare lottery's ticket issuing, sales, promotion, drawing, payment of prize, and management, with a contract period from November 11, 2013, and ending on June 30, 2024. The Bank will disburse 4.35% of the total lottery sales amount as commission to Taiwan Lottery Co., Ltd.. The Bank agreed that Taiwan Lottery Co., Ltd. can receive a reward, amounting to the commission revenue after the deduction of value-added tax (VAT), rebates and direct costs incurred for the lottery business, and the addition of marginal benefits, if the balance is positive. Otherwise, Taiwan Lottery Co., Ltd. should pay for the discrepancy, if the balance is negative. On May 15, 2015, the reward calculation was revised by deleting the addition of marginal benefits, and was retroactively applied from January 1, 2015.

On April 17, 2009, in order to show its determination to the disposal of Mega Financial Holding Company (Mega Financial) shares, the Bank authorized Bank of Taiwan (BOT) as the trustee to dispose of all Mega Financial shares during the contractual period. During the contractual period, BOT will represent the Bank to attend the Mega Financial annual shareholders' meeting and execute the voting rights, in compliance with the Ministry of Finance's direction. As of May 20, 2014, all Mega Financial shares have been disposed.

To help PT Bank CTBC Indonesia obtain financing facility, the Bank has issued Letters of Comfort to financial institutions on April 7, August 28 and November 5, 2014, and February 24, 2015 to declare that the operation of the company is actively supported by the Bank. The credit application amounts are US\$25,000 thousand, US\$40,000 thousand and US\$16,500 thousand, and US\$20,000, respectively.

To help CTBC Bank (Philippines) Corp. obtain financing facility, the Bank has issued Letters of Comfort to financial institutions on February 24, 2015 to declare that the operation of the company is actively supported by the Bank. The credit application amount is US\$5,000 thousand.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

To help The Tokyo Star Bank, Ltd. obtain financing facility, the Bank has issued Letters of Comfort to financial institutions on June 26, 2015 to declare that the financial derivatives business of the company is actively supported by the Bank.

- (B) The below information is shown based on the disclosure requirements of Enforcement Rules of the Trust Enterprise Act, Article 17.

Balance Sheet of Trust Accounts

<u>Trust Assets</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>Trust Liabilities</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Cash	\$ 36,417,827	38,982,722	Payables	339,729,105	328,377,483
Bonds	868,072	844,093	Other liabilities	86,078	22,337
Stocks	124,851,633	137,354,565	Trust capital	458,686,882	456,782,014
Mutual funds	285,149,154	284,592,101	Miscellaneous reserves and accumulated earnings	35,615,617	33,334,220
Other investments	3,067,621	2,209,898			
Receivables	17,094	1,228,675			
Real estates – net	44,550,575	25,591,941			
Securities in custody	339,089,517	326,683,100			
Other assets	106,189	1,028,959			
Total trust assets	\$ 834,117,682	818,516,054	Total trust liabilities	834,117,682	818,516,054

Note: As of December 31, 2015 and 2014, the Bank's Offshore Banking Unit invested in foreign securities under specific purpose trust accounts amounting to \$3,302,451 and \$1,423,549, respectively.

Properties Catalog of Trust Accounts

<u>Investments</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Cash	\$ 36,417,827	38,982,722
Bonds	868,072	844,093
Stocks	124,851,633	137,354,565
Mutual funds	285,149,154	284,592,101
Other investments	3,067,621	2,209,898
Securities in custody	339,089,517	326,683,100
Real estates – net		
Lands	44,467,002	25,508,566
Buildings	83,573	83,375
Subtotal	44,550,575	25,591,941
Other assets		
Prepaid other payments	513	530
Long-term prepaid rent	10,522	5,524
Pledge of rights	95,154	1,022,905
Subtotal	106,189	1,028,959
Total	\$ 834,100,588	817,287,379

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Income Statement of Trust Accounts

	For the year ended December 31	
	2015	2014
Trust revenues	\$ 6,430,567	5,442,838
Trust expenses	(305,988)	(309,637)
Earnings before tax	6,124,579	5,133,201
Income tax	(48,475)	(35,596)
Net profits	\$ 6,076,104	5,097,605

(C) Operating lease

Total amount of minimum future irrevocable operating lease payment of were as below:

	December 31, 2015	December 31, 2014
Less than 1 year	\$ 1,014,002	1,562,176
1 year to 5 years	2,139,863	2,092,633
More than 5 years	523,033	630,179
Total	\$ 3,676,898	4,284,988

(D) Others

(a) Structured notes case

During September to December in 2005, the Bank's Hong Kong Branch, with approval of the board's directors, purchased structured notes ("oversea structured notes") from Barclays Bank PLC at par value US\$390 million. In the year 2006, the Bank's parent company, CTBC Financial Holding Co., Ltd. (CTBC Holding), intended to invest Mega Financial Holding Company. To comply with the requirement specified in the Banking Act of The Republic of China, which requires that a commercial bank shall not invest more than five percent (5%) shares of a company, Hong Kong Branch sold the above oversea structured notes at market price to Red Fire, a special purpose vehicle acquired by the former President of the Bank's Institutional Banking, Steven C.Z. Cheng. A profit of US\$8,448 thousand incurred due to the disposal. Subsequently, Red Fire filed an application of redemption of the structured notes to Barclays Bank PLC and incurred a profit amounting to US\$30.47 million. The opening balance of US\$9.5 million was embezzled by Steven C.Z. Cheng with malicious intent, while the rest of the amount (US\$20.90 million) was remitted to CTBC Holding's overseas sub-subsiary. In considerations of maintaining operations, the institutional director of CTBC Holding remitted an advance payment of US\$30.47 million to the Bank in accordance to the request from the FSC. No loss had incurred since the remitted amount of US\$30.47 million was far greater than US\$9.50 million, which was not remitted to CTBC Holding's overseas sub-subsiary. On April 28, 2011, the Bank received a letter from Chung Cheng Investment and Kuan Ho Construction & Development, the institutional directors of the CTBC Holding, informed that according to the Analysis Report on the Sale of Structured Notes to Red Fire by CTBC Bank's Hong Kong Branch (the "Analysis Report"), the attachment of the letter from CTBC Holding with Chung Hsin Chin No. 1002243570005, dated March 10, 2011, the Bank did not sustain loss from the sale of the structured notes. Based on the aforesaid Analysis Report, the premise of the Bank sustaining damages no longer stands for the prior execution of the contract dated February 9, 2009 by and among CTBC Holding, Chung Cheng Investment, and Kuan Ho Construction & Development. Therefore, the Bank has been requested to negotiate with Chung Cheng Investment and Kuan Ho Construction & Development for a

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

reasonable resolution. On August 16, 2011, the Bank sent a letter to Chung Cheng Investment and Kuan Ho Construction & Development requesting the institutional directors of the Bank's parent company, CTBC Holding, to withdraw the right of recourse regarding the advance payment of US\$30.47 million to the Bank. The institutional directors of the Bank's parent company, CTBC Holding, responded on August 18, 2011, agreeing to the request and wishing that the Bank spends US\$20.90 million of the advance payment on emergency assistance and public welfare loans and pays US\$9.57 million to the Bank's parent company, CTBC Holding, as recovery for the investment income which originally should have been recognized by the Bank's parent company, CTBC Holding. The latter amount was considered to be the investment income of CT Opportunity Investment Company, a sub-subsidiary of CTBC Holding. The Bank has not yet fulfilled the aforementioned requirement, and the institutional directors still insisted the amount of US\$20.90 million should be designated as the fund of welfare loans for emergency salvage. The matter will be proceeded once both parties reach agreement. Cited from the internal investigation and the opinion letter from the attorney designated by the Bank's parent company, CTBC Holding, Red Fire is believed to be CTBC Holding's SPV, since the ultimate profit and loss attribution belonged to CTBC Holding. In addition, from the perspective of cash flow, Jeffrey Koo, Jr., the former Chairman of the Bank, and the three involved employees did not obtain any personal benefits through the case.

On May 31, 2013, the judgment of the second instance was delivered by Taiwan High Court (please refer to the Law and Regulations retrieval system of the Judicial Yuan, Shang Chong-Su-Zi No. 54 in 2008 and Jin Shang Chong-Su-Zi No. 75 in 2010 Criminal Judgments for relevant information). After appealing for third instance, the Supreme Court of Republic of China has revoked the original verdict in August 2014 and urged Taiwan High Court to re-examine its verdict. In this case, Red Fire is the SPV of CTBC Holding. Thus, CTBC Holding did not sustain any loss, and Jeffrey Koo, Jr., the former Chairman of the Bank, and the three involved employees did not obtain any personal benefits through the case. Furthermore, citing from the legal opinion issued by CTBC Holding's outside counsel, "With regard to the legal aspects, the case above is a criminal case, and since CTBC Holding is a corporate entity, the employees' individual criminal liability will not have any influence on CTBC Holding. Therefore, there should be no significant disadvantageous effects on the financial or business affairs of CTBC Holding. Although the litigation result is not yet final, the outcome should not have negative impacts on the finance and operation of CTBC Holding substantially. Guilty or not, the fact that CTBC Holding has not suffered damage would not be changed as a result."

(b) Others

As for the real estate and non-performing loans transactions among the Bank and Tectonics Laboratories Co., Ltd. and other related parties, some employees were accused in violations of Banking Act and Securities and Exchange Act for engaging in such transactions and not disclosing related-party transactions. The case was transferred by prosecutors to Taiwan High Court, who dismissed the case on May 31, 2013 as it was bundled with Shang Chong-Su-Zi No. 54 in 2008 and Jin Shang Chong-Su-Zi No. 75 in 2010 Criminal Judgments, indicating a separate investigation should be initiated. Currently, the prosecutors have requested the case to be heard simultaneously with the structured notes case by Taiwan High Court. The case is expected to have no significant effect on the Bank's operation and shareholders' equity.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

10. SIGNIFICANT CATASTROPHIC LOSSES: None.

11. SIGNIFICANT SUBSEQUENT EVENTS:

The Bank has been authorized to establish Xiamen Branch by China Banking Regulatory Commission on December 25, 2015. Investment Commission of Ministry of Economic Affairs, R.O.C. has issued Jing-Shang-Er-Zi No. 10500013100 to grant the invested amount of US\$131,148 thousand (equivalent to CNY 800 million) as operating capital for the registration of the branch.

To expand consuming financial business in China, the Bank's board of directors approved to in a way of joint venture to set up a consuming financial company with the amount of CNY \$170 million in Xiamen, China on February 24, 2016. It will take effect after the approval of the bilateral competent authority.

In consideration of overall strategy layout in China area, the Bank's board of directors approved to terminate setting up consuming financial company in Hefei, Anhui Province, China on February 24, 2016.

With the targets of expanding the basement of excellent customer and strengthen trading relationship, the Bank's board of directors approved to take over a part of loans from ANZ Bank (Taiwan) with the amount of \$1.2 billion on March 29, 2016. The Bank expected to settle by April, 2016.

To expand business, the Bank's board of directors approved to sign an investment memorandum with LH Financial Group Public Company Limited (LHFG) to acquire its 7.545 billion shares in private placement amounted to THB \$16.6 billion (equivalent to NTD \$15.4 billion) on March 29, 2016. By the acquisition, the Bank will hold 35.6% share of LHFG. Once the Bank has signed the investment memorandum, it will start to process due diligence works, after then, the contract will be officially signed. This transaction will be completed as getting the approval of related authorities.

12. OTHERS

(A) Profitability

Items		December 31, 2015	December 31, 2014
Return on assets ratio (annual)	Before income tax	1.18	1.58
	After income tax	1.01	1.37
Return on equity ratio (annual)	Before income tax	18.39	24.44
	After income tax	15.82	21.16
Net income ratio		37.04	40.31

Unit: %

Note 1: Return on assets ratio = Net income before/after income tax ÷ average total assets.

Note 2: Return on equity ratio = Net income before/after income tax ÷ average total stockholders' equity.

Note 3: Net income ratio = Net income after income tax ÷ Net revenue.

Note 4: Net income before/after tax represented accumulated income of current year.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (B) The income and expenses arising from the joint marketing operation and information interoperability amongst the Financial Holding Company's subsidiaries were allocated as follows:

The Bank and CTBC Life Insurance Co., Ltd. ("CTBC Life") have gained from the joint business promotion. The bonus for co-marketing with CTBC Life is shared based on annual commission rate agreed between the Bank and CTBC Life for each insurance product.

The aforesaid allocations of revenue and expenses are disclosed in Note 7.

- (C) The Acquisition of The Tokyo Star Bank, Ltd.

The Tokyo Star Bank, Ltd. obtained business license and permit on May 14, 2001, and commenced commercial banking operation on June 11, 2001. The services The Tokyo Star Bank, Ltd. provides to its customers are deposits and loans, debt endorsement guarantees, domestic and foreign remittances, marketable securities, debt management and collection, and other businesses. On June 5, 2014, the Bank acquired 100% equity stake of The Tokyo Star Bank, Ltd. by cash, and set it as a subsidiary that the Bank has 100% ownership. The Bank starts to recognize the acquiree's profit and losses after the acquisition is settled.

Gain from a bargain purchase was recognized by the Bank with the margin of identifiable net assets acquired at fair value against acquisition cost. The following shows the acquired assets and assumed liabilities of the Tokyo Star Bank, Ltd. on June 5, 2014 and the emerged amount of gain from a bargain purchase.

- (a) Acquisition cost

The Bank acquired 100% equity stake of The Tokyo Star Bank, Ltd. at \$15,665,085.

- (b) Identifiable assets acquired and liabilities assumed

The following table shows the fair value of acquired identifiable assets and assumed liabilities on the acquisition date and the emerged amount of gain from a bargain purchase.

Acquisition cost		\$ 15,665,085
Acquiree's assets	763,673,444	
Acquiree's liabilities	<u>(733,194,205)</u>	
Fair value of identifiable net assets acquired	<u>30,479,239</u>	
Percentage acquired	100%	<u>30,479,239</u>
Gain from a bargain purchase		<u>\$ (14,814,154)</u>

- (c) After referring to Japanese acquisition cases taking places in post financial-recession period, the Bank decided to apply regional banks' Price-Book Ratio to determine the acquisition cost of The Tokyo Star Bank, Ltd. Additionally, the difference between the fair value of net identifiable assets acquired and acquisition cost was recognized as gain from a bargain purchase. The gain from a bargain purchase is immediately recognized in current profit or loss in accordance to the requirement of IFRS 3. And the aforementioned fair value of identifiable net assets is evaluated based on the report issued by the specialists from the external consulting firms.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (d) If the acquisition were to take place on January 1, 2014, the pro forma net revenue and after-tax net income for the year ended December 31 of the Bank would be \$92,704,148 and \$34,977,217, respectively. This hypothesis is made by the management by assuming that the acquisition date falls on January 1, 2014 and tentative fair value adjustments emerged on the acquisition date are similar.
 - (e) An expense of \$136,561 arose as a result of this acquisition.
 - (f) In compliance with the requirements of Jin-Guan-Yin-Fa-Zi No. 10310006310 issued on December 30, 2014. A resolution of 2015 earnings distribution for stockholders' meeting, the Bank provision for a reserve at the amount that is consistent with the increase of retained earnings attributed from a gain on bargain purchase. The aforesaid reserve cannot be reversed within one year. Subsequent to the one-year restriction, the reserve can be used to make up losses, and can also be capitalized if, after assessment, no unexpected significant impairment has incurred and with consent gained from a certified public accountant.
- (D) The Acquisition of CTBC Insurance Brokers Co., Ltd.

The Bank merged with CTBC Insurance Brokers Co., Ltd. on November 30, 2015, since both merging entities were wholly owned subsidiaries of CTBC Financial Holding Co., Ltd. According to IFRS Q&A “Interpretation For IFRS 3 On Business Combinations Controlled By The Same Company”, issued by Accounting Research and Development Foundation on January 8, 2013, since there is no clear requirement in business combination under controlled by same company in IFRS 3 “Business Combinations”, it is still suitable to adopt the original related interpretations.

The merger between the Bank and CTBC Insurance Brokers Co., Ltd. could qualify as a reorganization, in accordance with Interpretations (101) No. 301 issued by Accounting Research and Development Foundation, and thus both merging entities' assets and liabilities should be recorded at the book value on a consolidated basis. Additionally when the Bank prepared comparative financial statements, the financial statements were retroactively restated to reflect the merger assuming both entities had merged on January 1, 2014. The Bank acquired assets and liabilities of CTBC Insurance Brokers Co., Ltd. by issuing 52,350 thousand common shares in a 10.47-for-1 exchange for the shares of CTBC Insurance Brokers Co., Ltd. The net assets of CTBC Insurance Brokers Co., Ltd. acquired by the Bank amounted to \$2,434,477.

Each major asset, which increased due to the merger of the Bank and CTBC Insurance Brokers Co., Ltd., is provided for future operational use; therefore, there are no plans for any significant disposal of these assets. In addition, the operating results of CTBC Insurance Brokers Co., Ltd. for the year ended December 31, 2014, have been recorded in the income statements of the Bank for the year ended December 31, 2014, and the Bank's financial statements for the year ended December 31, 2014, have been retroactively restated.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

13. Disclosure Required

(A) Related information on significant transactions

- (a) Loans to others businesses or individuals: Not applicable to bank subsidiaries; others: None.
- (b) Endorsements and guarantees for others: Not applicable to bank subsidiaries; others: None.
- (c) Marketable securities held as of December 31, 2015 (excluding invested subsidiaries, associates and joint ventures): not applicable to banking subsidiaries; others: None.
- (d) Cumulative purchases or sales of the same investee's capital stock up to \$300,000 or 10% of paid-in capital: None.
- (e) Acquisition of real estate over \$300,000 or 10% of paid-in capital:

Unit : In Thousands of New Taiwan Dollars

Acquiring company	Name of property	Transaction date	Transaction amount	Payment status	Counterparty	Relation-ship	Previous transfer data when counterparty is related party				Reference for acquisition price	Acquisition purpose and use status	Other additional term
							Owner	Relationship with issuer	Transfer date	Amount			
CTBC Bank Co., Ltd.	Land and buildings	July 23, 2015	5,139,800	4,063,324	Yung-Yue Construction and Development Co., Ltd. and Lian-Hung Engineering and Development Co., Ltd.	Non-related party.	N/A	N/A	N/A	-	Valuation report	For owner's use	Note 1 Note 2

Note 1: According to the contract the Bank has paid for land in four installments and for building in two installments, however, the construction has not completed yet.

Note 2: Building ownership will be transferred to the Bank once the building is completed.

- (f) Disposal of real estate up to \$300,000 or 10% of paid-in capital:

Unit : In Thousands of New Taiwan Dollars / Thousands of US Dollars

Disposed company	Name of property	Transaction date	Acquired amount	Book value	Transaction amount	Balance due	Disposal gain or loss	Counterparty	Relation-ship	Disposal purpose	Price reference	Additional terms
CTBC Bank Co., Ltd.	Land and Buildings	July 29, 2015	Land: October 20, 1998 Buildings: December 31, 2005	334,091	1,068,168	None	728,469	Chia Tai Land Business Company Limited	Non-related party.	Activate property	Valuation report	None
CTBC Bank Co., Ltd.	Land	November 6, 2015	November 14, 1992	3,410,353	15,122,700	TWD: 1,242,270 USD: 8,304	10,229,800	Green Heaven Investments Ltd. and Shi-He Development Corp.	Non-related party.	Activate property	Valuation report	Note

Note: The first installment has been collected according to the contract.

- (g) Discount on commission fees for transaction with related parties up to \$5,000: None.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(h) Receivables from related parties up to \$300,000 or 10% of paid-in capital:

Unit : In Thousands of New Taiwan Dollars

Account receivable creditor	Counterparty	Relationship	Balance due from related party	Turnover rate	Overdue from related party		Subsequent collections from related party	Provision for bad debt
					Amount	Disposal		
CTBC Bank Co., Ltd.,	National Credit Card Center of R.O.C.	The director of the company which is controlled by the same parent company as the Bank is its Chairman.	2,194,305	- %	-	-	Fully recovered	-

(i) Financial derivative transactions: Not applicable to bank subsidiaries; others: None.

(j) Information on NPL disposal transaction:

1. Summary table of NPL disposal:

Unit : In Thousands of JPY Dollars

Trade date	Counterparty	Debt component	Book value	Sale price	Gain (loss) on disposal	Additional term	Relationship
March 19, 2015	Aurora Servicing, Ltd.	Non-secured loan	JPY 1,534,750	JPY 62,100	JPY (1,472,650)	None	Non-related party
April 24, 2015	TSB Servicer, Ltd.	Secured loan	JPY 5,226	JPY 2,110	JPY (3,116)	None	Related party
July 15, 2015	I.R servicing, Ltd.	Secured loan	JPY 26,736	JPY 31,717	JPY (4,980)	None	Non-related party
December 15, 2015	I.R servicing, Ltd.	Non-secured loan	JPY 433,036	JPY 109,048	JPY (323,987)	None	Non-related party

2. Disposal of a single batch of NPL up to \$1,000,000 and information on each transaction : None.

(k) Types of securitization instruments approved to be issued pursuant to financial assets securitization rules or real estate securitization rules and other relevant information: None.

(l) Business relationship and material transaction between the parent company and subsidiaries:

No. (Note)	Party	Counterparty	Relationship	Transaction status for the year ended December 31, 2015			Percentage of consolidated net revenues or consolidated total assets
				Account	Amount	Terms	
0	CTBC Bank Co., Ltd.	CTBC Capital Corp.	Parent to subsidiary	Cash and cash equivalents/Deposits and remittances	6,416,454	Identical with non-related parties	0.18%
"	"	CTBC Bank (Philippines) Corp.	"	Due from Central Bank and call loans to bank /Deposits from Central Bank and other banks	1,932,439	"	0.05%

Note: Serial number is determined as follows:

1. 0 represents parent company.
2. Subsidiaries are numbered in a sequence of Arabic numerals from 1 based on company category.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(m) Other significant transactions that may have substantial influence upon the decisions made by financial statement users: None.

(B) Related information on investee companies

Unit: In Thousands of New Taiwan Dollars/Thousands of shares

Name of investee	Location	Major operations	Ending ratio of shares	Book value of investment	Investment gains/losses recognized in current period	Ratio of shares held by the Bank and its associates				Remarks
						Shares currently held	Shares to be held	Total		
								shares	Ratio of shares	
CTBC Bank (Philippines) Corp.	16th to 19th Floors, Fort Legend Towers 31st Street corner 3rd Avenue Bonifacio Global City, Taguig City, 1634 Philippines	Primarily engages in commercial banking and financing business	99.60%	5,083,555	197,696	246,496	-	246,496	99.60%	The transaction on the left has been written off when composing consolidated financial report.
PT Bank CTBC Indonesia	Tamara Center, 15th-17th Fl., Jl Jenderal Sudirman Kav. 24 Jakarta 12920 Indonesia	Primarily engages in commercial banking and financing business	99.00%	6,092,918	338,532	1	-	1	99.00%	"
CTBC Bank Corp.(Canada)	1518 West Broadway, Vancouver, B.C., Canada, V6J 1W8	Primarily engages in commercial banking and financing business	100.00%	1,060,231	41,184	2,312	-	2,312	100.00%	"
CTBC Capital Corp.	801 S. Figueroa Street, Suite 2300, Los Angeles, CA 90017	Investment business	100.00%	21,983,785	466,161	6	-	6	100.00%	"
Grand Bills Finance Corporation	11F., No.560, Sec. 4, Zhongxiao E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	Proprietary traders of short-term bills and bonds	21.15%	1,863,187	124,976	114,399	-	114,399	21.15%	
GCB Finance (HK) Limited	Room 2812, 28th Floor, Two International Finance Centre, 8 Finance Street Central, Hong Kong	Corporate credit and investment business	- %	-	(35,810)	-	-	-	- %	Liquidated in 2015
CTBC Bank Corp.(USA)	801 S. Figueroa Street, Suite 2300, Los Angeles, CA 90017	Primarily engages in commercial banking and financing business	100.00%	13,555,141	472,570	Common shares 3 Preferred shares 100	-	Common shares 3 Preferred shares 100	100.00%	The transaction on the left has been written off when composing consolidated financial report.
The Tokyo Star Bank, Ltd.	2-3-5 Akasaka, Minato-Ku, Tokyo 107-8480, Japan	Primarily engages in commercial banking and financing business	100.00%	33,873,865	3,491,157	700	-	700	100.00%	"
TSB Capital, Ltd.	2-7-1, Nishi-Shinjuku, Shinjuku, Tokyo	Financing and assurance business	100.00%	2,846,248	(119,165)	1,936	-	1,936	100.00%	"
TSB Servicer, Ltd.	2-2-17, Akasaka, Minato, Tokyo	Debt management business	100.00%	478,092	19,260	-	-	-	100.00%	"
Tokyo Star Business Finance, Ltd.	2-2-17, Akasaka, Minato, Tokyo	Financing business	100.00%	75,048	20,669	5	-	5	100.00%	"
AZ-Star Co., Ltd	3-2-7, Kudan-minami, Chiyodaku, Tokyo	Fund management business	40.00%	3,296	-	-	-	-	40.00%	
AZ-Star no. 1 Investment Limited Partnership	3-2-7, Kudan-minami, Chiyodaku, Tokyo	Equity investment business	43.98%	353,942	-	3	-	3	43.98%	

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(C) Related information on investments in Mainland China:

(a) Related information on investee companies in Mainland China

Unit : In Thousands of New Taiwan Dollars/ Thousands of US Dollars

Name of investee company in Mainland China	Main business	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2015	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2015	Investment gains (losses) (Note 2)	Percentage of ownership for direct or indirect investment	Investment gains (losses) (Note 2 (c))	Book value as of December 31, 2015	Accumulated inward remittance of earnings as of December 31, 2015
					Outflow	Inflow						
CTBC Bank Co., Ltd., Shanghai Branch	Commercial banking	6,194,068 USD 206,045	3	6,194,068 USD 206,045	-	-	6,194,068 USD 206,045	189,145 USD 5,913	A branch in Shanghai; not an investee	189,145 USD 5,913	7,326,641 USD 221,576	None.
CTBC Bank Co., Ltd., Guangzhou Branch	"	4,114,056 USD 130,531	3	-	4,114,056 USD 130,531	-	4,114,056 USD 130,531	(34,994) USD (1,069)	A branch in Guangzhou; not an investee	(34,994) USD (1,069)	4,280,808 USD 129,462	"
CTBC Bank Co., Ltd., Xiamen Branch	"	-	3	-	-	-	-	-	A branch in Xiamen; not an investee	Still in preparation.	-	"

Note 1: Three methods of investment are as below; identify one of them:

1. Invest in Mainland China companies directly.
2. Re-invest in Mainland China companies through another investee in a third area. (Please identify the investee in the third area.)
3. Other method: set up new overseas branches.

Note 2: The column of "Investment gains (losses)":

1. If the company is still in the preparation process, and does not have any investment gain or loss, please specify.
2. The bases for recognition of investment income or loss have three methods, please specify.
 - a. The audited financial reports that are issued by an international accounting firm which is connected to an accounting firm in Taiwan.
 - b. The audited financial reports that are issued by the Taiwan parent company's designated accounting firm.
 - c. Others: the individual profit or loss of an overseas branch.
3. Please specify if information regarding current gains or losses of an investee is not retrievable.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(b) Upper limit on investment in Mainland China:

Unit : In Thousands of New Taiwan Dollars/Thousands of US Dollars

Name of investor company	Accumulated outflow of investment from Taiwan to Mainland China as of December 31, 2015	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment authorized by Investment Commission, MOEA
CTBC Bank Co., Ltd.	10,308,124	11,240,158	140,046,556
	USD 336,576	USD 339,931	USD 4,235,364

14. Segment Information:

The Bank and its subsidiaries' provide their chief operating decision maker with necessary information according to the characteristics of the business, to facilitate the assessment of performance and allocation of operational resources. The disclosures of assets, profits and losses are the same as the summary of significant accounting policies described in Note 4.

According to IFRS 8 "Operating Segments", reportable segments are as below:

The major operating activities of Institutional Banking are commercial banking and capital market activities which provide clients with flexible and tailor-made financing services and the design, supply, and proprietary trading of various financial products.

The major operating activities of Retail Banking is providing target clients with relevant financial services, including wealth management, credit cards, secured loans, and unsecured individual loans.

The major operationing activities of Japan Business are operated by The Tokyo Star Bank, Ltd.

The major operating activities of other segments are investing and general administration. For the year ended December 31, 2015 and 2014, the above operating segments did not meet the criteria for reportable segments when applying quantitative thresholds.

(A) Segment information

For the year ended December 31, 2015	Institutional Banking	Retail Banking	Japan Business	Other segments	Total
Net interest income	\$ 18,845,126	13,773,549	10,233,454	221,667	43,073,796
Non-interest income	10,223,556	24,343,171	3,378,783	11,430,811	49,376,321
Net income	29,068,682	38,116,720	13,612,237	11,652,478	92,450,117
Net Income Before Tax	\$ 13,255,349	17,091,181	4,842,796	4,600,075	39,789,401
Total assets	\$ 1,943,698,081	671,922,595	789,476,816	114,120,226	3,519,217,718
For the year ended December 31, 2014	Institutional Banking	Retail Banking	Japan Business	Other segments	Total
Net interest income	\$ 18,106,103	13,706,598	6,182,829	270,754	38,266,284
Non-interest income	9,458,818	23,065,428	2,934,861	17,745,523	53,204,630
Net income	27,564,921	36,772,026	9,117,690	18,016,277	91,470,914
Net Income Before Tax	\$ 12,437,659	17,799,083	3,738,603	8,624,140	42,599,485
Total assets	\$ 1,768,785,219	580,249,674	784,251,391	104,326,258	3,237,612,542

Note: Due to the acquisition of The Tokyo Star Bank, Ltd., gain from a bargain purchase of \$14,814,154 has been included.

CTBC BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(B) Geographic segment information:

The Bank and its subsidiaries prepare geographic segment information, which is shown as below, by the geographic location of foreign operations.

<u>Region</u>	<u>For the year ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Net income :		
Taiwan	\$ 64,784,331	69,546,151
Asia	24,420,689	19,083,383
North America	3,245,097	2,841,380
Total	<u>\$ 92,450,117</u>	<u>91,470,914</u>
Non-current assets :		
Taiwan	\$ 89,998,610	73,505,021
Asia	12,119,030	8,510,339
North America	2,475,086	2,376,546
Total	<u>\$ 104,592,726</u>	<u>84,391,906</u>

(C) Information on major customers: For the years ended December 31, 2015 and 2014, no individual customer of the Bank and its subsidiaries accounted for 10% or more of the Bank and its subsidiaries' revenue in the statements of income. Therefore, disclosure of information on major customers is not required.

CTBC BANK CO., LTD.
FINANCIAL REPORTS
DECEMBER 31, 2015 AND 2014
AND
INDEPENDENT AUDITORS' REPORT

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Independent Auditors' Report

The Board of Directors
CTBC Bank Co., Ltd.

We have audited the accompanying balance sheets of CTBC Bank Co., Ltd. as of December 31, 2015 and 2014, and related comprehensive income statements, changes in stockholders' equity, and cash flows for the year ended December 31, 2015 and 2014. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements mentioned above present fairly, in all material respects, the financial position of CTBC Bank Co., Ltd. as of December 31, 2015 and 2014, along with its financial performance and cash flow For the year ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms and the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants.

As Stated in Note 12(D), CTBC Bank Co., Ltd. merged with CTBC Insurance Brokers Co., Ltd. on November 30, 2015; the accounting treatment was based on IFRS Q&A and interpretations issued by the Accounting Research and Development Foundation, the merger could qualify as reorganization. In accordance with interpretation, when CTBC Bank Co., Ltd. prepared comparative financial statements, the financial statements of CTBC Bank Co., Ltd. were retroactively restated to reflect the merger assuming both entities had merged on January 1, 2014.

The structured notes cases as stated in Note 9(D) are still under investigation by the judiciary, and the results remain uncertain.

Taipei, Taiwan, R.O.C.
March 29, 2016

Notice to Readers

The accompanying financial reports are intended only to present the financial position, financial performance and cash flows in accordance with IFRSs accepted by the Financial Supervisory Commission and not those of any other jurisdictions. The standards, procedures, and practices to audit such financial reports are those generally accepted and applied in the Republic of China.

It should be noted the independent auditors' report and the accompanying financial reports were originally prepared in Chinese. As information loss underlies the nature of language transition, when conflicts or ambiguities arise in interpretations between the two versions, the Chinese version shall prevail.

CTBC BANK CO., LTD.
STATEMENTS OF COMPREHENSIVE INCOME
For The Year Ended December 31, 2015 And 2014
(Expressed In Thousands of New Taiwan Dollars)

	For the year ended December 31				Change %
	2015		2014		
	Amount	%	Amount	%	
Interest income (Note 6(AG))	\$ 45,969,852	59	45,545,812	56	1
Less: Interest expenses (Note 6(AG))	(17,475,356)	(22)	(17,503,911)	(22)	-
Net interest income (Note 6(AG))	28,494,496	37	28,041,901	34	2
Net income except interest					
Service fee and commission income (Note 6(AH))	32,270,846	41	30,021,122	37	7
Gains on financial assets or liabilities measured at fair value through profit or loss (Note 6(AI))	10,315,840	13	10,430,361	13	(1)
Realized gains on available-for-sale financial assets	516,208	1	666,414	1	(23)
Realized gain on held-to-maturity financial assets	-	-	66,684	-	(100)
Foreign exchange losses	(4,423,172)	(6)	(4,580,099)	(6)	3
Impairment loss	-	-	(22,320)	-	100
Proportionate share of gains from associates or joint ventures under equity method (Note 6(L))	4,623,896	6	3,752,300	5	23
Other net non-interest income	1,869,989	2	645,021	1	190
Gains on disposal of property - Assets held for sale (Note 13(A))	10,229,800	13	-	-	100
Losses on retirement of assets	(3,071,131)	(4)	(10,398)	-	(29,436)
Gain from a bargain purchase (Note 12(C))	-	-	14,814,154	18	(100)
Public-welfare lottery payment	(2,700,000)	(3)	(2,700,000)	(3)	-
Net Revenue	78,126,772	100	81,125,140	100	(4)
Provisions for bad debt expenses and guarantee reserve (Note 6(I))	(1,836,770)	(2)	(3,342,271)	(4)	(45)
Operating expenses:					
Employee benefits expenses (Note 6(AJ))	(19,930,751)	(25)	(20,127,076)	(25)	(1)
Depreciation and amortization expenses (Note 6(AK))	(1,979,263)	(3)	(1,595,963)	(2)	24
Other general and administrative expenses (Note 6(AM))	(16,630,261)	(21)	(15,382,492)	(19)	8
Total operating expenses	(38,540,275)	(49)	(37,105,531)	(46)	4
Net Income Before Tax from Continuing Operations	37,749,727	49	40,677,338	50	(7)
Income tax expenses (Note 6(AA))	(3,509,459)	(4)	(3,809,109)	(5)	8
Net Income	34,240,268	45	36,868,148	45	(7)
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement losses related to defined benefit plans	(630,716)	(1)	(356,371)	(1)	(77)
Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	1,150,729	2	464,012	1	148
Proportionate share of other comprehensive (losses) income from subsidiaries, associates or joint ventures under the equity method- items that will not be reclassified subsequently to profit or loss	(4,875)	-	44,186	-	(111)
Income tax related to items that will not be reclassified to profit or loss	110,377	-	59,456	-	86
Subtotal	625,515	1	211,283	-	196
Items that are or may be reclassified subsequently to profit or loss					
Exchange differences of overseas subsidiaries' financial reports translation	1,917,918	2	456,627	1	320
Unrealized valuation gains (losses) on available-for-sale financial assets	439,771	1	(363,701)	-	221
Proportionate share of other comprehensive losses from subsidiaries, associates or joint ventures under the equity method- items that are or may be reclassified to profit or loss	(703,045)	(1)	(64,090)	-	(997)
Income tax related to items that are or may be reclassified to profit or loss	174,315	-	268,338	-	(35)
Subtotal	1,828,959	2	297,174	1	515
Other comprehensive income (net amount after tax)	2,454,474	3	508,457	1	383
Total Comprehensive Income	\$ 36,694,742	48	37,376,605	46	(2)
Earnings per share (unit: NT dollars) (Note 6(AF))	\$ 3.24		3.58		

The accompanying notes are an integral part of the financial reports.

CTBC BANK CO., LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the year ended December 31, 2015 And 2014
(Retroactively Restated for the Year Ended December 31, 2014)
(Expressed In Thousands of New Taiwan Dollars)

	Other equity interest									
	Capital stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences of overseas subsidiaries' financial reports translation	Unrealized (losses) gains on available-for-sale financial assets	Changes in financial liabilities measured at fair value through profit or loss attributable to credit risk	Equity attributable to former owner of business combinations under common control	Total equity
Balance—January 1, 2014	\$ 78,622,897	17,182,059	39,662,592	299,935	15,692,181	(4,119,096)	(489,806)	-	-	146,850,762
Retrospective adjustment of equity attributable to former owner due to reorganization of entities under common control	-	-	-	-	-	-	-	-	2,330,437	2,330,437
Equity at beginning of period after adjustments	78,622,897	17,182,059	39,662,592	299,935	15,692,181	(4,119,096)	(489,806)	-	2,330,437	149,181,199
Net income	-	-	-	-	34,262,178	-	-	-	2,605,970	36,868,148
Other comprehensive income	-	-	-	-	(260,486)	581,980	(285,830)	464,012	8,781	508,457
Total comprehensive income	-	-	-	-	34,001,692	581,980	(285,830)	464,012	2,614,751	37,376,605
Earnings appropriation and distribution (Note)	-	-	-	-	-	-	-	-	-	-
Legal reserve appropriated	-	-	4,707,654	-	(4,707,654)	-	-	-	-	-
Special reserve appropriated	-	-	-	4,514,552	(4,514,552)	-	-	-	-	-
Cash dividends - common share	-	-	-	-	-	-	-	-	(2,227,892)	(2,227,892)
Stock dividends - common share	6,469,878	-	-	-	(6,469,878)	-	-	-	-	-
Capital increase by cash	6,000,000	9,000,000	-	-	-	-	-	-	-	15,000,000
Balance—December 31, 2014	91,092,775	26,182,059	44,370,246	4,814,487	34,001,789	(3,537,116)	(775,636)	464,012	2,717,296	199,329,912
Net income	-	-	-	-	31,906,816	-	-	-	2,333,452	34,240,268
Other comprehensive income	-	-	-	-	(525,214)	1,817,415	14,087	1,150,729	(2,543)	2,454,474
Total comprehensive income	-	-	-	-	31,381,602	1,817,415	14,087	1,150,729	2,330,909	36,694,742
Earnings appropriation and distribution	-	-	-	-	-	-	-	-	-	-
Legal reserve appropriated	-	-	10,278,654	-	(10,278,654)	-	-	-	-	-
Special reserve appropriated	-	-	-	10,369,908	(10,369,908)	-	-	-	-	-
Cash dividends - common share	-	-	-	-	-	-	-	-	(2,613,728)	(2,613,728)
Stock dividends - common share	14,113,004	-	-	-	(14,113,004)	-	-	-	-	-
Reversal of special reserve	-	-	-	(760,162)	760,162	-	-	-	-	-
Reorganization	523,500	1,910,977	-	-	-	-	-	-	(2,434,477)	-
Balance—December 31, 2015	\$ 105,729,279	28,093,036	54,648,900	14,424,233	31,381,987	(1,719,701)	(761,549)	1,614,741	-	233,410,926

Note: For the year ended December 31, 2014, employee bonuses of \$4,973 was deducted from the statements of comprehensive income.

The accompanying notes are an integral part of the financial reports.

CTBC BANK CO., LTD.
STATEMENTS OF CASH FLOWS
For the year ended December 31, 2015 And 2014
(Expressed In Thousands of New Taiwan Dollars)

	For the year ended December 31	
	2015	(Retroactively Restated) 2014
Cash Flows from Operating Activities:		
Net Income Before Tax	\$ 37,749,727	40,677,338
Adjustments:		
Income and expense items		
Depreciation expenses	1,512,091	1,093,779
Amortization expenses	467,172	502,184
Provision for bad debt expenses	1,836,770	3,342,271
Net losses (gains) on financial assets or liabilities measured at fair value through profit or loss	44,878	(4,835,609)
Interest expenses	17,475,356	17,503,911
Interest income	(45,969,852)	(45,545,812)
Dividend income	(291,357)	(236,418)
Net changes in guarantee reserve	(17,879)	(5,645)
Net changes in other provisions	(18,741)	(64,433)
Losses on disposal of foreclosed properties	-	65
Proportionate share of gains from subsidiaries, associates or joint ventures under the equity method	(4,623,896)	(3,752,300)
Losses on disposal and retirement of premises and equipment	2,328,906	3,544
Gains on disposal of assets held for sale	(10,229,800)	-
Gains on reversal of impairment loss on financial assets	-	(8,355)
Impairment loss on non-financial assets	-	30,675
Gain from a bargain purchase	-	(14,814,154)
Other adjustments	1,130,011	(75,940)
Subtotal of income and expense items with no effect on cash flows	(36,356,341)	(46,862,237)
Changes in Operating Assets and Liabilities:		
Net Changes in Operating Assets:		
(Increase) decrease in due from Central Bank and call loans to bank	(31,831,123)	2,048,749
Increase in financial assets measured at fair value through profit or loss	(36,945,722)	(14,152,442)
Decrease (increase) in hedging derivative financial assets	1,391,960	(589,373)
Decrease (increase) in receivables	26,479,420	(4,737,945)
Increase in loans	(149,993,631)	(119,128,548)
Decrease (increase) in available-for-sale financial assets	21,113,275	(44,772,322)
Increase in held-to-maturity financial assets	(78,063,611)	(8,169,583)
Decrease (increase) in other financial assets	1,754,473	(831,668)
Net Changes in Operating Assets	(246,094,959)	(190,333,132)
Net Changes in Operating Liabilities:		
Decrease in deposits from Central Bank and other banks	(339,118)	(4,883,551)
Increase in financial liabilities measured at fair value through profit or loss	27,329,205	26,831,519
(Decrease) increase in hedging derivative financial liabilities	(474,894)	661,210
(Decrease) increase in payables	(6,745,693)	11,891,088
Increase in deposits and remittances	263,677,650	161,309,529
Decrease in other financial liabilities	(4,889,686)	(2,088,226)
Increase in employee benefits provision	505,059	210,343
Net Changes in Operating Liabilities	279,062,523	193,931,912
Net Changes in Operating Assets and Liabilities	32,967,564	3,598,780
Sum of Adjustments	(3,388,777)	(43,263,457)
Cash Provided by (Used in) Operating Activities	34,360,950	(2,586,119)
Interest received	46,729,813	43,814,008
Dividend received	359,996	287,897
Interest paid	(16,336,981)	(15,879,063)
Income tax paid	(3,561,292)	(3,931,204)
Net Cash Provided by Operating Activities	61,552,486	21,704,979

CTBC BANK CO., LTD.
STATEMENTS OF CASH FLOWS(CONT'D)
For the Year Ended December 31, 2015 And 2014
(Expressed In Thousands of New Taiwan Dollars)

	For the year ended December 31	
	2015	(Retroactively Restated) 2014
Cash Flows from Investing Activities:		
Proceeds from capital reduction of financial assets carried at cost	\$ -	91,997
Purchase of financial assets under equity method	-	(15,665,085)
Disposal of financial assets under equity method	232,833	-
Purchase of premises and equipment	(8,219,747)	(8,073,146)
Disposal of premises and equipment	1,147,767	25,952
Purchase of intangible assets	(205,790)	(186,010)
Disposal of intangible assets	-	716
Decrease in receivables	813,854	514,655
Increase in other assets	(9,355,655)	(12,077,831)
Disposal of assets held for sale	13,640,153	-
Net Cash Used in Investing Activities	(1,946,585)	(35,368,752)
Cash Flows from Financing Activities:		
Decrease in due to Central Bank and other banks	(339,691)	(1,170,887)
Issuance of financial debentures	17,000,000	35,000,000
Repayments of financial debentures	(31,450,500)	(3,800,000)
Decrease in securities sold under repurchase agreements	(16,550,328)	(807,418)
Increase in financial liabilities designated as at fair value through profit or loss, upon initial recognition	10,057,737	32,764,694
(Decrease) increase in payables	475,647	928,291
Decrease in other liabilities	(527,178)	(804,370)
Cash dividends issuance	(2,613,728)	(2,227,892)
Capital increase by cash	-	15,000,000
Net Cash (Used in) Provided by Financing Activities	(24,899,335)	74,882,418
Increase in Cash and Cash Equivalents	34,706,566	61,218,645
Cash and Cash Equivalents, at the Beginning of the Period	207,721,396	146,502,751
Cash and Cash Equivalents, at the End of the Period	\$ 242,427,962	207,721,396
Components of cash and cash equivalents:		
Cash and cash equivalents recognized in the balance sheet	\$ 72,833,569	94,807,341
Due from Central Bank and call loans to bank which meet IAS 7 definition of cash and cash equivalents	169,594,393	112,914,055
Cash and Cash Equivalents, at the End of the Period	\$ 242,427,962	207,721,396

