

Stock Code : 2834

Taiwan Stock Exchange Market Observation Post System :

<http://mops.twse.com.tw>

TBB's annual report is available at : <http://www.tbb.com.tw>

2014

中華民國一〇三年年報 ANNUAL REPORT



臺灣中小企業銀行
TAIWAN BUSINESS BANK



NOTICE TO READERS

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

PUBLISHED IN MARCH 2015



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Flotation at Overseas Stock Exchange and Information Inquiry: None

臺灣中小企業銀行
TAIWAN BUSINESS BANK

We can be the best !



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TAIWAN BUSINESS BANK 100th ANNIVERSARY

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Message from the Management



Although global economic performance failed to meet expectations because of the weakness of the recovery in Europe, Japan, and other major economies, Taiwan's economy continued growing at a moderate rate in 2014. Thanks to the support of our shareholders and customers, and the strenuous efforts of our staff, the Taiwan Business Bank registered growth in both profitability and business expansion during the year.

With the stable growth of the American economy, the drop in international oil prices, and quantitative easing policies in Europe and Japan, major international forecasting institutions predict that global economic performance in 2015 will be better than the previous year, and Taiwan's economy is expected to continue its stable recovery under the influence of the global economic upturn and the decline in international oil prices. The government has constantly implemented financial liberalization and expanded deregulation of the financial industry in recent years, and has vigorously helped financial businesses deploy throughout Asia while promoting financial import substitution, expanding market scope, and enhancing competitiveness, thereby expanding the space for development of the banking industry. In this year, which marks the 100th anniversary of the establishment of the TBB, we will continue strengthening our three-pillar business development strategy focused on small and medium enterprises, wealth management, and the foreign exchange business so as to carry forward with last year's profit growth momentum, reinforce operating performance, and enhance the loan-deposit interest gap and fee income with the aim of achieving our profit growth target and realizing our four main operating principles—pursuit of business performance, heightening of employee value-added, emphasis on shareholders' interests, and fulfillment of corporate social responsibility—as we advance toward the ranks of outstanding banks and create another record of brilliant business performance.

Chairman

Tien- Chang Huang

President

Tzeng-Show Lin





Bank Profile





Executive Vice President

Chang-Yi Chen

Executive Vice President

Chih-Chien Chang

Executive Vice President

Chang-Hsiao Huang

Executive Vice President
(Chief Compliance officer)

Tsan-Huang Chou

Chief Auditor

Chien-Hwa Tu

1. Establishment and History

The forerunners of the Taiwan Business Bank were two private cooperative savings institutions, one established in Taipei in June of 1915 and the other in Tainan the following month. The Taipei institution was merged into another company in 1920 and the Tainan institution was reorganized under a different name in 1926.

Following the restoration of Taiwan to China on Oct. 25, 1945, these two savings institutions, along with two others, were taken over by the Taiwan Provincial Government and, on Sep. 1, 1946 were combined and reorganized into the Taiwan Mutual Financial Co. On May 31 the following year this new financial institution absorbed the Tokiwa Real Estate Co., bringing its capitalization to NT\$10 million. Its name was changed to the Taiwan Provincial Loans and Savings Co. on June 1, 1947 and again to the Taiwan Mutual Loans and Savings Co. in January 1948.

The government moved to promote Taiwan's economic development and boost the growth of its small and medium enterprises (SMEs) in 1975 by revising the Banking Law and writing in an additional provision for a specialized SME bank. In line with this government policy, the Taiwan Mutual Loans and Savings Co. was reorganized into the Medium Business Bank of Taiwan (later to be known as the Taiwan Business Bank, or TBB) on July 1, 1976, whereupon it became a specialized bank charged with the provision of financial assistance and guidance to SMEs. It has been cultivating the SME financial services field now for more than 30 years.

To adapt to the liberalized and internationalized financial environment, and work toward the government's vision of building Taiwan into an Asia-Pacific operations center, the TBB was converted into a private bank on Jan. 22, 1998 and entered a brand-new era of operation. At the time of its reorganization in 1976 the Bank had a capitalization of only NT\$500 million, 50 branches, and 58 sub-branches; repeated capital increases, undertaken to augment operating funds and strengthen the Bank's operating foundation, have boosted capitalization to NT\$52,979.14 million today. The Bank has also continuously restructured its organizational framework in response to business needs and the changing financial environment. Today, in addition to the Auditing Department and Secretarial Department that operate under the Board of Directors, the Bank's headquarters management units include 18 departments under three major business groups and three major management centers. Domestic business units number 125, including the Banking Department; besides the Offshore Banking Unit, there are also five overseas branches: Hong Kong, Los Angeles, Sydney, Brisbane and Shanghai branch. Regional Operation Centers were set up to handle business development and supervision, centralized business management, operational services, and other kinds of business support so as to upgrade business development capability and strengthen the control of asset quality. Domestic Processing Centers have also been established in northern, central, and southern Taiwan to enhance operating efficiency through the centralized handling of domestic remittances and bills collection and withdrawal.



2. Bank M&A, reinvestment in related enterprises, and reorganization in 2014 and up to the end of February 2015

The Bank has undertaken no M&A or reorganization during this period. The Bank has reinvested in 4 enterprises, including the Taiwan Business Bank Life Insurance Agency Co., Ltd. and Taiwan Business Bank Property Insurance Agency Co., Ltd., TBB International Leasing Co., Ltd., and TBB International Leasing Co., Ltd. reinvests in Taiwan Business Bank International Leasing Co., Ltd. in which it owns 100% of shares.

3. Membership in a designated financial holding company, and date of membership: None

4. Major exchanges or transfers of shares by directors and others required to report shareholdings under Article 25, Paragraph 3 of the Banking Law: None

5. Major changes in operating rights, operating methods, or business content; Other major events of sufficient import to affect shareholder rights; and their influence on the Bank: None



Organizational Framework

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1. Organization Chart

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2. Directors information

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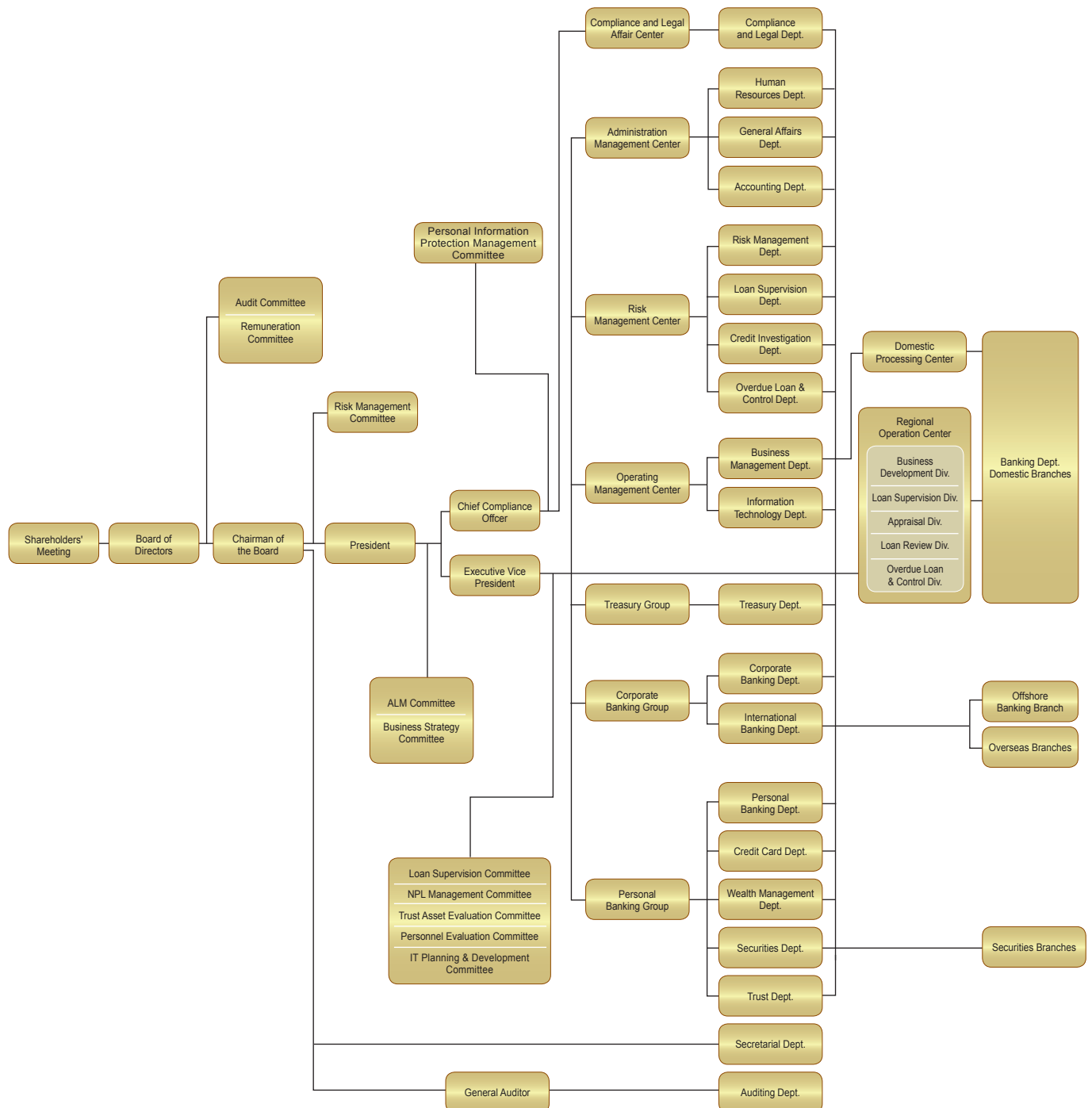
3. List of major shareholders

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4. Operations of Major TBB Units



1. Organization Chart





2. Directors information

Dec.31 2014

Title	Name
Acting Chairman of the Board	Tien-Chang Huang
Managing Director	Tsai, Tzong-Rong
Managing Director	Lillian L. Lin
Independent Managing Director	Chih Yu Cheng
Director	Lin Shiu Yen
Director	Wang Wen-Chieh
Director	Wan Fu Lin
Director	Lee Hong-Yen
Director	Huang Chung-Min
Director	Huang Chin Ting
Director	Kau Jong-Jyr
Director	Wang Che Nan
Independent Director	Chau-Chen Yang

3. List of major shareholders

Dec.31 2014

Name	Shares	%
Bank of Taiwan	912,520,417	17.22%
Hua Nan Commercial Bank Trustee Account- exchangeable stock of Mega Financial Holding Company	636,481,677	12.01%
Land Bank of Taiwan	128,609,392	2.43%
Ministry of Finance	116,878,200	2.21%
Lin Chen Hai	99,636,160	1.88%
Kin Ming Investment Co., Ltd.	97,566,514	1.84%
Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds	67,182,808	1.27%
CitiBank Taiwan was commissioned and management investor account of Dimension emerging market estimate fund	60,083,410	1.13%
Shi Chun Jin	54,957,042	1.037%
BES Engineering Corporation	52,868,608	0.998%

Note: The holding shares accords with the book records of last ex-dividend date. Hua Nan Commercial Bank Trustee Account- exchangeable/ non-exchangeable stock is a trust property of Mega Financial Holding Company which was trusted on April 16, 2013. Mega Financial Holding Company remains the right of deposit.

4. Operations of Major TBB Units

(1) Corporate Banking Group

This unit handles financial services for corporate customers, including business planning, promotion, and improvement in respect to loan products, forex products, and corporate financial planning products. It understands customers' needs and proactively carries out marketing, and is responsible for development and service in regard to the Group's products and customers as well as for improvement of the Bank's asset quality, operating income, and profit. The Corporate Banking Dept. and International Banking Dept. operate under the Corporate Banking Group.

(2) Personal Banking Group

This unit handles planning, promotion, and improvement of the Bank's personal loan products, financial planning for customers, and marketing services for financial planning products. It carries out proactive marketing based on an understanding of customers' needs, is responsible for development and service in regard to the Group's products and customers, and maintains improvement of the Bank's asset quality, operating income, and profit. The Personal Banking Dept., Credit Card Dept., Wealth Management Dept., Securities Dept., and Trust Dept. operate under the Personal Banking Group.

(3) Treasury Group

The Treasury Group handles planning, promotion, and improvement of the Bank's financial businesses, and is responsible for development and service in regard to the Group's products and customers as well as for maintaining improvement of the Bank's asset quality, operating income, and profit. The Treasury Dept. operates under the Treasury Group.

(4) Risk Management Center

The Risk Management Center handles risk control, maintenance of the quality of the Bank's loan assets, and investigation and review of loan cases and products, middle-office risk control for financial planning, economic and financial research and industry investigation, and the collection of overdue loans. The Loan Supervision Dept., Credit Investigation Dept., Overdue Loan & Control Dept., and Risk Management Dept. operate under the Risk Management Center.

(5) Operating Management Center

The Operating Management Center is charged with bank-wide performance analysis, management and planning for operational management and information operations, provision of full and necessary support for business development, and simplification of the planning process, so as to achieve operational centralization and upgrade operational efficiency. The Center also handles planning and implementation of bank-wide operating strategy formulation, confidential matters, and public relations. The Business Management Dept. and Information Technology Dept. operate under the Center.

(6) Administration Management Center

This Center handles the planning and implementation of document administration, human resources, and accounting systems, as well as other matters not assigned to other units. The Human Resources Dept., General Affairs Dept., and Accounting Dept. operate under the Center.

(7) Compliance and Legal Affairs Center

Compliance and Legal Department handles the planning, management and implementation of legal compliance system and legal affairs conduct.

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Business Performance in 2014

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1. The Domestic and Overseas Financial Environment

Despite the support for continued global economic recovery in 2014 provided by such positive factors as the stable growth of the American economy, the fall in oil prices, and continued loose-money policies in the major economies, the impact of abnormal weather early in the year, the Ukraine crisis and other geopolitical conflicts, faltering recovery in the euro zone, the blow to domestic demand in Japan caused by the consumption tax hike, and the slowdown in economic growth in China encumbered the momentum for economic expansion and global growth for the year fell below expectations. According to data released by Global Insight in February 2015, the global economy grew by only 2.8% in 2014.

In the first quarter of 2014, the upturn in domestic corporate profits and the payment of increased year-end and performance bonuses bolstered stock-market transactions in the first quarter of 2014, and income and wealth effects stimulated a growth in private consumption; this, plus a growth in exports of electronic products, machinery, and basic metals, pushed Taiwan's economic growth rate for the quarter to 3.41%. The rate rose to 3.87% in the second quarter, mainly because of a gradual improvement in employment and a continued rise in salaries. In addition, both the value and volume of stock-market transactions increased, supporting an ongoing warming up of private consumption, and the addition of new flight routes along with the establishment of new budget airlines by the aviation industry led to a continuing increase in private investment. There was also an ongoing growth in exports of electronic products, machinery, and basic metals. In the third quarter car dealers marketed their products vigorously, adding impetus to car sales, and the first half's momentum for growth in private consumption continued. In the area of private investment, domestic airlines continued increasing their fleets and semiconductor companies vigorously expanded capacity, pushing the economic growth rate to 4.32%. In the fourth quarter, consumer confidence suffered a short-term setback from a rash of food safety incidents; but an increase in employment fostered a stable growth in private consumption, and investment in advanced processes by semiconductor companies and in the installation of 4G network equipment by telecoms operators brought about an increased growth in private investment and the continuation of growth momentum, resulting in a growth rate of 3.35%. According to the Directorate General of Budget, Accounting and Statistics, Taiwan's economic growth rate for the year as a whole was 3.74%. With the global economy growing at a moderate rate and commodity prices remaining stable, the Central Bank kept the policy interest rate unchanged in 2014. The New Taiwan dollar evidenced a slight rising trend against the U.S. dollar in the first half of 2014, but the U.S. dollar strengthened in the fourth quarter following the announcement that the policy of quantitative easing (QE) would come to an end in America. In addition, the depreciation of the Japanese yen brought on a depreciation of other Asian currencies. At the end of the year the NT dollar was trading at NT\$31.718 to the U.S. dollar, a 5.57% depreciation compared with the end of 2013. The average exchange rate for all of 2014 was NT\$30.368:US\$1, down 1.97% compared with the previous year.

2. Restructure of TBB's Organization

In accordance with the provisions of Articles 32 and 34 of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" as revised by the Financial Supervisory Commission, the TBB's head office chief compliance officer, whose post is equivalent to that of executive vice president, conducts compliance affairs and does not hold internal posts other than that of chief legal officer. The Bank's former Legal Affairs Department has been renamed as Compliance and Legal Department, and has been placed under the supervision of the head office chief compliance officer.



3. Results of Operating Plans and Strategies

(1) Profitability

Profitability and the different areas of business have recorded stable growth. After-tax net profit in 2014 was NT\$5.315 billion (before-tax net profit came to NT\$5.486 billion, the best profit performance since the Bank was privatized (17 years ago). Pre-distribution (2013) annual dividends per share were NT\$0.4.

(2) Corporate Governance

- A. Passed certificate of corporate governance CG6009 general assessment by the Taiwan Corporate Governance Association.
- B. Won the highest rating of A++ in the Securities and Futures Institute's 11th Listed Company Information Disclosure Evaluation. The TBB is the only government-owned bank to have received this honor for six years in a row.

(3) Core Business

Enhance the development of "corporation banking," "foreign exchange and trade financing," and "wealth management":

A. Corporate Banking

- a. The Bank's performance in SME financing services was excellent, winning a "Credit Guarantee Partner Award," "Outstanding Direct Guarantee Award," and "Young Dream Startup Award" from the Outstanding Bank for the SME Credit Guarantee Loan Business program operated by the Ministry of Economic Affairs. The Bank topped the nation in the extension of Young Dream Startup Loans and Micro-Business Startup Phoenix Loans.
- b. In the handling of small and medium enterprise loans, the TBB scored first place in Taiwan in the value of loans transferred to the Small and Medium Enterprise Credit Guarantee Fund for guarantee.

B. Foreign Exchange and Trade Financing

Enhancing the absorption of RMB deposit and expanding business scales, the balance of RMB deposit in 2014 grew 78% compared with 2013.

C. Wealth Management

Expanding wealth management business vigorously, the service charges of wealth management business in 2014 grew 13.95% compared with 2013.

(4) Products Innovation

- A. Made plans for the installation of a cross-border online collection and payment (third-party payment) system designed to provide e-commerce customers with cross-strait collection services.
- B. Inaugurated cross-border (including cross-strait) US Dollar remittance services, enhancing the efficiency of remittance and foreign-currency collection and payment.
- C. Introduced "How Convenient Revolving Overdraft Facility" medium-term secured facility products to expand the scale of the TBB's personal wealth-management loan market and lessen rollover time and cost for borrowers.
- D. Inaugurated the QR Code mobile payment business to provide TBB cardholders with convenient and secure card services.

- E. Issued the co-branded EASYCARD combine Debit card, National Palace Museum Signature Card (EASYCARD), and Affinity card with Qing-Xi (EASYCARD), and inaugurated the telephone time payment business in order to expand the TBB's service scope and provide customers with full financial-management services.

(5) Expansion of Scope of Channel Services

- A. The TBB continued its vigorous move toward international deployment, opening the Brisbane Branch on May 14, 2014 to provide Taiwanese businesses there with deposit, loan, and remittance services, participate actively in the local syndicated loan market, and work with the Sydney Branch to provide customers in Australia with a more complete range of financial services. The Financial Supervisory Commission has also given permission for the TBB to establish a branch in New York and a representative office in Yangon, Myanmar.
- B. The TBB, through its subsidiary, the TBB International Leasing Co. Ltd., invested in the establishment of the Taiwan Business Bank International Leasing Co. Ltd. in China. This company, which opened for business on June 16, 2014, is the first Taiwanese financial institution to operate in the Shanghai Pilot Free Trade Zone.
- C. To expand services to Taiwanese businesses operating across the Taiwan Straits and provide better and more comprehensive financial services, on Nov. 10, 2014 the TBB moved its South Chia Yi Branch to Kinmen and changed its name to "Kinmen Branch." The business originally handled by the South Chia Yi Branch was turned over to the Chia Yi Branch, and the new Kinmen Branch not only provides outstanding financial services to Kinmen residents, but will also help the TBB to move on westward and develop Western Taiwan Straits Economic Zone business opportunities in Xiamen, Quanzhou, Zhangzhou, and other places, thereby expanding the territory and value of the TBB's channels.

(6) Information Operations

- A. Received Information Governance Endurance award from the British Standards Institution.
- B. Passed the British Standards Institution's BS10012:2009 international standards certification for personal information management.
- C. Performance in the promotion of electronic fund-flow business was excellent, winning the "Outstanding Fund-Flow Promotion Award" and "Excellence in Fund-Flow Innovation Award".

(7) Corporate Social Responsibility

- A. To realize the principle of care for society and fulfill its CSR, the Bank organized "Bring Warmth in the Chill Winter" donation activities to provide help for 35 disadvantaged groups and sponsor breakfasts at primary schools in remote areas as a means of participating in public-benefit work.
- B. Responding to the call for environmental protection, the Bank's green procurement spending topped NT\$40 million, winning citations from the Environmental Protection Administration and the Taipei City Government for outstanding performance in green procurement.
- C. The Bank went into the campus and the community to hold financial knowledge educational activities and publicize financial planning know-how and fraud prevention with the aim of rooting financial education.



4. Budget Implementation

- (1) Average deposits was NT\$1,137.997 billion, an increase of 2.31% over 2013.
- (2) Average loans outstanding for the year amounted to NT\$954.361 billion, a decreasing of 0.93% due to adjust the proportion between large enterprise and SME, thus increasing the Bank's corporate banking loan interest rate.
- (3) Foreign exchange transactions undertaken during the year totaled US\$62.204 billion, a growth of 14.04% over 2013.
- (4) Trust fee income amounted to NT\$545 million, an increase of 21.65% over 2013.
- (5) Life and non-life insurance fee income totaled NT\$1.005 billion, a growth of 18.37% over 2013.
- (6) The target achievement ratios for the businesses noted above ranged from 86.69% to 99.71%.

5. Revenues, Expenditures, and Profitability

- (1) Consolidated net income for 2014 was NT\$18.994 billion; consolidated costs related to bad loans and provision for guarantee liabilities amounted to NT\$2.538 billion; and consolidated operating costs were NT\$10.97 billion. Consolidated before-tax net profit from continuing operations was NT\$5.486 billion, consolidated after-tax net profit was NT\$5.315 billion, consolidated return on assets was 0.39%, consolidated return on equity was 8.86%, consolidated net profit margin was 27.98%, and consolidated after-tax earnings per share was NT\$1.0.
- (2) Consolidated pre-provision, pre-tax net income (including recovered bad debt) of NT\$9.150 billion for 2014 showed a huge improvement over the NT\$1.09 billion recorded in 2013; and due to additional bad-debt provision of NT\$3.664 billion made in order to strengthen credit risk appetite, the coverage ratio rose from 141.61% in 2013 to 236.78% in 2014. NT\$3.044 billion worth of bad loans was also written off, bringing the non-performing loan ratio down from 0.76% in 2013 to 0.46% in 2014. Pre-tax net income rose from NT\$3.857 billion in 2013 to NT\$5.486 billion in 2014 due to increasing NT\$1.196 billion and NT\$0.19 billion on net interest income and net service charges respectively. The healthy improvement in the financial structure, however, has a substantial beneficial effect on the Bank's development of new types of business and the heightening of its competitiveness.

6. Research and Development

- (1) The Bank has established a unit charged exclusively with research and analysis in regard to the status of and trends in major industries, and with compiling industry reports for publication in the Bank's e-library.
- (2) To strengthen the Bank's business competitiveness, employees are encouraged to innovate and to propose new financial products and business improvement programs in line with the needs of business development. A total of 48 such proposals were adopted and rewarded in 2014.



Business Plans for 2015

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1. Operating Directions and Policies

(1) Learning and Growth

- A. Manpower training was strengthened to enhance professional competence, and KPI evaluation was reinforced to upgrade employee output capacity.
- B. Investment in IT equipment was upgraded to boost the performance of information systems, and data meta-analysis capability and information security awareness and skills were reinforced to support business promotion in all areas.
- C. The leadership capability of management was reinforced to stimulate employees to strive together to reach the goal of building the TBB into an outstanding bank.
- D. A "learning organization" was molded through the employee training and evaluation system, and a corporate culture of learning and knowledge sharing was established.

(2) Internal Procedure

- A. The linkage between targets, evaluation, and stimulus was firmly established, and dynamic management was implemented in line with the PDCA cycle. Graded management was carried out and management density was strengthened to stimulate production and upgrade performance.
- B. Risk management measures were carried out in order to enhance asset quality, and the liquidity coverage ratio (LCR) was monitored in order to carefully manage liquidity risk.
- C. The use of big data analysis was accelerated and target marketing using CRM systems was strengthened so as to upgrade the contribution of target customers through superior services.
- D. Focus was placed on the core small and medium enterprise, wealth management, and foreign exchange businesses, and attention was paid to the pulse of the market and to policy directions in the simplification and innovation of operating procedures so as to provide customized services and differentiated products.
- E. Regulatory compliance and corporate governance were strengthened, and the spirit of the Equator Principles was introduced for the handling of loan cases and the realization of consumer protection, thereby fulfilling the Bank's corporate social responsibility.

(3) Customer

- A. Overseas market deployment was expanded and the profit contribution of overseas branches raised to 38%, and business resources were combined in the establishment of diversified channel integration services.
- B. Full efforts were devoted to the creation of a digital financial environment in line with the Bank 3.0 development trend, strategic alliances were strengthened and cooperative business relationships were deepened, and a diverse range of innovative financial services and products were developed.
- C. Wealth management customers were further developed and customer assets were helped to grow at a stable rate, and word-of-mouth marketing was used to boost customer satisfaction.
- D. The structure of corporate loans was readjusted and the SME niche market was further developed, core competitive advantages were reinforced, planned visits to customers were developed, the TBB flag was hoisted in industrial estates to boost market share there, and the image of the TBB brand as Taiwan's only specialized SME bank was burnished.
- E. In line with the Bank's 100th anniversary, a series of large celebratory activities was held, marketing campaigns were mounted, and product image advertisements were placed to strengthen the Bank's media coverage and burnish its value as a century-old enterprise.

(4) Financial Structure

- A. The Bank's operating indices were strengthened and its rate of return on capital upgraded, and capital planning was carried out in conformity with the demands of the authorities and of Basel III in order to augment equity capital and enhance business development capability.
- B. Operating performance was reinforced and market share and operating performance indices were heightened in preparation for entering the ranks of outstanding banks.
- C. Operating expenses were retrenched to reduce the cost ratio and a loan-loss reserve allocation policy was mapped out to reinforce the Bank's risk-bearing capability.
- D. SME loans (with foreign exchange) and the wealth management business were taken as the twin engines of profit, with the deposit-loan interest spread and the proportion of fee income increased.
- E. The DuPont analysis chart was used to disassemble the various constituent elements of the bank-wide financial situation and branch profit budget targets, and digital management was strengthened with the aim of helping the headquarters and branch offices formulate business promotion strategies and implementation programs so as to achieve bank-wide profit targets.

2. Business Targets

The following budget targets have been set primarily to protect shareholders' interest and comply with the demands of the competent authority for the strengthening of credit risk appetite and the heightening of allocations (bad-loan provisions), and in reference to the 2015 economic growth forecast announced by the Directorate General of Budget, Accounting and Statistics as well as growth trends in different fields of business by the different business departments, market share, and relative data from benchmark banks, using future operating income and profit projections as the main forecasting bases:

- (1) Average deposits of NT\$1,201.137 billion.
- (2) Average loans outstanding of NT\$1,036.258 billion.
- (3) Foreign exchange transactions of US\$71.761 billion.

3. Future Development Strategies

- (1) The small and medium enterprise and wealth management businesses were used as twin profit engines, and focus was placed on the three axes of small and medium enterprises, wealth management, and the foreign exchange business.
- (2) The core SME businesses will be cultivated and the Bank will commit itself to the role of specialized bank for SME financing and services so as to maintain its advantage in this niche.
- (3) Integrated business marketing will be strengthened and management by objectives will be carried out; cross-marketing will be used to expand core-customer business relations, enhance profitability, and create corporate value and shareholder equity.
- (4) Core customers will be cultivated and attention will be focused on core products; the spirit of all-staff marketing will be translated into action, expanding the scale of key businesses while boosting business competitiveness and market share.
- (5) The Bank engaged in in-depth development of the Asia-Pacific and deployment around the globe in order to enhance the share of overseas markets in total profits.

- (6) Adjustment of the quality of the asset structure to upgrade income from risk-based capital, and upgrading of the ratio of fee income to improve the revenue structure.
- (7) Strengthening of risk controls to maintain asset quality and lower the non-performing-loan ratio, and increasing of coverage against bad debt so as to boost operating performance and propel the Bank into the ranks of quality banks.

4. The Impact of Intensifying Competition, Government Regulation, and the Overall Operating Environment

Foreign Account Tax Compliance Act (FATCA)

The U.S. government apply Foreign Account Tax Compliance Act (FATCA) since January 2013. It affects the account holders of deposit, custodian, security and derivative investments and wealth management. In line with FATCA regulations, we've registered on the internet and acquired the certificate of Global Intermediary Identification Number (GIIN). We also increased related SOP of opening new account to identify our customers and fulfill our obligation on withholding and submission.

5. Results of Latest Credit Rating

Date of Rating	Rating Company	Ratings		Outlook
		Long-term Credit	Short-term Credit	
Feb. 13, 2015	Taiwan Ratings	twA+	twA-1	Stable



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3. Financial Statement in FY2014 and notes to Financial Statement





1. STATEMENT OF COMPLIANCE

For the year ended December 31, 2014 (from January 1, 2014 to December 31, 2014), the enterprises which the Company should include in the consolidated financial statements of the Company in accordance with Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as the enterprises which the Company should include in the consolidated financial statements prepared in accordance with IAS 27 which is accepted by the Financial Supervisory Commissions. The required disclosure of the financial statements of affiliated enterprise is disclosed in the abovementioned consolidated financial statements and the Company does not prepare financial statements for affiliated enterprises separately.

We hereby certify that the above is true and faithful.

Company Name: Taiwan Business Bank Ltd.

Chairman of the Board: Huang Tian Chang

Date: March 18, 2015

2. Independent Accountants' Audit Report

The Board of Directors

Taiwan Business Bank, Ltd.

We have audited the accompanying consolidated balance sheets of Taiwan Business Bank, Ltd. and its subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income as well as changes in consolidated equity and cash flows for the year ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report 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 referred to above present fairly, in all material respects, the financial position of Taiwan Business Bank, Ltd. as of December 31, 2014 and 2013, and the results of its operations and cash flows for the year then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Held Banks, International Financial Reporting Standards (IFRSs), International Accounting Standards and the explanations of the Standing Interpretations Committee and the International Financial Reporting Interpretations Committee accepted by the FSC.

We have also audited the financial report which was prepared separately for the year of 2014 and 2013 of Taiwan Business Bank Ltd. and expressed an unqualified opinion.

KPMG

Taipei, Taiwan, R.O.C.

March 18, 2015

Notice to Readers

The accompanying consolidated financial statements 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 statements are those generally accepted and applied in the Republic of China.

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

3. Financial Statement in FY2014 and notes to Financial Statement

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2014 AND 2013

(Expressed In Thousands of New Taiwan Dollars)

Assets	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%
Cash and cash equivalents (Notes 6(A) and 7)	\$ 64,242,245	5	32,244,163	3
Due from the Central Bank and call loans to banks (Notes 6(B) and 7)	61,844,444	5	68,296,127	5
Financial assets at fair value through profit or loss (Note 6(C))	2,610,707	-	2,974,594	-
Securities purchased under resell agreements (Note 6(D))	5,527,837	-	20,870,025	2
Receivables-net (Note 6(E))	21,821,960	2	14,303,296	1
Current Income tax assets	235,755	-	546,319	-
Discounts and loans-net (Notes 6(F) and 7)	1,001,234,570	72	958,077,590	72
Available-for-sale financial assets-net (Notes 6(G) and (N))	16,043,539	1	13,045,318	1
Held-to-maturity financial assets-net (Notes 6(H))	194,541,571	14	194,434,171	15
Other financial assets-net (Note 6(I))	3,268,115	-	3,325,207	-
Premises and equipment-net (Note 6(J))	14,101,430	1	14,298,731	1
Intangible assets-net	150,029	-	180,839	-
Deferred income tax assets-net (Note 6(V))	2,125,784	-	2,021,651	-
Other assets-net (Note 6(K))	4,642,581	-	1,750,045	-
Total assets	<u>\$ 1,392,390,567</u>	<u>100</u>	<u>1,326,368,076</u>	<u>100</u>



VI

FINANCIAL STATEMENTS

Liabilities and equity	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%
Liabilities				
Deposits from the Central Bank and other banks (Note 6(L) and 7)	\$ 80,595,072	6	79,079,753	6
Due to the Central Bank and other banks	-	-	13,000	-
Financial liabilities at fair value through profit or loss (Note 6(M))	303,213	-	280,882	-
Securities sold under repurchase agreements (Note 6(N))	3,895,308	-	4,199,242	-
Payables (Note 6(O))	30,556,802	3	19,752,202	1
Deposits and remittances (Notes 6(P) and 7)	1,152,156,998	83	1,095,420,273	83
Financial debentures (Note 6(Q))	41,800,000	3	51,450,000	5
Other financial liabilities (Note 6(R))	15,739,260	1	14,153,582	1
Provision for liabilities (Note 6(S))	3,018,791	-	3,113,241	-
Deferred income tax liabilities	898,420	-	880,712	-
Other liabilities (Note 6(T))	688,786	-	771,621	-
Total liabilities	1,329,652,650	96	1,269,114,508	96
Equity parent company				
Common stock (Note 6(U))	52,979,141	4	50,941,482	4
Retained earnings:				
Legal reserve (Note 6(U))	4,032,090	-	3,423,455	-
Special reserve (Note 6(U))	281,365	-	956,088	-
Undistributed earnings (Note 6(U))	5,381,104	-	2,028,781	-
Other items in equity	64,217	-	(96,238)	-
Total equity	62,737,917	4	57,253,568	4
Total liability and equity	\$ 1,392,390,567	100	1,326,368,076	100

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013

(Expressed In Thousands of New Taiwan Dollars)

	For the year ended December 31,				Percent Change%
	2014		2013		
	Amount	%	Amount	%	
Interest revenue (Note 6(Y) and 7)	\$ 25,259,678	133	23,293,357	132	8
Less: Interest expenses(Note 6(Y) and 7)	(10,469,421)	(55)	(9,698,855)	(55)	8
Net interest income	14,790,257	78	13,594,502	77	9
Non-interest income					
Service fee and commission income (Note 6(Z) and 13)	2,779,820	15	2,590,002	15	7
Gains (losses) on financial assets or liabilities at fair value through profit or loss-net (Note 6(AA))	326,010	2	829,423	5	(61)
Realized gains on available-for-sale financial assets-net (Note 6(AB))	53,078	-	35,660	-	49
Foreign exchange gains	846,166	4	255,354	1	231
Reversal of impairment loss on assets	641	-	-	-	-
Other net non-interest income (Note 6(AC) and 7)	(121,326)	(1)	68,746	-	(276)
Net profit or loss on financial assets measured at cost	117,346	1	186,968	1	(37)
Securities brokerage incomes-net	202,333	1	162,586	1	24
Net revenue	18,994,325	100	17,723,241	100	7
Provisions for bad debt expenses and quarantee reserve (miscellaneous provision) (Note 6 (AD))	(2,538,587)	(13)	(3,000,139)	(17)	(15)
Operating expenses:					
Employee benefit expenses (Note 6 (AE) and 12)	(7,034,153)	(37)	(7,305,886)	(42)	(4)
Depreciation and amortization expenses (Note 6 (AF) and 12)	(408,087)	(2)	(439,203)	(3)	(7)
Other general and administrative expenses (Note 6(AG))	(3,527,782)	(19)	(3,121,263)	(18)	13
Total operating expenses	(10,970,022)	(58)	(10,866,352)	(63)	1
Income from continuing operations before income tax	5,485,716	29	3,856,750	20	42
Income tax expenses (Note 6 (V))	(170,579)	(1)	(246,548)	(1)	(31)
Net income	5,315,137	28	3,610,202	19	47
Other comprehensive income:					
Difference of foreign exchange in translating financial statements of foreign operating units	244,690	1	(57,199)	-	528
Unrealized valuation (losses) gains on available-for-sale financial assets	(43,745)	-	101,179	1	(143)
Defined benefit plans actuarial gains (losses)	10,550	-	(66,365)	-	116
Plus: Income tax related to the components of other comprehensive income (Note 6(V))	(42,283)	-	21,006	-	(301)
Other comprehensive income (net amount after tax)	169,212	1	(1,379)	1	12,371
Total comprehensive income	\$ 5,484,349	29	3,608,823	20	52
Net Income Attributable to :					
Parent company	\$ 5,315,137	28	3,610,202	19	47
Comprehensive Income Attributable to :					
Parent company	\$ 5,484,349	29	3,608,823	20	52
Earnings per share (in NT dollar) (Note 6 (X))					
Basic earnings per share (in NT dollar)	\$ 1.00		0.68		
Diluted earnings per share (in NT dollar)	\$ 1.00		0.68		



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FINANCIAL STATEMENTS

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY CHANGE

FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013

(Expressed In Thousands of New Taiwan Dollars)

	Equity attributed to the parent company							Total
	Stock	Retained earnings				Other item in equity		
	Common stock	Legal reserve	Special reserve	Undistributed earnings	Total	Difference of foreign exchange in translating financial statements of foreign operating units	Unrealized gains and loss on available-for-sale financial assets	
Balance — January 1, 2013	\$ 48,982,194	2,402,303	591,203	1,818,987	4,812,493	(63,760)	(86,182)	53,644,745
Net Income for the year ended December 31, 2013	-	-	-	3,610,202	3,610,202	-	-	3,610,202
Other comprehensive income (losses) for the year ended December 31, 2013	-	-	-	(55,083)	(55,083)	(47,475)	101,179	(1,379)
Total comprehensive income for the year ended December 31, 2013	-	-	-	3,555,119	3,555,119	(47,475)	101,179	3,608,823
Earnings appropriation and distribution								
Legal reserve	-	1,021,152	-	(1,021,152)	-	-	-	-
Special reserve	-	-	364,885	(364,885)	-	-	-	-
Common stock dividend	1,959,288	-	-	(1,959,288)	(1,959,288)	-	-	-
Balance - December 31, 2013	50,941,482	3,423,455	956,088	2,028,781	6,408,324	(111,235)	14,997	57,253,568
Net Income for the year ended December 31, 2014	-	-	-	5,315,137	5,315,137	-	-	5,315,137
Other comprehensive income (losses) for the year ended December 31, 2014	-	-	-	8,757	8,757	203,093	(42,638)	169,212
Total comprehensive income for the year ended December 31, 2014	-	-	-	5,323,894	5,323,894	203,093	(42,638)	5,484,349
Earnings appropriation and distribution								
Legal reserve	-	608,635	-	(608,635)	-	-	-	-
Reversal of special reserve	-	-	(674,723)	674,723	-	-	-	-
Common stock dividend	2,037,659	-	-	(2,037,659)	(2,037,659)	-	-	-
Balance — December 31, 2014	\$ 52,979,141	4,032,090	281,365	5,381,104	9,694,559	91,858	(27,641)	62,737,917

TAIWAN BUSINESS BANK, LTD.AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013

(Expressed In Thousands of New Taiwan Dollars)

	For the year ended December 31,	
	2014	2013
Cash flows from operating activities:		
Net income before tax	\$ 5,485,716	3,856,750
Adjustments:		
Accounts that do not affect cash flow		
Depreciation expenses	324,023	363,327
Amortization expenses	84,064	75,876
Provision of bad debt expenses	2,493,093	2,994,205
Net gain on financial assets and liabilities at fair value through profit or loss	(147,424)	(65,412)
Interest expenses	10,469,421	9,698,855
Interest revenues	(25,259,678)	(23,293,357)
Net change of provision for guarantee reserve	45,494	5,934
Net change of other miscellaneous liability reserve	(76,428)	-
Losses on disposal and retirement of premises and equipment	386	754
Losses on disposal of investments	10,218	-
Other	328,905	41,994
Total	(11,727,926)	(10,177,824)
Change in assets and liabilities related to operating activities:		
Net change in assets related to operating activities:		
Decrease (increase) in due from the Central Bank and call loans to banks	6,451,683	(878,872)
Decrease in financial assets at fair value through profit or loss	553,535	2,952,825
Decrease (increase) in securities purchased under resale agreements	15,342,188	(7,630,075)
(Increase) decrease in receivables	(7,069,389)	6,639,456
Increase in discounts and loans	(45,767,194)	(7,304,050)
Decrease (increase) in other financial assets	54,785	(236,229)
Total	(30,434,392)	(6,456,945)
Net change in liabilities related to operating activities:		
Increase in deposits from the Central Bank and other banks	1,515,319	963,493
Decrease in financial liabilities at fair value through profit or loss	(19,893)	(2,921)
Decrease in bills and bonds sold under repurchase agreements	(303,934)	(2,043,798)



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FINANCIAL STATEMENTS

	For the year ended December 31,	
	2014	2013
Increase (decrease) in payables	10,922,593	(18,200,309)
Increase in deposits and remittances	56,736,725	40,179,052
Increase in other financial liabilities	1,580,485	2,720,141
(Decrease) increase in provision for employee benefits	(34,290)	157,478
Total	70,397,005	23,773,136
Total Change in assets and liabilities related to operating activities	39,962,613	17,316,191
Total adjustments	28,234,687	7,138,367
Cash provided by operating activities	33,720,403	10,995,117
Interest collected	24,886,771	23,090,841
Interest paid	(10,587,414)	(9,861,150)
Income tax paid	(289,315)	(177,937)
Net cash provided by operating activities	47,730,445	24,046,871
Cash flows from investing activities:		
Purchase of available-for-sale financial assets	(3,040,859)	(485,150)
Purchase of hold-to-maturity financial assets	(107,400)	(26,920,003)
Acquisition of financial assets measured at cost	(6,000)	-
Proceeds from capital deduction of financial assets carried at cost	3,122	253,070
Purchase of premises and equipment	(149,365)	(205,273)
Proceeds from disposition of premises and equipments	265	321
Increase in guarantee deposits paid	(71,018)	(30,133)
Purchase of intangible assets	(30,487)	(49,434)
(Increase) decrease in other assets	(2,618,677)	1,727,013
Net cash used in investing activities	(6,020,419)	(25,709,589)
Cash flows from financing activities:		
(Decrease) increase in due to the Central Bank and other banks	(13,000)	13,000
Issuance of financial debentures	-	11,000,000
Redemption of financial debentures	(9,650,000)	(3,450,000)
Increase (decrease) in guarantee deposits received	51,996	(28,491)
Increase in lease payable	5,193	32,904
(Decrease) increase in other liabilities	(120,861)	153,753
Net cash (used in) provided by financing activities	(9,726,672)	7,721,166
Foreign exchange effect	14,728	36,300
Net increase in cash and cash equivalents	31,998,082	6,094,748
Cash and cash equivalents, at the beginning of the period	32,244,163	26,149,415
Cash and cash equivalents, at the end of the period	\$ 64,242,245	32,244,163

TAIWAN BUSINESS BANK, LTD.AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 and 2013

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)



VI

FINANCIAL STATEMENTS

1. COMPANY HISTORY

TAIWAN BUSINESS BANK, LTD. (the "Bank") was formerly a general savings union known as "Taiwan Mutual Financing Bank" or "Tai-Shio Mutual Financing Bank" when it was established in 1915. After several mergers and acquisitions, it was renamed Taiwan Business Bank, Ltd. to serve as a financier and provider of banking assistance to small and medium-size businesses on July 1, 1976. The Bank's major lines of business are the following:

- (A) As prescribed by the Banking Law, provides professional services tailored to the needs of small and medium-size businesses;
- (B) Trust and securities brokerage businesses as approved by the relevant authority;
- (C) International banking business; and
- (D) Other relevant businesses as authorized by the relevant authority in-charge.

As of December 31, 2014, the Bank not only set up the banking dept., international dept., securities dept. and trust dept. under head office but also has 124 domestic branches, 1 offshore banking unit, 5 overseas branches, and 18 securities brokerage locations.

The Bank became listed on the Taiwan Stock Exchange on January 3, 1998.

Under the "Statute for Privatization of State Enterprises" and upon the approval of Taiwan Province Government, the shares of the Bank owned by the provincial government were sold to the public. In line with privatization of the three other major Taiwan province government owned run commercial banks, the Bank had completed its own privatization on January 22, 1998.

The Bank passed the 「CG6009(General Version) Corporate Governance System evaluation certification」 of Taiwan Corporate Governance Association on June 23, 2014.

2. FINANCIAL STATEMENTS AUTHORISATION DATE AND AUTHORISATION PROCESS

These consolidated financial statements were reported to the board of directors on March 18, 2015.

3. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

(A) The effect of 2013 version of the International Financial Reporting Standards not yet endorsed by the FSC:

According to Ruling No. 1030010325 issued by the Financial Supervisory Commissions R.O.C. ("FSC") on April 3, 2014, started from 2015, listed companies、companies that is traded in the OTC companies and emerging stock companies should adopt IFRS which is approved and published in 2013 (excluding IFRS 9 「Financial Instrument」) to prepare for financial reports. Relevant new standards and interpretations which are newly released, modified and amended are as follows:

New Standards And Interpretations Not Yet Adopted	IASB released of effective date
Amendment to IFRS 1 「Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters」	July 1, 2010
Amendment to IFRS 1 「Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters issued」	July 1, 2011
Amendment to IFRS 1 「Government loans 」	January 1, 2013
Amendment to IFRS 7 「Disclosures-Transfers of Financial Assets 」	July 1, 2011
Amendment to IFRS 7 「Disclosures-Offsetting Financial Assets and Financial Liabilities」	January 1, 2013
IFRS 10 「Consolidated Financial Statements」	January 1, 2013 (Investment entity is effective on January 1, 2014)
IFRS 11 「Joint Arrangements」	January 1, 2013
IFRS 12 「Disclosure of Interest in Other Entities」	January 1, 2013
IFRS 13 「Fair Value measurement」	January 1, 2013
Amendment to IAS 1 「Changes to the presentation of other comprehensive income」	July 1, 2012
Amendment to IAS 12 「Deferred Tax Recovery of Underlying Assets」	January 1, 2012
Amendment to IAS 19 「Employee Benefits」	January 1, 2013
Amendment to IAS 27 「Separate Financial Statement」	January 1, 2013
Amendment to IAS 32 「Offsetting Financial Assets and Financial Liabilities」	January 1, 2014
IFRIC 20 「Stripping Costs in the Production Phase of a Surface Mine 」	January 1, 2013

The impact, after the evaluation, from the adoption of IFRS 2013 is as follows :

1. IFRS 13-Fair value measurement

The standard defines fair value, builds up the framework of fair value measurement and regulates relevant disclosure of fair value measurement. The evaluation shows that adoption of the standard poses no significant influence over the Group's financial status and operating result. The Group is going to increase disclosure in terms of fair value measurement.

(B) The effect of International Financial Reporting Standards issued by the IASB but not yet endorsed by the FSC:

A summary of the 2013 version new standards and amendments issued by the IASB that may have an impact on the consolidated financial statements not yet endorsed by the FSC:

New Standards And Interpretations Not Yet Adopted	IASB released of effective date
IFRS 9 「Financial Instruments」	January 1, 2018
Amendments to IFRS 10 and IAS 28 「Sales or contributions of assets between an investor and its associate/joint venture」	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 「Investment entities: Applying the consolidation exception」	January 1, 2016
Amendment to IFRS 11 「Acquisition of an interest in a joint operation」	January 1, 2016
IFRS 14 「Regulatory Deferral Accounts」	January 1, 2016
IFRS 15 「Revenue from Contracts with Customers」	January 1, 2017
Amendments to IAS 1 「Disclosure initiative」	January 1, 2016
Amendments to IAS 16 and IAS 38 「Acceptable methods of depreciation and amortisation」	January 1, 2016
Amendments to IAS 16 and IAS 41 「Bearer Plants」	January 1, 2016
Amendment to IAS 19 「Defined Benefit Plans: Employee Contributions」	July 1, 2014
Amendments to IAS 27 「Equity Method in Separate Financial Statements」	January 1, 2016
Amendment to IAS 36 「Recoverable Amount Disclosures for Non-Financial Assets」	January 1, 2014
Amendment to IAS 39 「Novation of Derivatives and Continuation of Hedge Accounting」	January 1, 2014
IFRIC 21 「Levies」	January 1, 2014

The Group is evaluating the effect on financial status and operating result from adopting the abovementioned standards and interpretation. Relevant influence will be disclosed when the evaluation is completed.

4. SIGNIFICANT ACCOUNTING POLICIES

(A) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Held Banks (hereinafter referred to as the Regulations), Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRS endorsed by the FSC).

(B) Basis of preparation

(a) Basis of measurement

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

- (1) Financial instruments measured at fair value through profit or loss are measured at fair value (including derivative instruments);

(2) Available-for-sale financial assets are measured at fair value; and

(3) The defined benefit asset is recognized as plan assets, plus unrecognized past service cost, less the present value of the defined benefit obligation.

(b) Consolidation of financial statement

The consolidation financial statements include the headquarter and all the domestic branches, foreign branches and its subsidiaries. The internal transactions within the headquarter, the domestic branches and the foreign branches are offset when preparing the consolidated financial statement.

(c) Functional and presentation currency

The functional currency of each Group entities is determined based on the primary economic environment in which the entities operate. The Group consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(C) Basis of consolidation

(a) Subsidiary

A subsidiary is an enterprise controlled by the Bank. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Gains or losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(b) Elimination of inter-group transaction

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. The unrealized profits arising from the transactions with the investments under the equity method are eliminated to the extent of the percentage of shares possessed by the group over the investee. The unrealized losses are eliminated in the same way as the unrealized profit, but only under the circumstances that there are no evidences of impairment.

List of subsidiaries in the consolidated financial statements

	Established location	Stockholder's equity (Holding %)	
		December 31, 2014	December 31, 2013
Taiwan Business Bank Insurance Agency Co., Ltd.	Taiwan	100	100
Taiwan Business Bank Property Insurance Agency Co., Ltd.	Taiwan	100	100
Taiwan Business Bank International Leasing Co., Ltd.	Taiwan	100	100
Taiwan Business Bank International Financing Leasing Co., Ltd.	China	100	-

(D) Foreign currency

(a) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies on the reporting date are retranslated to the functional currency at the exchange rate of Bank of Taiwan at 10 AM. The foreign currency gain or loss on monetary items is the difference between

amortised cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation. Foreign currency differences arising on retranslation are recognized in profit or loss, except for the available-for-sale equity investment which are recognized in other comprehensive income arising on the retranslation.

(b) Foreign operations

The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group's functional currency by the following procedures:

- (1) Assets and liabilities are translated to the Group's functional currency at exchange rates at the reporting date;
- (2) Profit and loss are translated to the Group's functional currency by the average rate (unless the exchange rate of the period fluctuates intensively, then it applies the exchange rate on the trade date);
- (3) Foreign currency differences are recognized in other comprehensive income.

All the translation differences arising from above procedures are presented in the foreign currency translation reserve in equity. The exchange difference from translating net investments in foreign operations is recognized in other comprehensive income. When a foreign operation is wholly or partially disposed, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(E) Cash and cash equivalent

Cash and cash equivalent comprise cash on hand, petty cash, foreign currency on hand and cash in banks, but excludes those items which are designated for specific purposes or restricted by contracts and law.

(F) Financial Instruments

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

Financial instruments in this category includes financial assets and liabilities classified as held-for-trading and financial assets and liabilities designated as at fair value through profit or loss on initial recognition. Financial instrument is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. This type of financial asset is measured at fair value at the time of initial recognition, and attributable transaction costs are recognised in profit or loss as incurred. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade-date accounting. The derivative financial instruments held by the Bank, except for those designated as hedging instruments, are classified under this account. In addition, the Group designates 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:

- (1) A hybrid instrument contains one or more embedded derivatives;
- (2) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; and
- (3) In accordance with the Bank and its subsidiaries' risk control policy or investment strategy, a set of financial assets or liabilities and its components managed are also designated at fair value.

(b) Available for sale financial assets

Financial assets are measured at fair value and unrealized gains and losses thereon are recognized as an adjustment item of equity. Financial instruments held by the Bank and its subsidiary are recorded on the trade dates. Financial instruments are initially recognized at fair value plus transaction costs. The impairment loss is recognized if there is evidence indicating that a decline in the value of an investment is other than temporary. If the impairment loss in the following period is reduced, reversal of loss for equity investments is adjusted to equity, and reversal of loss for debt instrument is credited to current income if the reduction of impairment loss resulted from a subsequent event.

(c) Held-to-maturity financial assets

Financial assets are measured at amortized cost and its interest income via effective rate. Financial assets held by the Bank and its subsidiary are recorded on the trade dates and are initially recognized at fair value plus transaction costs. The impairment loss is recognized if there is evidence indicating that a decline in the value of an investment is other than temporary. 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 previous recognized impairment loss is reversed through the profit or loss. The carrying value after the reversal should not exceed the amortized balance of the assets assuming no impairment loss was recognized.

(d) Financial assets measured at cost

Equity instruments with no quoted market price and whose fair value cannot be reliably measured are stated at cost. The impairment loss is recognized if there is evidence indicating that a decline in the value of an investment is other than temporary, and the impairment loss is irreversible.

(e) Debt instrument with no active market

These are debt instruments with no active market quote and measured at amortized cost. The impairment loss is recognized if there is evidence indicating that a decline in the value of an investment is other than temporary. 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 previous recognized impairment loss is reversed through the profit or loss. The carrying value after the reverse should not exceed the amortized balance of the assets assuming no impairment loss was recognized.

(f) Loans and advances

Loans and advances are recorded as initial fair value (including direct transaction cost), and the subsequent measurement recognizes interest income via effective interest rate method (if there is not much difference then it can adopt straight line method) and is booked as per amortized cost deducted by impairment loss.

Interest accrual on loans and advances is suspended if either of the following occurs:

- (1) Payment of principal or interest is very likely not to be redeemed as per contracts.
- (2) Non-performing loans are categorized as overdue loans in six months after the settlement period ends.

(g) Allowance for bad debts and reserve for guarantee

Adequate allowance for bad debts is provided for loans and receivables by assessing whether there is evidence indicating that a single financial asset or a group of financial assets are impaired per the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans," and the "Regulations Governing Institutions Engaging in Credit Card Business".

For loans and receivables, the objective evidence should be identified first to reveal any impairment existing for financial assets that are individually significant, and individual or collective impairment for financial assets that are not individually significant. If no objective evidence of impairment exists in an individually assessed financial asset, it should be included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. For assets which have recognized impairment loss or continue to recognize impairment losses, the aforementioned assessment method is not required.

If there is an objective evidence that an impairment loss on a financial asset has occurred, the amount of the loss is recognized and measured via the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate; the amount of the loss should be recognized as bad debt expenses in profit or loss of the current period. The estimate of future cash flows includes the recoverable amount of collaterals and related insurances when determining the amount of the loss.

Above evidences of impairment loss usually include the following:

- (1) Significant financial difficulty occurs to the issuer or the debtor.
- (2) There are already default circumstances occur to the issuer or debtor, for example: default or overdue payment of interest or principal.
- (3) The creditor give in to the debtor due to commercial or legal concern.
- (4) The debtor is likely to bankrupt or execute certain financial reorganization.
- (5) The issuer has financial difficulty and the financial assets can not be traded in the active market.
- (6) The payment status of the debtor worsens.
- (7) The national and regional situation related to the default of the asset changes.

The Bank and its subsidiaries should recognize bad debt expenses when there is an impairment loss on the financial assets measured at amortized cost.

The impaired amount is the difference between the book value of the financial asset and the sum of estimated future cash flows discounted by the original effective rate. The book value of the financial assets is reduced by the allowance account and the amount of impairment losses shall be recognized as current gains and losses. When deciding the amount of the impairment loss, the estimate of future cash flows should include the collaterals and the recoverable amount of relevant insurances.

According to "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans", the Bank shall provide the sum of the following to be the allowance for bad debts:

- (1) 1% of the first class credit assets deducted by the amount of credit assets from the government.
- (2) 2% of the second class credit assets.
- (3) 10% of the third class credit assets.
- (4) 50% of the fourth class credit assets.
- (5) 100% of the fifth class credit assets.

The allowance for bad debts assessed by the previously stated method shall not be less than the amount regulated by "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans".

The Bank provides reserve for guarantee liabilities for off-balance-sheet non-credit assets taking into account the regulation of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans".

Unrecoverable overdue loans and bad debts, which are not able to be recovered after the overdue collection process, are written-off after deducting the recoverable portion. Upon approval by the board of directors and notification to supervisors, the excess amount of written off loans over such allowance or reserve is reflected as a current loss.

Above amounts provided are booked under the account of bad debt expenses.

(G) Impairment loss on non-financial assets

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

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount, as a reversal of a previously recognised impairment loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(H) Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

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

Land has an unlimited useful life and therefore is not depreciated. The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- | | |
|---------------------------|-------------|
| (a) buildings | 35-50 years |
| (b) Equipment and machine | 3-8 years |
| (c) Lease asset | 5 years |

The Group reviews and adjusts the residual value and the useful lives of assets at the end of each fiscal year. Whenever there is evidence indicating that the carrying amount is unable to be recovered due to environmental activities or changes, the Group evaluate the impairment loss of assets.

If the carrying amount is higher than the recoverable amount, the carrying amount is adjusted to the recoverable amount. The recoverable amount is the fair value or the use value deducted by the disposition expense.

The gain or loss on disposal is the difference between the carrying amount and net disposal proceeds, and gain or loss on disposal shall be recognized as net gain or loss on non-other interest of consolidated comprehensive income.

When purchasing machinery equipment and computer software, the education fee implied in the contract is not recognized as the cost of machinery equipment and is recognized as expense.

For the lease contracts which regulate the Group to restore the property to the original status, the Group reviews the terms of each contract and calculated the present value of the restoration expenses when signing the contracts. The decommissioning liability reserve is provided based on the calculation and the discount rate is determined based on the Bank's policy.

(I) Leasehold

Leases contract can be divided into operating lease contracts and financing (capital) lease contracts. If a lease contract transfers almost all the risk and reward comes with the leasehold, the leasehold is considered financing (capital) lease. If a lease contract does not transfers almost all the risk and reward comes with the leasehold, the leasehold is considered operating lease.

Depreciation is calculated per the regulation of IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets". If there is no reason to be sure that the lessee will obtain the ownership of the assets at the end of the lease period for financing leasehold, the assets shall be depreciated within the lease period or the durable service time, whichever is shorter. The lease contracts of the Bank and its subsidiaries include operating lease and financing lease.

(J) Deferred assets

The costs of installation for utilities, including electricity and water, as well as security facilities, are capitalized and amortized equally over 5 years.

(K) Collateral assumed

Collaterals assumed are stated at the lower of net book value or net realizable value; i.e., the amount the Bank receives when creditors cannot meet obligations and the collaterals and salvages are auctioned off. Under FSC Letter Ruling (2)0948010856 on July 11, 2005, collateral assumed must be disposed before December 31, 2005. If the Bank is unable to dispose the collateral assumed before December 31, 2005, it reserves a provision for loss equal to the carrying value of the collateral assumed. On disposition of collateral, the related provision is reversed. The selling price deducts the original book value of collateral assumed is recognized as gain on sale of collateral assumed.

(L) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. Amortization of the discount is recognized as interest expense. Future operating loss can not be recognized as liability reserve.

Contingent liability refers to the possible obligation results from past events. The existence of contingent liability can only be proved by whether one or more uncertain events which can not be controlled by the Bank and its subsidiaries occurs or not. Contingent liability also refers to the current obligation results from a past event, but not likely to cause outflow of economic resource to redeem the obligation or the amount of the obligation can not be measured reliably. The Bank and its subsidiaries do not recognized contingent liability and disclose it per related regulations.

(M) Employee benefit

(a) Short term employee benefit

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(b) Retirement benefit

The pension provision of the Bank and its subsidiaries includes defined contribution plan and defined benefit plan. For the personnel of foreign offices, the Bank provides pension fund per the regulations of the local authorities.

Defined contribution plan refers to the plan that the Bank and its subsidiaries annually provide certain amount of money to funds to fulfill the obligation. The Bank and its subsidiaries provide pension based on compulsory obligation, contracts or voluntary will to public or private managed pension funds. If certain pension fund fail to pay the employees the benefit which they deserve for the service they provided, the Bank and its subsidiary do not hold legal or constructive obligation to pay additional provision. The Bank and its subsidiaries recognize the pension fund provided as current pension cost on accrual basis. Prepaid pension asset can only be recognized under the circumstance that there is cash refund or the future pension payable can be deducted.

Defined benefit plan refers to the plan that is established according to the amount of pension an employee shall receive on the retirement date. The amount is based on age, year of service and salary compensation.

The Bank recognize pension asset or liability on the consolidated balance sheet base on the actuarial present value of defined benefit obligation deducted by the fair value of pension fund and adjust the amount with the net value of unrecognized pension profit or loss and prior service cost recognized as liability. The defined benefit obligation is calculated annually by a qualified actuary using the projected unit credit method. The actuarial present value is calculated by taking the market yield rates of high quality corporate bond or government bond which have the same maturity date and currency as the retirement benefit obligation into consideration to discount and estimate future cash flows.

Actuarial profit or loss results from experiences or changes in actuarial assumption is recognized under the account of other comprehensive income. Prior service cost, except for the part that the Bank and its subsidiaries shall amortize it via straight line method within the vesting period in which the employees provide their service due to the modification of the retirement plan, are all recognized as current profit or loss.

The Bank and its subsidiaries adopt the pension cost ratio, based on prior fiscal year's actuarial result, to calculate the defined benefit plans pension fund. In addition, the pension fund is adjusted based on significant market fluctuation, significant curtailment or settlement and other one-time event.

(c) Deposits with favorable rate

The Bank provides deposits with favorable rate to employees, which include current employee fix amount deposits with favorable rate and retired employee fix amount deposits with favorable rate. The rate difference between the favorable rate and the market rate belongs to the category of employee benefit.

According to article 28 of "Regulations Governing the Preparation of Financial Report by Public Banks", the additional interests result from the difference between deposit with favorable rate and the deposits with market interest rate shall be calculated by actuary per the regulations related to defined benefit plan in IAS 19. The parameters of actuarial assumptions shall follow the regulations of the competent authority.



In accordance with the regulation of “Discussion of the employee benefit actuarial assumption related matter for adopting IAS 19 with respect to the additional interest of employee deposits with favorable rate” issued by the Banking Bureau, the difference between the actual payment and the estimated retirement benefit obligation is deemed as changes in accounting estimate and is recognized in profit or loss.

(d) Termination benefits

Termination benefits are recognised as an obligation when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Bank and its subsidiaries recognize liabilities when an formal unrevokable termination project is undertaken or when benefit is provided for encouraging voluntary resignation. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(N) Income tax

Income tax expenses refer to current and deferred income taxes. Current and deferred income taxes shall be recognized as profit or loss except for the items related to corporate merger or recognized under the equity and other comprehensive income. Current income tax includes expected tax payable or tax refundable calculated based on the taxable income (loss) multiplied by the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and the adjustments of tax payables from prior years.

Deferred income tax is measured and recognized based on the temporary difference between the carrying amount of the assets and liabilities for financial reporting purpose and the amount served as the taxable basis. It is measured by the tax rate which the assets expected to be realized or liabilities to be settled and is based on tax rates that have been enacted or substantively enacted on the balance sheet date.

The land incremental tax results from the revaluation per relevant regulations is categorized as taxable temporary difference and is recognized as deferred tax liabilities.

Deferred tax assets are recognized for loss carried forward, unused tax credit and deductible temporary differences to the extent that the future taxable income is likely to be available to apply against the deferred tax assets. The carrying amount of deferred tax assets should be reviewed at the end of each reporting period and the amount is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of partial or entire deferred tax asset to be utilized.

The 10% surtax on undistributed earnings is recognized as current expense on the date when the stockholders decide not to distribute the earnings in the annual meeting.

(O) Revenue recognition

Interest is recognized according to interest method. Interest accrual is suspended from the date when the loan is reclassified to non-performing loan and only when the Bank and its subsidiaries receive cash, the revenue is recognized.

The revenue of handling fee is recognized when cash collected or when the process of the profit are mostly completed. In addition, for the individual loan which does not belong to labor service and the handling fee is over 1% of the principal, the interest rate shall be adjusted from the original agreed interest rate to the effective interest rate. For the individual loan which does not belong to the service and the handling fee is less than 1% of the principal, the recognition of the revenue should be deferred and be recognized as revenue during the loan period.

(P) Operating segments

Operating segment is the 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 pertaining to the allocation of resources to the segment and to assess the performance for which discrete financial information is available.

(Q) Earnings per share (EPS)

EPS is based on the weighted-average number of shares outstanding. In the event of capital increase through capitalization of retained earnings, capital surplus, or employee bonuses, EPS is retroactively adjusted based on the percentage of capital increase, regardless of the period when the incremental shares are outstanding.

The employee bonuses of the Bank and its subsidiaries issued by stocks were dilutive potential common shares. If the potential common shares have a non-dilutive effect, the Bank and its subsidiaries should only disclose the basic earnings per share. On the contrary, if the potential common shares have a dilutive effect, the Bank and its subsidiaries should disclose both the basic and diluted earnings per share. In calculating the diluted earnings per share, it is based on the assumption that all dilutive potential common shares are outstanding, and therefore the net income and the shares outstanding shall be adjusted in accordance with the calculation.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATIONS, ASSUMPTIONS, AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management inspects estimates and basic assumptions continuously, changes in accounting estimate will be recognized in the periods which the change occurred and future periods effected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

(A) Impairment losses on loans

The Bank and its subsidiaries review loan portfolios quarterly to evaluate impairment losses. When deciding whether to recognize impairment or not, the Bank and its subsidiaries observe evidences indicating the possibilities of impairment. The observable evidence may include the unfavorable changes of payment status or the economic conditions of the countries or areas related to the default loan. The management applies past loss experience of assets with similar credit risk characteristic to analyze the expected cash flows. The Bank and its subsidiary regularly review the methods and assumptions applied for calculating the amount and timing of the expected cash flows in order to diminish the difference between the estimated amount and the actual amount.

(B) Retirement benefit

The present value of the retirement benefit obligation is the actuarial result based on several assumptions. Any change of the assumptions may influence the carrying amount of the retirement benefit obligation.

The assumptions applied to determine net pension cost (revenue) include the discount rate. The Bank and its subsidiaries determine the appropriate discount rate at the end of each year and apply it to calculate the present value of the future cash outflows which are to be paid to the retirement benefit obligation. To



determine the appropriate discount rate, the Bank and its subsidiaries should consider the interest rate of high quality corporate bonds and government bonds. The currency of the retirement benefit shall be the same as that of the high quality corporate bond or government bonds and the duration till maturity date shall comply with the duration of the related pension obligation. Other significant assumptions of retirement benefit obligation are based on the current market situation.

6. EXPLANATION OF SIGNIFICANT ACCOUNTS

(A) Cash and cash equivalents

	December 31, 2014	December 31, 2013
Petty cash and revolving fund	\$ 9,377,085	8,710,699
Foreign currencies on hand	1,006,821	932,269
Checks for clearing	7,654,077	3,750,838
Due from other banks	46,204,262	18,850,357
Total	<u>\$ 64,242,245</u>	<u>32,244,163</u>

(B) Due from the Central Bank and call loans to banks

	December 31, 2014	December 31, 2013
Due from the Central Bank	\$ 42,756,826	47,442,644
Deposits transferred to the Central Bank	110,523	137,212
Call loans to banks	18,977,095	20,716,271
Trust fund indemnity reserve deposited	70,000	70,000
Securities served as trust fund indemnity reserve deposited	(70,000)	(70,000)
Total	<u>\$ 61,844,444</u>	<u>68,296,127</u>

As of December 31, 2014 and 2013, in accordance with the Banking Law and the Central Bank Law, the required reserve deposited by the Bank with the Central Bank amounted to \$42,602,403 and \$47,422,260, of which \$30,304,020 and \$29,940,478 respectively, were restricted and such restriction may only be lifted when the required reserve is adjusted to a lower amount.

Effective December 2000, in accordance with the amended "Rules Governing Adjustments to and Review of Deposits in Financial Institutions and Reserve for Other Liabilities", the Bank provides the required additional reserve on foreign currency deposits. As of December 31, 2014 and 2013, the required reserve with the Central Bank amounted to \$154,423 and \$20,384 respectively, and its use is unrestricted.

As of December 31, 2014 and 2013, deposits collected on behalf of the armed forces, prisons, and other national deposits are restricted.

Effective January 20, 2001, in accordance with the requirement of the Central Bank of China, the Bank complies with Clause 34 of the Trust Law to treat the discretionary trust of investments in overseas marketable securities as a default loss reserve. As of December 31, 2014 and 2013, the Bank deposited marketable securities of both \$70,000 as trust fund reserves.

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

	December 31, 2014	December 31, 2013
Financial assets held for trading:		
Commercial paper	\$ 79,949	-
Foreign exchange forward contracts	59,331	40,584
Currency swap contracts	484,148	357,671
Interest swap contracts	1,261	6,768
Foreign currency options-call	66,340	62,640
Structured product options-call	148	88
Stock index futures	27,285	27,243
Sub-total	718,462	494,994
Financial assets designated at fair value through profit or loss:		
Overseas bonds	1,892,245	2,479,600
Total	\$ 2,610,707	2,974,594

As of December 31, 2014 and 2013, the nominal amounts of unsettled financial derivative instrument contracts were as follows:

	December 31, 2014	December 31, 2013
Foreign exchange forward contracts	\$ 5,132,526	6,604,125
Currency swap contracts	52,982,358	57,031,954
Interest swap contracts	4,600,200	7,457,320
Option contracts-call	1,726,731	2,253,187
Option contracts-put	1,726,731	2,253,187

(D) Securities purchased under resell agreements

	December 31, 2014	December 31, 2013
Securities under resell agreements	\$ 5,527,837	20,870,025
Face amount	5,534,000	20,904,900
Resell period	2015.1.5~2015.1.21	2014.1.3~2014.1.29
Range of resell interest rate	0.6%~0.75%	0.6%~0.62%
Resell price		
Securities purchased under resell agreement	\$ 5,529,181	20,878,977

Please refer to Note 6(N) for information with regard to repurchase conditions for securities purchased under resell agreements shown above.

(E) Receivables—net

	December 31, 2014	December 31, 2013
Interest receivable	\$ 2,329,291	1,897,207
Acceptances receivable	1,608,642	1,550,304
Accrued incomes	77,984	62,593
Accounts receivable	128,124	25,442
Spot exchange receivable-foreign currencies	14,456,636	7,430,615
Refinancing guaranty deposits	3,026	403
Guaranteed proceeds receivable from refinancing	3,340	448
Receivable from credit card	1,429,914	1,464,990
Receivable from security brokerage	122,211	93,826
Settlement fund	741,365	1,098,212
Installment receivables and leases	655,661	415,958
Other receivables	<u>381,901</u>	<u>396,624</u>
Sub-total	21,938,095	14,436,622
Less: Allowance for bad debts	<u>(116,135)</u>	<u>(133,326)</u>
Net	<u>\$ 21,821,960</u>	<u>14,303,296</u>

The change in allowance for bad debts is as follows:

Receivables	For the year ended December 31,	
	2014	2013
Beginning balance	\$ 133,326	317,249
Reversal	(17,495)	(130,269)
Transfer out	-	(53,719)
Foreign exchange	<u>304</u>	<u>65</u>
Ending balance	<u>\$ 116,135</u>	<u>133,326</u>



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(F) Discounts and loans–net

	December 31, 2014	December 31, 2013
Import/export bills negotiated	\$ 448,466	340,780
Bills and notes discounted	1,476,099	1,499,993
Overdrafts	16,835	12,444
Secured overdrafts	877,478	1,316,563
Short-term loans	231,437,942	203,693,834
Short-term secured loans	146,168,111	135,567,135
Margin loans receivable	2,221,662	1,793,827
Medium-term loans	143,601,507	143,962,695
Medium-term secured loans	132,804,405	123,077,337
Long-term loans	16,957,020	18,449,510
Long-term secured loans	331,799,385	331,727,694
Account receivable financing	463,313	475,282
Overdue loans	4,162,467	6,829,899
Sub-total	1,012,434,690	968,746,993
Less: Adjustment of discount and premium	(266,459)	(207,282)
Less: Allowance for bad debts	(10,933,661)	(10,462,121)
Net	\$ 1,001,234,570	958,077,590

The change in allowance for bad debts is as follows:

Loan	For the year ended December 31,	
	2014	2013
Beginning balance	\$ 10,462,121	8,301,460
Provision	2,545,394	3,001,387
Transfer out	(29,773)	(29,155)
Write-off	(3,165,160)	(1,988,187)
Foreign exchange	35,416	17,386
Written-off recovered	1,085,663	1,159,230
Ending balance	\$ 10,933,661	10,462,121

(G) Available-for-sale financial assets–net

	December 31, 2014	December 31, 2013
Government bonds	\$ 4,130,829	5,031,655
Corporate bonds	5,076,756	5,207,083
Overseas bonds	5,071,057	1,999,785
Listed and OTC stocks	1,764,897	806,795
Total	\$ 16,043,539	13,045,318

Please refer to Note 6(N) for the information with regard to repurchase conditions for available-for-sale financial assets shown above.

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

	December 31, 2014	December 31, 2013
Certificates of deposit with the Central Bank	\$ 171,700,000	177,800,000
Government bonds	4,354,399	3,467,755
Corporate bonds	7,743,667	5,503,197
Overseas bonds	10,676,998	7,415,760
Banker's acceptance	-	184,921
Negotiable certificates of deposit	66,507	62,538
Total	<u>\$ 194,541,571</u>	<u>194,434,171</u>

As of December 31, 2014 and 2013, held-to-maturity financial assets provided and deposited as reserve for provisional seizure by the court, international card payment reserve, trust claim reserve and operating guaranty funds amounted to \$707,800 and \$799,200, respectively. As of December 31, 2014 and 2013, the three overseas branches have provided \$66,507 and \$247,459, respectively, for the reserve of overdraft guarantee.

In order to comply with the immediate tax settlements mechanism of Central Bank and the interbank funds transfer system, the Bank provided time deposits with the Central Bank amounting to \$12,000,000 and \$2,000,000 as overdraft guarantee as of December 31, 2014 and 2013, respectively. The amount of the guarantee can be modified anytime and the remaining amount could be served as liquid reserves.

As of December 31, 2014 and 2013, in compliance with the item 16 of "Guidelines Governing Financial Institution in Conducting Treasury Affairs Authorized by Central Bank", the Bank provided secured central bank certificates of deposit with face value of \$800,000 and \$15,900,000, respectively to the Central Bank. When certain conditions are satisfied, the Bank will be returned the certificates without interest from Central Bank.

As of December 31, 2014 and 2013, the Bank provided Central bank certificates of deposit with face value of \$17,000,000 to serve as a guarantee for borrowing US dollars from Central bank.

(I) Other financial assets–net

	December 31, 2014	December 31, 2013
Non-accrual loans transferred from non-loan financial assets	\$ 333,205	376,894
Less: Allowance for bad debts-non-accrual loans transferred from non-loan financial assets	(273,317)	(268,283)
Non-accrual loans transferred from non-loan financial assets-net	59,888	108,611
Exchange bills negotiated	1,222	2,250
Less: Allowance for bad debt-exchange bills negotiated	(12)	(11)
Exchange bills negotiated-net	1,210	2,239
Financial assets carried at cost	1,707,017	1,714,357
Debts investment without active market	1,500,000	1,500,000
Total	<u>\$ 3,268,115</u>	<u>3,325,207</u>

(a) Financial assets carried at cost are as follows:

Investee	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%
Taiwan Power Company	\$ 11,427	-	11,427	-
Taiwan Sugar Corporation	58,294	0.30	58,294	0.30
Sunysino Development Associated Inc.	17,440	3.12	17,440	3.12
Taiwan Small & Medium Enterprises Devel. Co., Ltd.	29,000	4.84	29,000	4.84
Taipei Forex Incorporation	7,000	3.53	7,000	3.53
Financial Information Service Co., Ltd.	45,500	1.14	45,500	1.14
Evernight Investment Co., Ltd	500,000	4.95	500,000	4.95
Taiwan Stock Exchange Corp.	198,012	0.95	198,012	0.95
Taiwan Futures Exchange Co., Lt	20,000	1.00	20,000	1.00
Taiwan Asset Management Corp	750,000	5.68	750,000	5.68
Taiwan Finance Asset Service Corp	50,000	2.94	50,000	2.94
Financial E-Solution Co., Ltd	9,245	4.12	19,285	5.13
Taiwan Depository and Clearing Corp	4,639	0.08	4,639	0.08
Taiwan Integrated Shareholder's Service Company	-	-	3,300	1.10
Yand Guang Asset Management Corp.	460	0.77	460	0.77
Taiwan Trusted Service Manager Co., Ltd.	6,000	1.00	-	-
Total	<u>\$ 1,707,017</u>		<u>1,714,357</u>	

The investees of the Bank, Taiwan Sugar Corporation and Taiwan Asset Management Corp., refunded proceeds which was a total of \$315,456 from capital deduction and recognized gain on investments a total of \$62,386 for 2013.

The investees of the Bank, Taiwan Integrated Shareholder's Service Company has been purchased and merged by Taiwan Depository and Clearing Corp, which is the extended company after the merger, on March 24, 2014. Taiwan Business Bank received cash which amounted to \$3,122 and recognized an investment loss of \$178.

The investee Financial E-Solution Co., Ltd. executed capital reduction on April 16, 2014 to recover the loss. The Bank recognized \$10,040 as investment loss based on the proportion of the capital reduction.

(b) Debt instrument with no active market are as follows:

Investee	December 31, 2014	December 31, 2013
Taiwan High Speed Rail Corp. preferred Stock	<u>\$ 1,500,000</u>	<u>1,500,000</u>

(c) The change in allowance for bad debts is as follows:

Other financial assets	For the year ended December 31, 2014	For the year ended December 31, 2013
Beginning balance	\$ 268,294	49,673
(Reversal) Provision	(34,806)	123,087
Transfer in	29,773	82,874
Write-off	(29,773)	(31,300)
Written-off recovered	39,841	43,960
Ending balance	<u>\$ 273,329</u>	<u>268,294</u>

**(J) Premises and equipment—net**

December 31, 2014	Cost	Revaluation appreciation	Accumulated depreciation	Accumulated impairment	Total
Land	\$ 6,678,952	2,986,161	-	14,156	9,650,957
Buildings	7,420,356	31,184	3,356,676	21,411	4,073,453
Machinery	1,908,648	-	1,754,836	-	153,812
Transportation equipment	293,201	-	250,246	-	42,955
Miscellaneous equipment	577,301	-	519,885	-	57,416
Leasehold improvement	79,605	-	49,810	-	29,795
Construction in progress	11,105	-	-	-	11,105
Prepayment for equipment	36,622	-	-	-	36,622
Leased assets	55,222	-	9,907	-	45,315
Total	<u>\$ 17,061,012</u>	<u>3,017,345</u>	<u>5,941,360</u>	<u>35,567</u>	<u>14,101,430</u>

December 31, 2013	Cost	Revaluation appreciation	Accumulated depreciation	Accumulated impairment	Total
Land	\$ 6,678,952	2,986,161	-	14,156	9,650,957
Buildings	7,407,745	31,184	3,193,055	21,411	4,224,463
Machinery	1,920,537	-	1,703,670	-	216,867
Transportation equipment	296,526	-	262,116	-	34,410
Miscellaneous equipment	579,970	-	522,361	-	57,609
Leasehold improvement	91,087	-	54,399	-	36,688
Construction in progress	51	-	-	-	51
Prepayment for equipment	42,455	-	-	-	42,455
Leased assets	37,933	-	2,702	-	35,231
Total	<u>\$ 17,055,256</u>	<u>3,017,345</u>	<u>5,738,303</u>	<u>35,567</u>	<u>14,298,731</u>

Change of cost

	January 1, 2014	Increase	Decrease	Foreign Exchange	December 31, 2014
Land	\$ 9,665,113	-	-	-	9,665,113
Buildings	7,438,929	12,611	-	-	7,451,540
Machinery	1,920,537	44,750	58,177	1,538	1,908,648
Transportation equipment	296,526	20,140	23,512	47	293,201
Miscellaneous equipment	579,970	16,548	19,726	509	577,301
Leasehold improvement	91,087	10,757	22,444	205	79,605
Construction in progress	51	11,105	51	-	11,105
Prepayment for equipment	42,455	18,974	24,807	-	36,622
Leased assets	37,933	17,289	-	-	55,222
Total	<u>\$ 20,072,601</u>	<u>152,174</u>	<u>148,717</u>	<u>2,299</u>	<u>20,078,357</u>

	January 1, 2013	Increase	Decrease	Foreign Exchange	December 31, 2013
Land	\$ 9,611,988	53,125	-	-	9,665,113
Buildings	7,421,892	17,037	-	-	7,438,929
Machinery	1,920,902	50,134	49,304	(1,195)	1,920,537
Transportation equipment	316,643	12,253	33,583	1,213	296,526
Miscellaneous equipment	579,981	23,777	24,076	288	579,970
Leasehold improvement	96,577	19,980	25,852	382	91,087
Construction in progress	-	51	-	-	51
Prepayment for equipment	61,518	-	19,063	-	42,455
Leased assets	3,282	34,651	-	-	37,933
Total	<u>\$ 20,012,783</u>	<u>211,008</u>	<u>151,878</u>	<u>688</u>	<u>20,072,601</u>

Change of depreciation

	January 1, 2014	Increase	Decrease	Foreign Exchange	December 31, 2014
Buildings	\$ 3,193,055	163,621	-	-	3,356,676
Machinery	1,703,670	108,031	57,703	838	1,754,836
Transportation equipment	262,116	11,441	23,411	100	250,246
Miscellaneous equipment	522,361	16,838	19,650	336	519,885
Leasehold improvement	54,399	16,898	22,444	957	49,810
Leased assets	2,702	7,194	-	11	9,907
Total	<u>\$ 5,738,303</u>	<u>324,023</u>	<u>123,208</u>	<u>2,242</u>	<u>5,941,360</u>

	January 1, 2013	Increase	Decrease	Foreign Exchange	December 31, 2013
Buildings	\$ 3,022,204	170,851	-	-	3,193,055
Machinery	1,621,836	132,021	48,801	(1,386)	1,703,670
Transportation equipment	283,772	11,952	33,394	(214)	262,116
Miscellaneous equipment	529,022	17,319	23,740	(240)	522,361
Leasehold improvement	46,854	29,441	22,304	408	54,399
Leased assets	969	1,744	-	(11)	2,702
Total	<u>\$ 5,504,657</u>	<u>363,328</u>	<u>128,239</u>	<u>(1,443)</u>	<u>5,738,303</u>

Accumulated impairment

	January 1, 2014	Increase	Decrease	Foreign Exchange	December 31, 2014
Land	\$ 14,156	-	-	-	14,156
Buildings	21,411	-	-	-	21,411
Total	<u>\$ 35,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,567</u>

	January 1, 2013	Increase	Decrease	Foreign Exchange	December 31, 2013
Land	\$ 14,156	-	-	-	14,156
Buildings	21,411	-	-	-	21,411
Total	<u>\$ 35,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,567</u>

When the Bank first adopted IFRSs, it elected to apply the revaluation amount calculated per the regulation of GAAP of R.O.C as the original cost on the transition date.

As of December 31, 2014 and 2013, the appreciation from revaluation of properties all amounted to \$3,017,345. Reserve for land incremental tax all amounted to \$879,056 (Recognized under deferred tax liabilities). The difference of revaluation is recognized as retained earnings.

As of December 31, 2014 and 2013, land which was illegally occupied both amounted to \$69,321 was illegally occupied. Part of the illegally occupied land would be disposed after the Bank received the certificate of legal costs and the rest would be auctioned at appropriate time.

(K) Other assets

	December 31, 2014	December 31, 2013
Office supplies	\$ 28,820	29,721
Prepayments	3,659,021	1,431,578
Operating guaranty deposits and settlement fund	30,531	32,678
Guarantee deposits paid	262,394	220,086
Less: Accumulated impairment	(28,710)	(28,710)
Guarantee deposits paid-net	233,684	191,376
Collateral assumed	2,509	3,150
Less: Accumulated impairment	(2,509)	(3,150)
Collateral assumed-net	-	-
Deferred assets	381	631
Temporary payments and suspense accounts	690,047	-
Proceeds of settlement and credit transaction	97	64,061
Total	\$ 4,642,581	1,750,045

(L) Deposits from the Central Bank and other banks

	December 31, 2014	December 31, 2013
Deposits from the Central Bank	\$ 209,486	261,413
Call loans from the Central Bank	3,167,000	5,658,200
Deposits from banks	179,062	148,543
Call loans from banks	36,719,823	22,533,465
Overdrafts on banks	1,274,988	1,217,031
Deposits transferred from Chunghwa Post Co., Ltd.	39,044,713	49,261,101
Total	\$ 80,595,072	79,079,753

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

	December 31, 2014	December 31, 2013
Foreign exchange forward contracts	\$ 114,662	25,483
Currency swap contracts	110,554	144,430
Interest swap contracts	11,509	48,241
Foreign currency option-put	66,340	62,640
Structured product option-put	148	88
Total	\$ 303,213	280,882

Please refer to 6(C) for the nominal amount of unsettled financial derivatives instrument contracts of December 31, 2014 and 2013.

(N) Securities sold under repurchase agreements

Assets	December 31, 2014			
	Par value	Selling Price (Recognized in securities sold under repurchase agreements)	Designated repurchase amount	Designated repurchase date
Available-for-sale financial assets	\$ 3,695,500	3,895,308	3,898,081	Prior to June 18, 2015

Assets	December 31, 2013			
	Par value	Selling Price (Recognized in securities sold under repurchase agreements)	Designated repurchase amount	Designated repurchase date
Securities purchased under resell agreements	\$ 20,000	20,000	20,002	Prior to January 6, 2014
Available-for-sale financial assets	4,051,500	4,179,242	4,183,219	Prior to June 20, 2014
Total	\$ 4,071,500	4,199,242	4,203,221	

(O) Payables

	December 31, 2014	December 31, 2013
Interest payable	\$ 1,738,931	1,856,924
Accounts payable	7,654,291	3,751,039
Acceptances	1,721,714	1,590,039
Accrued expenses	2,296,894	2,046,733
Collection payable	739,057	790,147
Deposits received from securities borrowers	138,078	77,136
Guaranteed price deposits received from securities borrowers	152,437	93,746
Spot exchange payable-foreign currencies	14,455,510	7,430,012
Other payables	765,262	916,695
Trusted security payable	190,919	244,400
Settlement	668,386	941,768
Others	35,323	13,563
Total	\$ 30,556,802	19,752,202

(P) Deposits and remittances

	December 31, 2014	December 31, 2013
Savings deposits	\$ 563,162,499	537,895,214
Time deposits	298,713,140	277,350,286
Demand deposits	265,176,426	254,030,378
Checking account deposits	24,671,227	25,739,079
Remittances	433,706	405,316
Total	\$ 1,152,156,998	1,095,420,273

(Q) Financial debentures

Bonds	Terms of Transactions			Bond Issued		
	Issue date	Maturity date	Interest Rate & repayment	Type	Amount	
					December 31, 2014	December 31, 2013
2007-1	08/23/2007	08/23/2014	The debentures bear annual interest rate, which is the index rate plus 0.49%. The index rate is the average offer of 90-days CP which is indicated in Reuters page 6165 at 11 A.M Taipei time, 2 operation days prior to the interest commencement date. Simple interest is accrued quarterly and paid annually. The principal will be repaid in full at maturity.	Unsecured subordinated long-term financial debentures	\$ -	5,000,000
2008-1 C	03/13/2008	03/13/2014	The debentures bear annual interest rate of 3.15%. Simple interest is accrued and paid twice a year. The principal will be repaid in full at maturity.	"	-	1,100,000
2008-2	04/30/2008	04/30/2015	(A) The debentures bear annual interest rate, which is the index rate plus 1.02%. The index rate is the average offer of 90-days CP which is indicated in Reuters page 6165 at 11 A.M Taipei time, 2 operation days prior to the interest commencement date. (B) The Republic of China 104 years since January 1, according to various indicators of interest rate changes during the value date two business days before the pricing (FIXING) Bank of the Republic of China Business Association National Union RCAs website "Taipei fixing the financial sector call loan rate (TAIBOR)" three-month interest rate fixing. Four simple interest per year, paid, payback time expired.	"	5,200,000	5,200,000
2008-3	12/30/2008	06/30/2014	The debentures bear annual interest rate of 3.2%. Simple interest is accrued and paid twice a year. The principal will be repaid in full at maturity.	"	-	2,150,000
2009-1	06/10/2009	12/10/2014	The debentures bear annual interest rate of 2.45%. Simple interest is accrued and paid twice a year. The principal will be repaid in full at maturity.	"	-	1,400,000
2009-2	08/27/2009	08/27/2015	The debentures bear annual interest rate of 2.35%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity	"	1,000,000	1,000,000
2009-1P	10/23/2009	None	The debentures bear annual interest rate which is the seven Banks' board floating average interest rate for 1-year time deposit plus 1.29% for the seven years after the issue date. The interest rate will be the seven Banks' board floating average interest rate for 1-year time deposit plus 2.29% from the eighth year. The bond is redeemable per face at the interest payment date after seven years from the issue date under the consent of the competent authority.	Perpetual accumulated subordinated financial debentures	12,000,000	12,000,000



Bonds	Terms of Transactions			Bond Issued		
	Issue date	Maturity date	Interest Rate & repayment	Type	Amount	
					December 31, 2014	December 31, 2013
2009-3	12/18/2009	12/18/2016	The debentures bear an annual interest rate of 2.5%. Simple interest rate is accrued and paid annually. The principal will be repaid in full at maturity.	Unsecured subordinated long-term financial debentures	1,550,000	1,550,000
2010-1	03/05/2010	03/05/2017	The debentures bear an annual interest rate of 2.32%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	1,050,000	1,050,000
2010-2	09/02/2010	09/02/2017	The debentures bear an annual interest rate of 1.92%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	6,000,000	6,000,000
2010-1P A	09/23/2010	None	The debentures bear annual interest rate which is the Chunghwa post's board average interest rate for 1-year time deposit plus 1.34% for the ten years after the issue date. The interest rate will be the Chunghwa post's board interest rate for 1-year time deposit plus 2.34% from the eleventh year. The debentures is redeemable per face value plus accrued interest at the interest payment date after ten years from the issue date under the consent of the competent authority.	Perpetual non-accumulated subordinated financial debentures	3,200,000	3,200,000
2010-1P B	9/23/2010	None	The debentures bear an interest rate of 3.05% for the first ten years. The interest rate will be 4.05% from the eleventh year. The debentures is redeemable per face value plus accrued interest at the interest payment date after ten years from the issue date under the consent of the competent authority.	"	800,000	800,000
2013-1	03/25/2013	03/25/2020	The debentures bear an annual interest rate of 1.68%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	Unsecured subordinated long-term financial debentures	\$ 5,000,000	5,000,000
2013-2A	11/25/2013	11/25/2020	(A) The debentures bear annual interest rate, which is the index rate plus 0.52%. The index rate is the average offer of 90-days CP which is indicated in Reuters page 6165 at 11 A.M Taipei time, 2 operation days prior to the interest commencement date. (B) The Republic of China 104 years since January 1, according to various indicators of interest rate changes during the value date two business days before the pricing (FIXING) Bank of the Republic of China Business Association National Union RCAs website "Taipei fixing the financial sector call loan rate (TAIBOR)" three-month interest rate fixing. Four simple interest per year, paid, payback time expired.	"	3,100,000	3,100,000
2013-2B	11/25/2013	11/25/2020	The debentures bear an annual interest rate of 1.92%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	2,900,000	2,900,000
					<u>\$ 41,800,000</u>	<u>51,450,000</u>

(R) Other financial liabilities

	December 31, 2014	December 31, 2013
Appropriated loans funds	\$ 15,698,870	14,027,323
Lease payable	40,390	35,197
Other	-	91,062
Total	<u>\$ 15,739,260</u>	<u>14,153,582</u>

Cumulative earnings on appropriated loan fund is the project contract signed by National Development Council, Small and Medium Enterprise Administration, Ministry of Economic Affairs, and the Bank. The Bank appropriates the fund to the companies which meet the conditions for loans. The fund is classified as principal account, interest yielding account, loaned account and un-loaned account. The interests paid to the government are calculated respectively.

(S) Liability reserve

	December 31, 2014	December 31, 2013
Reserve for guarantee liabilities	\$ 93,009	47,344
Reserve for lawsuit	444,135	541,203
Other-Employee benefit	2,481,647	2,524,694
Total	<u>\$ 3,018,791</u>	<u>3,113,241</u>

Change of reserves

	January 1, 2014	Increase	Decrease	Use	Reversal	Foreign exchange	December 31, 2014
Reserve for guarantee liabilities	\$ 47,344	71,758	-	-	26,264	171	93,009
Reserve for lawsuit	541,203	-	76,428	-	-	(20,640)	444,135
Reserve for employee benefit obligation	2,524,694	271,954	244,635	59,816	10,550	-	2,481,647
Total	<u>\$ 3,113,241</u>	<u>343,712</u>	<u>321,063</u>	<u>59,816</u>	<u>36,814</u>	<u>(20,469)</u>	<u>3,018,791</u>

	January 1, 2013	Increase	Decrease	Use	Reversal	Foreign exchange	December 31, 2013
Reserve for guarantee liabilities	\$ 41,379	20,001	-	-	14,067	31	47,344
Reserve for lawsuit	520,230	-	-	-	-	20,973	541,203
Reserve for employee benefit obligation	2,312,133	516,855	242,027	62,267	-	-	2,524,694
Total	<u>\$ 2,873,742</u>	<u>536,856</u>	<u>242,027</u>	<u>62,267</u>	<u>14,067</u>	<u>21,004</u>	<u>3,113,241</u>

(T) Other liabilities

	December 31, 2014	December 31, 2013
Advance interest receipts	\$ 5,255	5,031
Unearned revenue	105,320	102,732
Other advances receipts	57,484	34,099
Guarantee deposits received	515,248	463,252
Temporary receipts and suspense accounts	-	165,745
Other	5,479	762
Total	<u>\$ 688,786</u>	<u>771,621</u>

(U) Equity

(a) Common stock

As of December 31, 2014 and 2013, the Bank's authorized capital were all \$60,000,000 and the paid-in capital for common shares of the Bank were \$52,979,141 and \$50,941,482 and the face value of each share is NTD \$10. The outstanding shares were 5,297,914 thousand shares, and 5,094,148 thousand shares, respectively.

Pursuant to the resolution approved by the stockholders' meeting of the Bank on June 20, 2014, the Bank increased its capital from retained earnings by \$2,037,659 and issued 203,766 thousands shares. The capital increase has been approved by Financial Supervisory Commission and came into effect on July 24, 2014. The base date of the capital increase is set on August 18, 2014. The Bank has completed the registration of change in paid-in capital on October 9, 2014.

Pursuant to the resolution approved by the stockholders' meeting of the Bank on June 21, 2013, the Bank increased its capital from retained earnings by \$1,959,288 and issued 195,929 thousands shares. The capital increase has been approved by Financial Supervisory Commission and came into effect on July 15, 2013. The base date of the capital increase is set on August 19, 2013 and the legal registration procedures was completed on August 28, 2013.

(b) Capital surplus

Pursuant to the amendment of the Company Act which was published in January 2012, the Company can only transfer realized capital surplus into capital or distribute cash dividends after the capital surplus be used to offset a deficient. In compliance with the resolution, realized capital surplus includes the income derived from the issuance of new shares at a premium and the income from endowments received by the company. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total amount of capital surplus to be used to increase capital shall not exceed 10% of total paid-in capital.

(c) Earnings distribution and dividend policy

Under the Bank's Articles of Incorporation, earnings are used initially to pay for income taxes and restore cumulative losses, and 30% of the remaining earnings is set aside as legal reserve. Special reserve is appropriated from or reversed to earnings per other regulations.

The remaining balance of these earnings, if any, is distributed as follows:

- (1) Add accumulated retained earnings from previous years as distributable dividends and the amount of dividends is resolved by the annual stockholders' meeting according to the proposal submitted by the Board of Directors.
- (2) Employees bonus: 1% to 8% (recognized as expense).
- (3) Remuneration to directors: 1% (recognized as expense).

In order to continuously expand scale and increase profitability, the Bank, based on the future capital budget plan, adopts residual dividend policy and primarily distributes stock dividend to ensure the capital is sufficient. When there is surplus of capital, the remaining capital can be distributed by cash dividend. Cash dividend shall not be lower than 10% of the total dividend distributed. If the cash dividend distributed per share is lower than NTD\$ 0.1, except for otherwise resolved by the shareholder's meeting, it is



not distributed. If there is any situation conforms to that is regulated in article 44 item 1 of the Banking Act of The Republic of China, the Bank is not allowed to distribute earnings by cash or purchase shares outstanding. Employee bonus can be issued by new shares or by cash per the resolution of the board meeting. The maximum cash earning distribution is not allowed to be over 15% of the total paid in capital unless the legal reserve reaches the total paid-in capital.

In compliance with the amendment of Company Act published in January 2012, if the Company incurs no loss, under the consent of the shareholder's meeting, the Company is allowed to distribute new shares or cash dividends from legal reserve to the extent that the legal reserve issued is the surplus exceeding 25% of the paid in capital.

Under the Ruling No. 1010012865 issued on April 6, 2012 by the FSC, special reserve is appropriated from retained earnings based on the equivalent amounts of the contra accounts in equity. This special reserve may not be distributed as dividends to stockholders until the balances of these contra accounts in equity are reversed.

Employee bonuses and directors and supervisors remuneration are calculated based on the amount of income after tax deducted by legal reserve and special reserve, and multiplied by the estimated percentage, which is 8% for employee bonuses and 1% for directors and supervisors remuneration. The estimated employee bonuses are \$305,347 and \$167,590 and the directors and supervisors remuneration are \$38,168 and \$20,949 for the year ended December 31, 2014 and 2013, respectively. The shares of stock dividends were calculated based on the closing price of the date before the stockholder's meeting and it also took into consideration the effect of stock dividends exclusion.

The resolved amounts of \$167,590 and \$20,949 of the employee bonuses and directors and supervisors remuneration which were determined by the shareholder's meeting on June 20, 2014 were the same as the estimated amount of the 2013 annual financial statement.

The employee bonus, director's and supervisors remuneration and related dividends which will be distributed to shareholders is pending for the resolution of the shareholders.

The related information regarding the earnings distribution decision of the shareholders' meeting can be acquired on Market Observation Post System or other sites. Difference between the amount actually distributed to the shareholders and the amount estimated in the financial statement is accounted for as changes in accounting estimates and is recognized in the year which the shareholders' meeting deciding the actual distribution takes place.

The Bank resolved the earning distribution for the earnings of 2013 and 2012 in the shareholder's meeting on June 20, 2014 and June 21, 2013. The dividends distributed are as follows:

	2013		2012	
	Distribution rate (NT dollar)	Amount	Distribution rate (NT dollar)	Amount
Dividends to common share holders				
Share	\$ 0.40	<u>2,037,659</u>	0.40	<u>1,959,288</u>

(d) Other equity items

	Unrealized gains and losses of available-for-sale financial assets	Difference of foreign exchange in translating financial statements of foreign operating unit	Total
January 1, 2014	\$ 14,997	(111,235)	(96,238)
Available-for-sale financial assets			
-Valuation adjustment	(65,133)	-	(65,133)
-Realized amount	22,495	-	22,495
Currency translation difference			
-Current exchange difference	-	203,093	203,093
December 31, 2014	<u>\$ (27,641)</u>	<u>91,858</u>	<u>64,217</u>
January 1, 2013	\$ (86,182)	(63,760)	(149,942)
Available-for-sale financial assets			
-Valuation adjustment	85,317	-	85,317
-Realized amount	15,862	-	15,862
Currency translation difference			
-Current exchange difference	-	(47,475)	(47,475)
December 31, 2013	<u>\$ 14,997</u>	<u>(111,235)</u>	<u>(96,238)</u>

(V) Income taxes

(a) The amount of income tax for the year 2014 and 2013 were as follows:

	For the year ended December 31,	
	2014	2013
Current tax expense		
Current period	\$ 239,498	79,632
Adjustment for prior periods	9,941	30,082
Basic tax	<u>49,848</u>	<u>98,395</u>
	<u>299,287</u>	<u>208,109</u>
Deferred tax expense		
Origination and reversal of temporary different	(128,708)	38,439
Income tax expenses	<u>170,579</u>	<u>246,548</u>

(b) The amount of income tax recognised in other comprehensive income for the year 2014 and 2013 were as follows:

	For the year ended December 31,	
	2014	2013
Foreign exchange difference in translating financial statements of foreign operations	\$ (41,597)	9,724
Unrealized valuation gains on available-for-sale financial assets	1,107	-
Defined benefit plan actuarial (gains) loss	(1,793)	11,282
Total	<u>\$ (42,283)</u>	<u>21,006</u>

The statutory tax rate, based on Profit-Seeking Enterprise Income Tax of the Bank and its subsidiaries is 17%. The Bank calculates base tax based on Income Basic Tax Act. The income tax of the Bank for the year 2014 and 2013 is as follows:



	For the year ended December 31,	
	2014	2013
Income tax computed on net income before tax	\$ 932,572	655,648
Permanent differences:		
- Tax-exempt securities transaction loss (income)	411	(6,692)
- Net income from offshore banking unit	(70,703)	(139,477)
- Valuation gain from financial assets and liabilities at fair value through profit or loss	(23,784)	(11,907)
- Cash Dividend	(28,405)	(25,382)
- Reversal of impairment gain on assets	(109)	-
- Non-deductible temporary difference	36	-
Temporary differences:		
- Difference between allowance for uncollectible accounts and tax law	13,370	332,354
- Reversal of losses on lawsuit	(12,993)	-
- Difference between the actual pension amount and the statutory pension amount regulated in the Tax Law	(12,425)	(28,963)
- Other	264	-
Taxable income	798,234	775,581
Deduct: Loss carryforward	(783,709)	(768,467)
Income tax payable (current)	14,525	7,114
Decrease(increase) in deferred income tax assets	(128,708)	38,439
Additional tax resulted from Alternative Minimum Tax	49,848	98,395
Overseas branch income tax expenses	224,953	72,518
Underestimate(overestimate) prior income tax expense	9,961	30,082
Income tax expense (gains)	\$ 170,579	246,548

(c) Changes in deferred tax assets and liabilities of the Bank and its subsidiaries are as follows:

	For the year ended December 31, 2014			
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary difference				
Deferred tax assets resulted from allowance for bad debts exceeding the limit regulated in Tax Law	\$ 332,354	13,370	-	345,724
Loss on assets impairment	46,627	-	-	46,627
Indemnity reserve	88,439	(12,993)	-	75,446
Reserve for employee benefit liabilities	411,017	(12,425)	-	398,592
Land value increment tax	(879,056)	-	-	(879,056)
Exchange differences from the translation of financial statements of foreign operations	22,783	-	(41,597)	(18,814)
Unrealized valuation profit or loss on available-for-sale financial assets	(1,656)	-	1,107	(549)
Actuarial loss	63,266	-	(1,793)	61,473
Other	-	264	-	264
Subtotal	83,774	(11,784)	(42,283)	29,707
Losses carried forward	1,057,165	140,492	-	1,197,657
Net deferred tax assets (liabilities)	\$ 1,140,939	128,708	(42,283)	1,227,364
The information stated on the balance sheet is as follows:				
Deferred tax assets	\$ 2,021,651			2,125,784
Deferred tax liabilities	\$ 880,712			898,420

	For the year ended December 31, 2013			
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary difference				
Deferred tax assets resulted from allowance for bad debts exceeding the limit regulated in Tax Law	\$ -	332,354	-	332,354
Loss on assets impairment	46,627	-	-	46,627
Indemnity reserve	88,439	-	-	88,439
Reserve for employee benefit liabilities	439,980	(28,963)	-	411,017
Land value increment tax	(879,056)	-	-	(879,056)
Exchange differences from the translation of financial statements of foreign operations	13,059	-	9,724	22,783
Unrealized valuation profit or loss on available-for-sale financial assets	(474)	(1,182)	-	(1,656)
Actuarial loss	51,984	-	11,282	63,266
Subtotal	(239,441)	302,209	21,006	83,774
Losses carried forward	1,387,749	(330,584)	-	1,057,165
Investment tax credits	10,064	(10,064)	-	-
Net deferred tax assets (liabilities)	<u>\$ 1,158,372</u>	<u>(38,439)</u>	<u>21,006</u>	<u>1,140,939</u>
The information stated on the balance sheet is as follows:				
Deferred tax assets	<u>\$ 2,037,902</u>			<u>2,021,651</u>
Deferred tax liabilities	<u>\$ 879,530</u>			<u>880,712</u>

As of December 31, 2014, the tax losses which are to be carried forward for deducting future income and which are not yet recognized as deferred tax assets are as follows:

Loss for the year	No loss carryforwards	Loss on not recognized as deferred income tax assets	Available for carryforward year
2005	\$ 5,517,673	1,059,605	2006 ~ 2015
2006	1,021,326	-	2007 ~ 2016
2009	1,565,648	-	2010 ~ 2019
	<u>\$ 8,104,647</u>		

Tax losses are the losses incurred within the first 10 years from the start-up which is approved by the tax authority and can be applied to reduce net income of the year, and the net amount is used to calculate the amount of income tax. The amount which is not recognized as deferred income tax assets is \$180,133, and this is because the Bank and its subsidiaries are not likely to have such amount of taxable income for the temporary difference to apply.

(c) The Bank's income tax returns for years up to 2012 have been approved by the Tax Authority.

The income tax returns of the subsidiaries Taiwan Business Bank Insurance Agency Co., Ltd. and Taiwan Business Bank Property Insurance Agency Co., Ltd. have been approved until 2012 by the Tax authority. The income tax return of Taiwan Business Bank International Leasing Co., Ltd. has not been approved yet.

(d) Imputation Credit Account and Tax Deductible Ratio are summarized below:

	December 31, 2014	December 31, 2013
Stockholders' imputation credit account	\$ 209,990	260
	2014(expected)	2013(actual)
Stockholders' tax deductible ratio	9.93%	3.78%

As of December 31, 2013 and 2012, all of the ending balance of undistributed retained earnings arose from earnings in 1998 and thereafter. The above imputation information is calculated based on the Decree No.10204562810 issued by the Ministry of Finance, R.O.C on October 17, 2013.

(W) Employee benefit liability reserve

As of December 31, 2014 and 2013, the balance of reserve for employee benefit obligation of the Bank and its subsidiaries were as follows:

	December 31, 2014	December 31, 2013
Recognized on the balance sheet		
Defined benefit plan	\$ 1,751,221	1,798,431
Employee deposit with favorable rate	730,426	726,263
Total	\$ 2,481,647	2,524,694

(a) Defined benefit plan

Composition of plan assets:

	December 31, 2014	December 31, 2013
Present value of defined benefit obligation	\$ 6,864,745	6,808,683
Less: Fair value of defined benefit plan assets	(5,113,524)	(5,010,252)
Liabilities recognized in consolidated financial statement	\$ 1,751,221	1,798,431

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labour Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

(1) Composition of plan assets

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

The Group's Bank of Taiwan labour pension reserve account balance amounted to \$5,113,524 at the end of the reporting period. For information on the utilisation of the labour pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labour Pension Fund Supervisory Committee.

(2) Changes in the present value of defined benefit obligations

The changes in the present value of defined benefit obligations of the Bank for the year 2014 and 2013 were as follows:

	For the year ended December 31,	
	2014	2013
Defined benefit obligation on January 1	\$ 6,808,683	7,262,790
Benefits paid by the plan	(297,253)	(847,299)
Current service costs and interest	333,638	346,859
Actuarial losses	19,677	46,537
Defined benefit obligation on December 31	<u>\$ 6,864,745</u>	<u>6,808,887</u>

(3) Changes in the fair value of defined benefit plan assets

The changes in the fair value of defined benefit plan assets of the Bank for the year 2014 and 2013 were as follows :

	For the year ended December 31,	
	2014	2013
Fair value of plan assets on January 1	\$ 5,010,252	5,488,138
Contributions made	281,175	304,294
Benefits paid by the plan	(297,253)	(847,299)
Expected return on plan assets	89,123	84,947
Actuarial gain (loss)	30,227	(19,828)
Fair value of plan assets on December 31	<u>\$ 5,113,524</u>	<u>5,010,252</u>

(4) Expenses recognised in profit or loss

The expenses recognised in profit or loss of the Bank for the year 2014 and 2013 were as follows :

	For the year ended December 31,	
	2014	2013
Current service costs	\$ 215,317	238,517
Interest cost	118,321	108,342
Expected return on plan assets	(89,123)	(84,947)
	<u>\$ 244,515</u>	<u>261,912</u>
Actual return on plan assets	<u>\$ 119,350</u>	<u>65,119</u>

(5) Actuarial gains and losses recognized in other comprehensive income

Actuarial gains and losses recognised in other comprehensive income for the year 2014 and 2013 were as follows :

	For the year ended December 31,	
	2014	2013
Amount on January 1	\$ 372,152	305,787
Recognised during the period	(10,550)	66,365
Amount on December 31	<u>\$ 361,602</u>	<u>372,152</u>

(6) Actuarial assumptions

	For the year ended December 31,	
	2014	2013
Discount rate of defined benefit plan	1.75%	1.75%
Expected return on plan assets	1.75%	1.75%
Future salary increase rate	1.50%	1.50%

(7) Historical information

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Present value of the defined benefit obligation	\$ 6,864,745	6,808,683	7,262,790	6,551,442
Fair value of plan assets	(5,113,524)	(5,010,252)	(5,488,138)	(5,066,674)
Net liabilities (assets) of defined benefit obligation	\$ 1,751,221	1,798,431	1,774,652	1,484,768
Experience adjustments arising on the present value of plan obligation	\$ 19,677	46,537	263,113	-
Experience adjustments arising on the net fair value of plan assets	\$ (30,227)	19,828	42,674	-

The expected allocation payment made by the Bank to the defined benefit plans for the one year period after the reporting dates is \$264,000 in 2014. The expected rate of return of long-term assets is based on the overall portfolio performance instead of the sum of respective assets' performance. The rate of return is purely based on historical rate of return and is not adjusted.

(8) Sensitivity analysis

	December 31, 2014		
Discount rate	1.50%	1.75%	2.00%
Defined benefit plan obligation	\$ 7,035,548	6,864,745	6,700,214

(b) Defined contribution plan

The Group allocates 6% of each employee's monthly wages to the labour pension personal account at the Bureau of the Labour Insurance in accordance with the provisions of the Labour Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of the Labour Insurance without additional legal or constructive obligations.

The Bank and its subsidiaries's pension costs under the defined contribution method were \$75,767 and \$72,013 for the year ended December 31 2014 and 2013, respectively. Payment was made to the Bureau of Labour Insurance or the competent authority of labour management of foreign branches.

(c) Employee deposit with favorable rate

The components of defined benefit plan assets are as follows:

	December 31, 2014	December 31, 2013
Present value of defined benefit obligation (Liabilities recognized in separate financial statement)	730,426	726,263

The Bank and its subsidiaries conducted the obligation of time deposit with favorable rate for retired and current employees based on the internal regulation "Saving Deposits for Employees".

(1) Changes in the present value of defined benefit obligations

The changes in the present value of defined benefit obligations of the Bank for the year 2014 and 2013 were as follows :

	For the year ended December 31,	
	2014	2013
Defined benefit obligation on January 1	\$ 726,263	537,481
Benefits paid by the plan	(161,314)	(159,403)
Interest cost	27,439	19,842
Actuarial losses	138,038	328,343
Defined benefit obligation on December 31	<u>\$ 730,426</u>	<u>726,263</u>

(2) Changes in fair value of defined benefit plan assets

The changes in the present value of the defined plan assets of the Bank for the year 2014 and 2013 were as follows:

	For the year ended December 31,	
	2014	2013
Fair value of plan assets on January 1	\$ -	-
Contributions made	161,314	159,403
Benefits paid by the plan	(161,314)	(159,403)
Fair value of plan assets on December 31	<u>\$ -</u>	<u>-</u>

(3) Expenses recognised in profit or loss

The expenses recognised in profit or loss of the Bank for the year 2014 and 2013 were as follows :

	For the year ended December 31,	
	2014	2013
Interest cost	\$ 27,439	19,842
Actuarial loss	138,038	328,343
	<u>\$ 165,477</u>	<u>348,185</u>

(4) Primary actuarial assumption

	For the year ended December 31,	
	2014	2013
Discount rate of employee deposit with favorable rate	4.0%	4.0%
Rate of return for capital deposited	2.0%	2.0%
Annual Diminishing rate of account balance	1.0%	1.0%
Possibility that employee deposit with favorable rate be modified	50.0%	50.0%

(5) Historical information

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit plan	<u>\$ 730,426</u>	<u>726,263</u>	<u>537,481</u>	<u>554,409</u>
Adjustments on the present value of defined benefit plans based on past experiences	<u>\$ 138,038</u>	<u>328,343</u>	<u>108,619</u>	<u>-</u>

(6) Sensitivity analysis

	December 31, 2014		
Discount rate	3.75%	4.00%	4.25%
Defined benefit plan obligation	\$ 740,684	730,426	712,364

(X) Earnings per share

	For the year ended December 31,	
	2014	2013
Net income	\$ 5,315,137	3,610,202
Weighted average number of common stock shares outstanding (in thousands) (Note 1)	5,297,914	5,297,914
Basic earnings per shares (in dollars)	\$ 1.00	0.68
Dilutive potential common shares (in thousands) (Note 2)	33,226	18,477
Weighted average number of shares outstanding for diluted EPS (in thousands)	5,331,140	5,317,130
Diluted earnings per shares (in dollars)	\$ 1.00	0.68

Note 1: The basic earnings per share of 2013 has applied retrospective adjustments.

Note 2: The shares were calculated based on the stock price on the balance sheet date.

(Y) Net interest income

	For the year ended December 31, 2014	For the year ended December 31, 2013
Interest revenue:		
Loan	\$ 6,286,694	6,235,271
Secured loans	14,228,496	13,790,831
Bills negotiated	5,509	7,376
Bank overdraft	18,327	14,450
Discount	27,776	26,716
Time deposit from Central Bank	1,547,684	1,505,047
Due from the Central Bank	175,964	177,848
Call loans to banks	233,894	306,489
Bond	575,042	422,954
International credit card	75,030	82,571
Overdue loans	307,898	353,333
Bills	161,920	77,150
Due from other Banks	1,437,534	164,763
Other	177,910	128,558
Subtotal	25,259,678	23,293,357
Interest expense:		
Deposits	8,913,450	8,273,493
Deposits from banks	178	216
Call loans from banks	469,449	265,357
Fund	27,912	32,317
Financial debentures	1,031,029	1,056,949
Bond sold under repurchase agreement	26,367	69,780
Other	1,036	743
Subtotal	10,469,421	9,698,855
Total	\$ 14,790,257	13,594,502



(Z) Net service charge income

	For the year ended December 31,	
	2014	2013
Service charge income:		
Remittance service fee	\$ 105,523	95,906
Import bills negotiated service fee	71,094	69,600
Export bills negotiated service fee	24,949	29,366
Letter of credit service fee	12,474	14,587
Certification service fee	1,120	1,058
Acceptance service fee	2,172	1,720
Trust service fee	545,281	447,974
Guarantee service fee	77,558	78,306
Agency service fee	37,770	39,894
Interbank service fee	68,590	68,398
Card service fee	134,789	173,454
Commission revenue of insurance premium	1,186,491	1,076,914
Custodian service fee	125,570	116,150
Foreign currency service fee	119,202	125,150
Commission of futures	5,094	8,914
Loan service fee	145,908	160,267
Miscellaneous fees	400,228	349,027
Subtotal	3,063,813	2,856,685
Service fee expense:		
Foreign currency service fee	20,968	21,486
Interbank service fee	126,319	122,079
Trust service fee	8,768	7,752
Agency service fee	3,547	2,975
IC card service fee	57,621	50,992
Check clearing service fee	14,652	14,784
Remittance service fee	2,162	1,322
Custodian service fee	27,925	24,132
Call loans service fee	1,163	1,773
Miscellaneous fees	20,868	19,388
Subtotal	283,993	266,683
Total	\$ 2,779,820	2,590,002

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

	For the year ended December 31,	
	2014	2013
Valuation profit and loss:		
Government bonds	\$ 821	(1,789)
Corporate bonds	(9,953)	4,268
Financial debentures	35,913	(11,305)
Stock of listed company	-	(2,069)
Beneficiary certificates	-	(4,668)
Commercial paper	3	155
Option contracts	(1,847)	491
Interest swap contracts	32,614	54,391
Foreign exchange forward contracts	(70,479)	(37,217)
Currency swap contracts	160,352	63,154



	For the year ended December 31,	
	2014	2013
Subtotal	147,424	65,411
Disposition profit and loss:		
Government bond	1	591
Financial debentures	(50,448)	-
Stock of listed company	(4,488)	2,298
Beneficiary certificates	(3,285)	2,815
Option contracts	18,299	33,417
Interest swap contracts	(39,313)	(54,721)
Foreign exchange forward contracts	(212,611)	197,311
Currency swap contracts	418,348	498,808
Non-delivery forward contracts	(1,524)	(3,566)
Subtotal	124,979	676,953
Dividend revenue	8,944	4,922
Interest income	44,663	82,137
Total	\$ 326,010	829,423

(AB) Realized gains (losses) on available-for-sale financial assets

	For the year ended December 31,	
	2014	2013
Gain on disposition of government bond	\$ 64	6,412
Gains on disposition of corporate bonds	12,535	7,070
Gains (losses) from disposition of financial debentures	9,896	(56)
Gains from disposition of listed and OTC stocks	-	2,436
Dividend revenue	30,583	19,798
Total	\$ 53,078	35,660

(AC) Other non-interest income

	For the year ended December 31,	
	2014	2013
Rental revenue of operating assets	\$ 8,204	8,076
Loss from disposition of premises and equipments	(386)	(754)
Loss of account error	(151)	(111)
Gold deposit book	6,009	13,553
Gain (loss) on sale of non-performing loans	21,824	-
Miscellaneous income of dormant account recategorized as expense	(206,140)	-
Other operating expense	(22,870)	(44,986)
Other miscellaneous income	72,184	92,968
Total	\$ (121,326)	68,746

(AD) Bad debt expenses and provision for guarantee reserve

	For the year ended December 31,	
	2014	2013
Discounts and loans	\$ 2,545,394	3,001,387
Receivables and other financial assets	(52,301)	(7,182)
Subtotal	2,493,093	2,994,205
Guarantee reserve	45,494	5,934
Total	\$ 2,538,587	3,000,139

(AE) Employee benefit expense

	For the year ended December 31,	
	2014	2013
Salary expense	\$ 5,578,887	5,587,989
Labor and health insurance	391,191	389,939
Pension expense	320,282	333,925
Other employee benefit	743,793	994,033
Total	<u>\$ 7,034,153</u>	<u>7,305,886</u>

(AF) Depreciation and amortization

	For the year ended December 31,	
	2014	2013
Property and equipment	\$ 324,023	363,327
Amortization		
Computer software	83,812	75,649
Other deferred charges	252	227
Total	<u>\$ 408,087</u>	<u>439,203</u>

(AG) Other operation and management expense

	For the year ended December 31,	
	2014	2013
Compensation loss	\$ 835	176
Water and electricity fee	110,208	104,424
Postage and telecommunication	152,674	150,145
Transportation fee	30,907	30,176
Printing and advertisement fee	156,723	203,271
Maintenance fee	34,862	36,892
Insurance fee	377,102	410,341
Professional service fee	163,814	161,036
Materials and supplies	96,617	94,617
Rental expenses	587,640	548,877
Duties and levies	1,097,537	672,701
Membership, donation and partaking	517,214	494,347
Storage, packing and processing	39,852	40,607
Cash transit	103,400	110,090
Other	58,397	63,563
Total	<u>\$ 3,527,782</u>	<u>3,121,263</u>

(AH) Financial Instruments**(a) Fair value information****(1) Fair value of financial instruments measured at amortized cost**

A. Other than those listed below, the management considers the carrying amounts of its financial assets and financial liabilities measured at amortised cost to be a reasonable approximation of fair value in the consolidated financial report:

As of December 31 2014 and 2013, the fair value information of financial assets and liabilities were as follows:



	December 31, 2014	
	Book value	Fair value
Hold-to-maturity financial assets-net	\$ 194,541,571	194,577,231
	December 31, 2013	
	Book value	Fair value
Hold-to-maturity financial assets-net	\$ 194,434,171	194,458,002

(2) The Tier information of the fair value of financial instruments

Financial products measured at fair value through profit or loss	December 31, 2014			
	Total	1st Tier	2nd Tier	3rd Tier
<u>Non-derivative financial assets</u>				
Assets:				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Other	\$ 79,949	-	79,949	-
Financial assets measured at fair value on initial recognition	1,892,245	-	1,892,245	-
Available-for-Sale Financial Assets				
Security Investment	1,764,897	1,764,897	-	-
Bond Investment	14,278,642	-	14,278,642	-
<u>Derivative financial assets</u>				
Assets:				
Financial assets at fair value through profit or loss	\$ 638,513	27,285	611,228	-
Liabilities:				
Financial liabilities at fair value through profit or loss	303,213	-	303,213	-

Financial products measured at fair value through profit or loss	December 31, 2013			
	Total	1st Tier	2nd Tier	3rd Tier
<u>Non-derivative financial assets</u>				
Assets:				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Financial assets measured at fair value on initial recognition	\$ 2,479,600	-	2,479,600	-
Available-for-Sale Financial Assets				
Security Investment	806,795	806,795	-	-
Bond Investment	12,238,523	-	12,238,523	-
<u>Derivative financial assets</u>				
Assets:				
Financial assets at fair value through profit or loss	\$ 494,994	27,243	467,751	-
Liabilities:				
Financial liabilities at fair value through profit or loss	280,882	-	280,882	-

For the year ended December 31, 2013, the stocks possessed by the Bank which amounted to 231,750 thousands were transferred from tier 2 to tier 1 because Asia Pacific Telecom Co., Ltd. went public on August 5, 2013.

(3) Changes of financial assets measured at fair value through profit or loss and are classified as the 3rd tier financial instrument

Name	For the year ended December 31, 2013								
	Balance at the beginning of the year	Net income or stockholder's equity	Increase			Decrease			Balance at the end of the year
			Purchase or issue	Transfer to the 3rd tier from other tiers	From the 3rd tier financial liabilities to the 3rd tier financial asset	Sale, disposal or settlement	Transferring to other tiers from the 3rd tier	From the 3rd tier financial assets to the 3rd tier financial liabilities	
Financial asset at fair value through profit or loss									
Financial asset measured at fair value on initial recognition	\$ 1,557,880	41,376	887,100	-	-	1,598,916	887,440	-	-
Available-for-sale financial assets	737,983	24,869	445,165	-	-	317,889	890,128	-	-
Total	\$ 2,295,863	66,245	1,332,265	-	-	1,916,805	1,777,568	-	-

The Bank applied the method used for the fair value of financial instruments and rearranged the tier of bond investments in 2013. The amount transferred from the third tier to the second tier was \$1,777,568.

(b) Methods and assumptions used in estimating the fair values of financial instruments are specified below:

- (1) 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, and available-for-sale and held-to-maturity, 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. Ask (bid) is used to evaluate the selling (buying) position by the Bank if the quoted price include ask and bid price. If there is not a quoted price for the financial asset, transaction price close to the balance sheet date is the fair value.
- (2) Fair value of financial derivatives (including foreign exchange forwards, non-delivery forwards, interest swaps, currency swaps, cross currency swaps, stock index futures and foreign exchange option) are the amount of cash to be paid or to be received by the Bank, assuming that the contract will be terminated on the balance sheet date. The Bank adopts mark-to-model prices which are usually adopted among the banking industry, such as Discounted-Cash-Flow model and Black-Scholes model. The Bank adopts the price data from Reuters and Bloomberg to calculate the fair value of the holding position. The aforesaid price data is based upon the middle price and used consistently by the Bank. Furthermore, the fair value of the embedded financial derivatives are calculated based upon the quote from the counterparty, and separately calculated in accordance with the contracts.

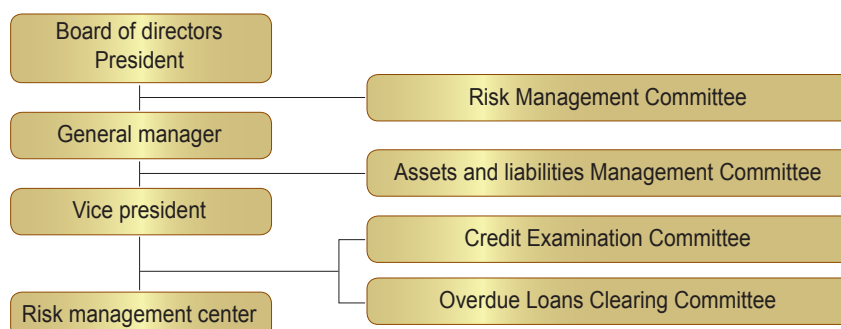
(AI) Financial Risk Information

(a) General description

The goal of the financial risk management of the Bank is to effectively diversify, transfer and avoid risks by taking customer service, financial business operating target, overall risk tolerance and external limitation of laws into consideration and provide benefit to customers, shareholders and employees.

The Bank's Financial Risk Management policy is to establish a risk management mechanism in terms of risk identification, risk measurement, risk monitoring, and risk control and to construct the overall risk management system. It is to facilitate the business model with appropriate risk management and to control the rationality between risks and rewards under the premise of legal capital ration in order to achieve operating targets and increase the value of the Bank for the shareholders. The scope covers the management of credit risk, market risk, operation risk, banking book interest rate risk , capital liquidity risk, and capital adequacy.

(b) Risk management organization structure



(1) Risk Management Committee

The chairperson of the Risk Management Committee is appointed by the president, and the vice chairperson and other members are appointed by the chairperson. The duties are as follows:

- Conduct Analysis and response project when significant domestic and foreign economic, financial and industrial changes which related to risk management occur.
- Approval of the measurement and analyzing methods of various risk exposure.
- Examination of the risk management policy of the Bank and relevant limitations and management indices.
- Monitoring the risk exposure and approval of the response project when the risk exceeds the limitations of the management indices.
- Ratio management of proprietary capital to risk assets.

Risk Management Department is the assistant unit of the Risk Management Committee. The responsibility of the Risk Management Department is to regularly report the important resolution and various risk exposure to the board of (executive) directors and conduct the identification, analysis and measurement of various risk exposure. The establishment of the Risk Management Committee is to manage and monitor the risk of the Bank in pursuit of steady growth of the Bank's earnings and value.

(2) Assets and Liabilities Management Committee

The chairperson of the Assets and Liabilities Management Committee is the general manager, and the members are formed by the vice assistant general manager and the department heads of deposit, loan, financial transaction, capital deployment and risk management units. The responsibility of the Assets and Liabilities Management Committee is to monitor and manage the banking book

interest rate risk and capital liquidity risk and convenes meetings regularly, to approve the analyzing and measurement methods of the capital liquidity risk and banking book interest rate risk exposure, to examine the capital liquidity risk and banking book interest rate risk management policy as well as the relevant limitations and management indices, to receive interest rate risk and capital liquidity risk exposure reports and adjust the assets and liabilities interest rate duration structure and capital maturity structure.

(3) Credit Examination Committee

The convener of the Credit Examination Committee is the assistant general manager supervising Risk Management Center. The Committee in principle convenes weekly to examine the modification and establishment of the regulations (including main points, measures and procedures) for significant loans, foreign exchange and guarantee cases.

(4) Overdue Loans Clearing Committee

The convener of the Overdue Loans Clearing Committee is the supervising vice president and the executive secretary is the manager of the Creditor's Right Management Department. The convener holds meetings based on the necessity to clear the non-performing loans and non-accrual loans and bad debts in order to improve the quality of the credit assets of the Bank and its subsidiaries.

(c) Credit risk

(1) Source and definition of credit risk

Credit risk refers to the default risk resulted from the inability to fulfill the contract obligations due to deteriorating financial status of trade counterparties, pessimistic external economic situation or other factors. The primary source of the credit risk of the Bank is the loan business, such as loans of various terms, guarantees and letters of credit, loan commitments, etc., in addition, other sources of credit risk include call loans from banks, securities investments, derivative financial instrument transactions, etc.

(2) Credit risk management policy

In order to control the credit risk to a tolerable scope, the Bank continuously conduct below operations:

- A. Fully understand the credit status and ratings of loan customers and trade counterparties as well as the purposes and payments of loans.
- B. Prudently evaluates the credit risk status of loan customers and trade counterparties and consider the adequacy of collaterals and guarantees to assess risk and profit.
- C. Establish credit rating mechanism for loan customers or apply the ratings from outside credit rating institutions as the reference for undertaking credit cases or interest rate determination.
- D. Modify relevant regulations to control the credit risk to a tolerable extent for the Bank.

The credit risk management procedure and measurement methods of the Bank's major business are as follows:

A. Credit Business (Including loan commitments and guarantees)

The categorization and credit quality rating of credit assets are as follows:

a. Categorization of credit assets

The credit assets are classified into 5 categories. Except for normal credit assets which are classified as the first category, others are classified, based on the assurance status and the time overdue, as second category (need attention), third category (possible to recover), fourth category (difficult to retrieve) and the fifth category (unable to retrieve). In order to manage creditor's rights, the Bank established "Regulations Governing the Procedures to Evaluate Assets and Deal with Non-performing/Non-accrual Loans", "Regulations Governing the Reconciliation of Non-performing/Non-accrual Loans" and its operating procedure "Operating procedure Governing the Collection of Non-performing/Non-accrual Loans" and "Code of Conduct to Deal With Non-Performing Loans" to serve as the guidelines for dealing with non-performing credit and overdue loans collection.

b. Categorization of credit quality

Based on historical default data, the Bank established internal credit rating model and completed internal rating system to serve as a reference to credit risk control.

In order to develop an appropriate credit rating model for the Bank to evaluate the credit risk for corporate banking customers and private banking customers, it applied statistical methods, professional expert judgements and relevant customer information to fulfill the requirements. The Bank examined whether the internal credit rating model is in conformity with the actual scenario based on practical default data quarterly and adjusted all parameters to optimize the estimated results.

B. Due from other banks and call loans to banks

The Bank evaluates the credit status of counterparties before transaction and takes the rating information from domestic and foreign credit rating institutions into consideration to determine various credit risk facilities for the counterparties.

C. Debt instrument investments and derivative financial instruments

The Bank manages credit risk of debt instruments through credit rating data of external institutions, credit quality of bonds, geographic situations and counterparties' risk so as to identify credit risk.

The financial institutions which the Bank conducts derivative instruments are mostly investment quality and are controlled based on the trade amount (including loans at call). Counterparties which do not have credit rating or which are of low quality shall be examined individually. For counterparties which are general customers, the Bank controls the credit risk exposure based on the derivative instrument risk facilities and conditions approved by general credit procedures.

(3) Credit risk hedging or diminishing.

A. Collaterals

The Bank adopts a series of policies and procedures to mitigate credit risk and enhance credit risk tolerance. The method applied most is to request customers to provide collaterals. The Bank established collateral accreditation code of conduct in term of collateral management and total loan amount to regulate the scope of collaterals and the accreditation method and regularly

inspects the collaterals. When the collaterals devalue or the concern of devaluation occurs, the Bank shall increase collaterals or retrieve part of the loans to ensure the creditor's right is intact.

B. Limit of credit risk and the control of credit risk concentration

- a. In order to avoid the situation that the credit risk of single customer being too high, the credit limit of an individual, a related party or a related enterprise shall be in conformity with "Authorization method for subsection 3 of Article 33 of the Banking Act of the Republic of China" and the credit limit authorization steps are regulated in the Key Points of Credit Engagement Authorization and the Key Points of Credit Engagement Authorization for Overseas Branches of the Bank.
- b. To enhance the risk concentration management, the Bank established regulations in terms of countries, financial institutions, industries and group enterprises. The relevant limits are reviewed and approved annually and the usage of the credit is monitored on a daily basis. In addition, the results are reported regularly.

C. General agreement of net amount settlement

The transactions of the Bank are mostly settled with gross amount. Part of the transactions agreed on net amount settlement. When a default occurs, the Bank terminates all the transactions with the counterparty and settles by net amount to further lower credit risk.

(4) Maximum credit risk exposure of the Bank.

The maximum credit exposure of the assets in the consolidated financial statement is approximately the book value when not considering collaterals or other credit enhancement instruments. The maximum credit exposure off the consolidated balance sheet (when not considering collaterals or other credit enhancement instruments and not revokable) is as follows:

Off balance sheet items	Maximum credit risk exposure	
	December 31, 2014	December 31, 2013
Loan commitment signed and irrevokable	\$ 39,694,378	2,602,110
Irrevokable credit card commitment of the customers	23,457,407	23,836,887
Signed but not used L/C credit amount	12,391,611	10,054,495
Various guarantee proceeds	9,073,990	9,000,830
Total	<u>\$ 84,617,386</u>	<u>45,494,322</u>

The Management of the Bank evaluated the credit risk exposure and believed that the Bank is able to continuously control and minimize the off-balance-sheet credit risk exposure due to its strict appraisal process and regular subsequent examination.

(5) Credit risk concentration of the Bank

The Bank and its subsidiaries do not conduct significant transaction with single customer or single trade counterparty. The total amount of discounts and loans, overdue loans in terms of individual customer or individual trade counterparty is not significant. The information of credit risk concentration of the Bank's discounts and loans and overdue loans are divided by industries, geographic areas and collaterals and listed as follows:



A. Industry

Distribution of discounts and loans, overdue loans based on industries.

(In NT thousand)

Industry	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%
Private business	\$ 519,917,395	51.35%	493,809,358	50.97%
Public business	22,129,302	2.19%	14,520,607	1.50%
Government institution	172,109,414	17.00%	165,932,856	17.13%
Non profit organization	3,701,726	0.37%	3,962,679	0.41%
Individual	254,629,361	25.15%	249,766,234	25.78%
Foreign financial institution	2,884,025	0.28%	4,957,757	0.51%
Foreign non-financial institution	37,063,467	3.66%	35,797,502	3.70%
Total	<u>\$ 1,012,434,690</u>	<u>100.00%</u>	<u>968,746,993</u>	<u>100.00%</u>

B. Geographic area

Distribution of discounts and loans, overdue loans based on geographic area.

(In NT thousand)

Area	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%
Domestic	\$ 972,601,713	96.07%	928,742,281	95.87%
Foreign	39,832,977	3.93%	40,004,712	4.13%
Total	<u>\$ 1,012,434,690</u>	<u>100.00%</u>	<u>968,746,993</u>	<u>100.00%</u>

C. Collateral

Distribution of discounts and loans, overdue loans based on collateral.

(In NT thousand)

Collateral	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%
Non-secured	\$ 351,363,384	34.70%	333,810,922	34.46%
Stock	10,299,450	1.02%	11,635,953	1.20%
Bond	4,643,420	0.46%	3,928,423	0.41%
Real estate	503,600,251	49.74%	482,031,623	49.76%
Chattel	14,688,914	1.45%	21,023,946	2.17%
Notes receivable	1,212,094	0.12%	1,169,884	0.12%
Guarantee	121,726,381	12.02%	112,420,927	11.60%
Other	4,900,796	0.49%	2,725,315	0.28%
Total	<u>\$ 1,012,434,690</u>	<u>100.00%</u>	<u>968,746,993</u>	<u>100.00%</u>

Note: Secured credit are categorized in its respective item per the type of the collaterals. Non-secured credit (no collateral provided) is classified in fiduciary credit. If the credit amount is higher than the accreditation value, the credit amount within the accreditation is classified in the respective item, the credit amount exceeds the accreditation value is classified in fiduciary credit. The accreditation value is the value calculated per the accreditation regulations of the Bank, not the discounted value of the signed contract.

(6) Credit quality and overdue impairment loss of financial assets of the Bank

Part of the financial assets, such as cash and cash equivalent, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, bills and bonds purchased under resell agreement, guarantee deposits paid and operation guarantee deposits and settlement funds are considered of minimum credit risk due to the good credit ratings of the trade counterparties.

Except for the abovementioned items, the credit quality analyses of the rest of the financial assets are as follows:

A. Credit quality analysis of discounts and loans as well as receivables

December 31, 2014	Not overdue and not impairment amount							Overdue but not impaired (B)	Impaired amount (C)	Total (A)+(B)+(C)	Loss provided (D)		Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Medium	Acceptable	Under standard	No rating	Subtotal (A)				With objective evidence of impairment	Without objective evidence of impairment	
Receivable													
-Credit card	\$ 493,722	233,923	277,321	155,817	12,920	246,921	1,420,624	9,290	-	1,429,914	-	743	1,429,171
-Other	382,271	1,599,749	243,831	10,977	2,364	2,667,323	4,906,515	12,695	184,409	5,103,619	77,163	38,229	4,988,227
Discounts and loans	199,265,163	314,697,907	221,552,757	42,970,688	5,784,283	208,733,359	993,004,157	2,681,036	16,749,497	1,012,434,690	4,316,306	6,617,355	1,001,501,029
Other financial assets	94	305	348	-	-	-	747	475	333,205	334,427	273,317	12	61,098
Total	\$200,141,250	316,531,884	222,074,257	43,137,482	5,799,567	211,647,603	999,332,043	2,703,496	17,267,111	1,019,302,650	4,666,786	6,656,339	1,007,979,525

December 31, 2013	Not overdue and not impairment amount							Overdue but not impaired (B)	Impaired amount (C)	Total (A)+(B)+(C)	Loss provided (D)		Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Medium	Acceptable	Under standard	No rating	Subtotal (A)				With objective evidence of impairment	Without objective evidence of impairment	
Receivable													
-Credit card	\$ 473,973	208,246	279,972	195,345	17,163	281,351	1,456,050	8,940	-	1,464,990	-	1,163	1,463,827
-Other	174,420	1,313,219	361,469	51,768	-	2,158,577	4,059,453	86,641	139,441	4,285,535	73,602	58,561	4,153,372
Discounts and loans	108,793,276	347,695,457	243,543,650	34,835,863	4,545,772	201,850,045	941,264,063	3,596,935	23,885,995	968,746,993	5,124,124	5,337,997	958,284,872
Other financial assets	164	43	1,581	-	-	-	1,788	462	376,894	379,144	268,283	11	110,850
Total	\$109,441,833	349,216,965	244,186,672	35,082,976	4,562,935	204,289,973	946,781,354	3,692,978	24,402,330	974,876,662	5,466,009	5,397,732	964,012,921

The abovementioned "Excellent" refers to the position which belongs to level 1 to level 4 of the Bank's internal credit rating system, "Good" refers to the position belongs to level 5 to level 9, "Medium" refers to the position belongs to level 10 to level 17, "Acceptable" refers to the position belongs to level 18 to level 23, "under standard" refers to the position belongs to level 24 to level 26 and "No rating" refers to the position which possesses no credit rating in the Bank's internal rating system.

B. Credit quality analysis based on internal credit rating criteria of the not overdue and not impaired discounts and loans and expressed by customer types

December 31, 2014	Excellent	Good	Midium	Acceptable	Under standard	No rating	Total
Private banking							
Secured	\$ 81,739,872	69,296,413	69,057,498	5,472,372	2,850,363	2,109,038	230,525,556
Non-secured	1,270,197	4,491,422	11,194,693	2,116,959	116,326	1,737,775	20,927,372
Corporate banking							
Government and public institution	-	19,750,098	-	2,379,204	-	172,088,720	194,218,022
Financial institution	316,700	2,567,325	31,658	-	-	-	2,915,683
Margin loans receivable	-	-	-	-	-	2,221,662	2,221,662
Large Enterprise- credit and guarantee fund	-	133,544	42,789	-	-	-	176,333
Large Enterprise-secured	40,342,076	11,752,148	1,236,654	1,120,471	63,241	-	54,514,590
Large Enterprise-nonsecured	13,501,801	43,579,860	6,931,805	406,724	340,801	3,569,752	68,330,743
Medium and small enterprises-credit and guarantee fund	8,246,900	29,427,389	48,891,682	4,192,775	343,682	63,142	91,165,570
Medium and small enterprises-secured	44,206,738	98,888,749	68,036,479	19,300,369	1,364,718	9,421,067	241,218,120
Medium and small enterprises-nonsecured	9,640,879	34,810,959	16,129,499	7,981,814	705,152	17,522,203	86,790,506
Total	\$ 199,265,163	314,697,907	221,552,757	42,970,688	5,784,283	208,733,359	993,004,157

December 31, 2013	Excellent	Good	Midium	Acceptable	Under standard	No rating	Total
Private banking							
Secured	\$ 64,415,861	80,139,739	71,603,398	5,692,039	2,251,649	2,054,120	226,156,806
Non-secured	869,856	3,851,946	12,495,524	696,703	197,526	671,463	18,783,018
Corporate banking							
Government and public institution	-	-	8,500,020	6,020,587	-	165,906,335	180,426,942
Financial institution	2,054,820	2,706,904	50,617	-	148,875	-	4,961,216
Margin loans receivable	-	-	-	-	-	1,793,827	1,793,827
Large Enterprise- credit and guarantee fund	-	123,544	90,530	-	-	-	214,074
Large Enterprise-secured	1,180,523	52,784,765	2,672,209	1,351,789	216,998	-	58,206,284
Large Enterprise-nonsecured	4,975,745	47,690,333	10,233,392	1,643,240	886,695	2,556,193	67,985,598
Medium and small enterprises-credit and guarantee fund	3,766,287	27,886,013	47,070,864	3,841,116	151,902	198,480	82,914,662
Medium and small enterprises-secured	24,938,906	105,548,044	70,141,567	11,201,538	399,016	12,727,144	224,956,215
Medium and small enterprises- nonsecured	6,591,278	26,964,169	20,685,529	4,388,851	293,111	15,942,483	74,865,421
Total	\$ 108,793,276	347,695,457	243,543,650	34,835,863	4,545,772	201,850,045	941,264,063

C. Credit quality analysis of security investments

December 31, 2014	Not overdue and impaired position					Overdue but not impaired position (B)	Impairment position (C)	Total (A)+(B)+(C)	Loss provided (D)	Net amount (A)+(B)+(C)-(D)
	Investment	Subinvestment	High risk	No rating	Subtotal (A)					
Financial assets at fair value through profit or loss-net										
-Overseas bonds	\$ 948,331	-	-	943,914	1,892,245	-	-	1,892,245	-	1,892,245
Available-for-sale financial assets-net										
-Overseas bonds	4,535,245	-	-	535,812	5,071,057	-	-	5,071,057	-	5,071,057
-NT bonds	9,207,585	-	-	-	9,207,585	-	-	9,207,585	-	9,207,585
Hold-to-maturity financial assets-net										
-Overseas bonds	10,743,505	-	-	-	10,743,505	-	-	10,743,505	-	10,743,505
-NT bonds	12,098,066	-	-	-	12,098,066	-	-	12,098,066	-	12,098,066



December 31, 2013	Not overdue and impaired position					Overdue but not impaired position (B)	Impairment position (C)	Total (A)+(B)+(C)	Loss provided (D)	Net amount (A)+(B)+(C)-(D)
	Investment	Subinvestment	High risk	No rating	Subtotal (A)					
Financial assets at fair value through profit or loss-net										
-Overseas bonds	\$ 2,179,340	-	-	300,260	2,479,600	-	-	2,479,600	-	2,479,600
Available-for-sale financial assets-net										
-Overseas bonds	1,712,577	-	-	287,208	1,999,785	-	-	1,999,785	-	1,999,785
-NT bonds	10,238,738	-	-	-	10,238,738	-	-	10,238,738	-	10,238,738
Hold-to-maturity financial assets-net										
-Overseas bonds	7,663,219	-	-	-	7,663,219	-	-	7,663,219	-	7,663,219
-NT bonds	8,970,952	-	-	-	8,970,952	-	-	8,970,952	-	8,970,952

For the investment ratings of above tables, investment grade refers to AAA to BBB-, Subinvestment grade refers to BB+ ~B-, high risk refers to CCC+ and below (including no rating). No rating refers to the bonds not graded by credit rating institution.

(7) Aging analysis of financial assets which are overdue but not impaired

Operation process delay of loan borrowers and other administrative factors may cause financial assets to be overdue but not impaired. According to the internal risk management regulations of the Bank and its subsidiaries, financial assets overdue within 90 days are not considered impaired unless there are other evidence indicates otherwise.

	December 31, 2014			
	within 1 month	1~3 months	over 3 months	Total
Account receivables				
-Credit card	\$ 6,479	2,811	-	9,290
-Other	12,695	-	-	12,695
Discounts and loans				
Private banking				
-Secured	1,432,098	436,830	-	1,868,928
-Nonsecured	107,956	9,845	-	117,801
Corporate banking				
-Large enterprise nonsecured	22,046	-	-	22,046
-Medium and small enterprises- credit and guarantee fund	207,663	40,216	-	247,879
-Medium and small enterprises- secured	173,679	25,036	-	198,715
-Medium and small enterprises-nonsecured	225,655	12	-	225,667
Other financial assets - Exchange bills negotiated	475	-	-	475
Total	\$ 2,188,746	514,750	-	2,703,496



	December 31, 2013			
	within 1 month	1~3 months	over 3 months	Total
Account receivables				
-Credit card	\$ 5,924	3,016	-	8,940
-Other	86,641	-	-	86,641
Discounts and loans				
Private banking				
-Secured	2,022,633	533,043	-	2,555,676
-Nonsecured	139,830	11,706	-	151,536
Corporate banking				
-Large enterprise nonsecured	16,753	-	-	16,753
-Medium and small enterprises- credit and guarantee fund	209,443	36,380	-	245,823
-Medium and small enterprises- secured	240,289	202,632	-	442,921
-Medium and small enterprises-nonsecured	184,226	-	-	184,226
Other financial assets - Exchange bills negotiated	402	60	-	462
Total	\$ 2,906,141	786,837	-	3,692,978

(8) Impairment loss analysis of the financial assets of the Bank

A. Discounts and loans

Item	December 31, 2014	
	Discounts and loans	Allowance for bad debts
With objective evidence of impairment		
Individual assessment	\$ 12,256,533	2,659,096
Collective assessment		
Medium and small enterprises-credit and guarantee fund	1,900,300	709,184
Medium and small enterprises-secured	514,158	188,227
Medium and small enterprises-nonsecured	172,069	130,697
Private banking-secured	1,712,920	494,585
Private banking-nonsecured	191,798	133,573
Preliminary negotiation projects	1,719	944
Subtotal	16,749,497	4,316,306
Without objective evidence of impairment		
Collective assessment		
Government and public institution	194,218,021	89,160
Financial institution	2,915,683	1,339
Margin loans receivables	2,221,662	1,019
Large Enterprise- credit and guarantee fund	176,333	6,126
Large enterprise secured	54,514,590	1,532,853
Large enterprise-nonsecured	68,352,788	1,234,735
Medium and small enterprises-credit guarantee fund	91,413,449	1,171,881
Medium and small enterprises-secured	241,416,835	734,212
Medium and small enterprises-nonsecured	87,016,175	1,244,456
Private banking-secured	232,394,484	529,510
Private banking-nonsecured	21,045,173	72,064
Subtotal	995,685,193	6,617,355
Total	\$ 1,012,434,690	10,933,661

Item	December 31, 2013	
	Discounts and loans	Allowance for bad debts
With objective evidence of impairment		
Individual assessment	\$ 18,738,249	4,085,781
Collective assessment		
Medium and small enterprises-credit and guarantee fund	1,833,189	545,249
Medium and small enterprises-secured	674,250	94,432
Medium and small enterprises-nonsecured	199,743	81,984
Private banking-secured	2,224,993	195,347
Private banking-nonsecured	214,304	120,736
Preliminary negotiation projects	1,267	595
Subtotal	23,885,995	5,124,124
Without objective evidence of impairment		
Collective assessment		
Government and public institution	180,426,942	80,822
Financial institution	4,961,216	2,222
Margin loans receivables	1,793,827	803
Large Enterprise- credit and guarantee fund	214,074	96
Large enterprise secured	58,206,284	932,685
Large enterprise-nonsecured	68,002,351	900,898
Medium and small enterprises-credit guarantee fund	83,160,486	1,224,876
Medium and small enterprises-secured	225,399,136	595,289
Medium and small enterprises-nonsecured	75,049,646	1,072,863
Private banking-secured	228,712,187	459,577
Private banking-nonsecured	18,934,849	67,866
Subtotal	944,860,998	5,337,997
Total	\$ 968,746,993	10,462,121

B. Receivables

Item	December 31, 2014	
	Receivables	Allowance for bad debts
With objective evidence of impairment		
Individual assessment	\$ 161,145	67,318
Collective assessment	23,264	9,845
Subtotal	184,409	77,163
Without objective evidence of impairment		
Collective assessment		
Credit card proceeds receivable	1,429,914	743
Accounts receivable	125,124	-
Installment accounts receivable and rents receivable	532,905	-
Other receivables	323,248	9,481
Acceptances receivable	1,608,642	16,544
Interest receivable	2,329,291	12,204
Subtotal	6,349,124	38,972
Total	\$ 6,533,533	116,135



Item	December 31, 2013	
	Receivables	Allowance for bad debts
With objective evidence of impairment		
Individual assessment	\$ 100,205	24,396
Collective assessment	39,236	49,206
Subtotal	139,441	73,602
Without objective evidence of impairment		
Collective assessment		
Credit card proceeds receivable	1,474,882	1,163
Installment accounts receivable and rents receivable	379,462	-
Other receivables	309,229	38,849
Acceptances receivable	1,550,304	11,424
Interest receivable	1,897,207	8,288
Subtotal	5,611,084	59,724
Total	\$ 5,750,525	133,326

C. Other financial assets

Item	December 31, 2014	
	Other financial assets	Allowance for bad debts
With objective evidence of impairment		
Individual assessment	\$ 225,868	212,631
Collective assessment		
Guarantee, acceptance and other advances	26,195	24,650
Credit card	81,142	36,036
Subtotal	333,205	273,317
Without objective evidence of impairment		
Collective assessment		
Bills negotiated	1,222	12
Total	\$ 334,427	273,329

Item	December 31, 2013	
	Other financial assets	Allowance for bad debts
With objective evidence of impairment		
Individual assessment	\$ 269,989	222,322
Collective assessment		
Guarantee, acceptance and other advances	8,317	4,949
Credit card	98,588	41,012
Subtotal	376,894	268,283
Without objective evidence of impairment		
Collective assessment		
Bills negotiated	2,250	11
Total	\$ 379,144	268,294

(9) Collateral management policy

A. Collaterals are recognized under the account of other assets per the rules of "Regulations Governing the Preparation of Financial Reports by Public Banks".

B. Details are as follows:

Other assets	December 31, 2014	December 31, 2013
Collaterals (stocks)	\$ 2,509	3,150

Collaterals refer to the collaterals provided by clients as guarantee which are undertaken through public auction when the debtor is not able to fulfill its obligation. The collaterals assumed are recognized using the prices undertaken per the rules of "Regulations Governing the Preparation of Financial Reports by Public Banks" and measured by the book value or the fair value deducted by cost of sale, whichever is lower, at the end of the period. Collaterals will be sold when they are available to be sold and the proceeds received will be used to reduce the book amount of collaterals.

(10) Disclosure required under "Regulations Governing the Preparation of Financial Reports by Public Held Banks"

A. Loan quality:

Unit: In Thousands of New Taiwan Dollars, %

Month/Year Items			December 31, 2014				
			Non-performing loans	Total loans	Non-performing loan ratio	Allowance for credit losses	Coverage ratio
Corporate finance	Secured		2,533,788	387,172,844	0.65%	5,422,697	214.02%
	Unsecured		1,545,815	377,967,170	0.41%	3,796,420	245.59%
Consumer finance	Residence mortgages(Note 4)		301,550	129,986,870	0.23%	1,240,850	411.49%
	Cash cards		21	244	8.61%	21	100.00%
	Small sum credit loans(Note 5)		2,119	340,900	0.62%	2,119	100.00%
	Others (Note 6)	Secured	204,301	96,456,088	0.21%	411,503	201.42%
		Unsecured	29,959	20,510,574	0.15%	60,051	200.44%
	total loan business			4,617,553	1,012,434,690	0.46%	10,933,661
			Overdue loans	Total receivables	Overdue ratio	Allowance for doubtful accounts	Ratio of allowance to overdue loans
Credit cards business			3,614	1,511,057	0.24%	36,779	1,017.68%
Account receivable factoring-without recourse			-	-	-%	-	-%



Unit: In Thousands of New Taiwan Dollars, %

Month/Year Items			December 31, 2013				
			Non-performing loans	Total loans	Non-performing loan ratio	Allowance for credit losses	Coverage ratio
Corporate finance	Secured		5,224,837	372,569,121	1.40%	6,316,401	120.89%
	Unsecured		1,428,432	353,090,999	0.40%	3,266,949	228.71%
Consumer finance	Residence mortgages (Note 4)		484,786	134,137,327	0.36%	560,608	115.64%
	Cash cards		67	423	15.84%	67	100.00%
	Small sum credit loans (Note 5)		1,334	199,198	0.67%	1,334	100.00%
	Others (Note 6)	Secured	186,412	89,313,011	0.21%	239,648	128.56%
		Unsecured	62,360	19,436,914	0.32%	77,114	123.66%
	total loan business			7,388,228	968,746,993	0.76%	10,462,121
			Overdue loans	Total receivables	Overdue ratio	Allowance for doubtful accounts	Ratio of allowance to overdue loans
Credit cards business			3,605	1,563,577	0.23%	42,176	1,169.93%
Account receivable factoring-without recourse			-	-	-%	-	-%

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.

Note 2 Non-performing loan 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 business = 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 card loans, and microcredit loans, and do not include credit cards.

Note 7 In accordance with Jin-Kuan-Yin-(5)-Zi No. 0944000494, dated July 19, 2005, the amounts of without-recourse factoring will be classified as overdue receivables within three months from the date that suppliers or insurance companies resolve not to compensate the loss.

B. Overdue loans and receivables exempted from reporting

(In NTD thousands)

	December 31, 2014		December 31, 2013	
	Loans may be exempted from reporting as a non-performing loan	Receivables may be exempted from reporting as overdue receivables	Loans may be exempted from reporting as a non-performing loan	Receivables may be exempted from reporting as overdue receivables
Pursuant to a contract under a debt negotiation plan	7,115	15,184	10,594	21,396
Pursuant to a contract under a debt liquidation plan and a debt relief plan	94,360	62,491	96,729	71,047
Total	101,475	77,675	107,323	92,443

Note A: 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 B: 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."

C. Concentration of credit extensions

Unit: In Thousands of New Taiwan dollars, %

December 31, 2014			
Ranking	Group enterprise	Credit amount	Credit amount to equity ratio (%)
1	A company. (Railway transportation)	35,441,632	56.49%
2	B group. (Petroleum and chemical material manufacturing)	9,972,008	15.89%
3	C group. (Steel rolling and extruding)	6,558,121	10.45%
4	D group. (Computer manufacturing)	6,053,918	9.65%
5	E company. (Real estate development)	5,803,072	9.25%
6	F group. (Real estate development)	5,528,172	8.81%
7	G group. (Petroleum and chemical material manufacturing)	4,436,466	7.07%
8	H group. (Investment and consulting)	3,957,030	6.31%
9	I group. (Liquid crystal panel and components manufacturing)	3,831,758	6.11%
10	J group. (Liquid crystal panel and components manufacturing)	3,138,799	5.00%

Unit: In Thousands of New Taiwan dollars, %

December 31, 2013			
Ranking	Group enterprise	Credit amount	Credit amount to equity ratio (%)
1	A company. (Railway transportation)	35,699,216	62.35%
2	B group. (Petroleum and chemical material manufacturing)	8,596,313	15.01%
3	C group. (Steel rolling and extruding)	6,674,272	11.66%
4	I group. (Liquid crystal panel and components manufacturing)	5,251,240	9.17%
5	E company. (Real estate development)	5,865,072	10.24%
6	D group. (Computer manufacturing)	4,977,674	8.69%
7	H group. (Investment and consulting)	4,586,890	8.01%
8	G group. (Petroleum and chemical material manufacturing)	4,522,972	7.90%
9	J group. (Liquid crystal panel and components manufacturing)	4,129,254	7.21%
10	K group. (Steel smelting)	3,726,359	6.51%

Note 1 The top ten enterprise groups other than government or stated-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 Review of Securities Listings".

Note 3 Consists of loans (foreign currency imports financing, foreign currency export financing, notes discounted, customer overdrafts, short-term unsecured loans, short-term secured loans, receivables from securities lending, medium-term unsecured loans, medium-term secured loans, long-term unsecured loans, long-term secured loans, non-performing loans), foreign currency long positions, accounts receivable-factoring discount, bankers' acceptance receivable, guarantees receivable.

Note 4 In the calculation of Credit amount to equity ratio, the domestic bank should be calculated in the net value of head office. The Foreign bank should be calculated in the net value of Taiwan branch.



(d) Liquidity risk

(1) The origin and definition of liquidity risk

Liquidity risk refers to the potential financial loss results from the inability to liquidate assets or obtain finance to fulfill the financial obligation which is going to mature with sufficient fund, such as early rescind of time deposits, the channels and terms to call loan from other bank are deteriorated due to the influence of specific markets and the default of loan customers worsen and it is harder for the Bank to receive payments and liquidate financial instruments. The abovementioned situations may diminish the source of cash for the Bank to undertake loan business, trades and investment activities. Under some extreme circumstances, the lack of liquidity may increase the potential possibility of reduction of the overall position of consolidated financial statement, sale of assets and inability to fulfill loan obligation. Liquidity risk is an inherent risk of bank operations and is influenced by specific or overall events in various markets. Those events include but not limited to : Credit event, merger or buyout, systematic strike and natural disaster.

(2) The management policy, process and measurement of liquidity risk

A. Policy

- a. In accordance with the target and limit for liquidity risk management approved by the board of directors and monitor all liquidity risk positions.
- b. Established "Directions Governing the Capital Liquidity Risk Management of Taiwan Business Bank" and "Remarks Governing the Capital Liquidity Risk Management of Taiwan Business Bank" to serve as guidance to effectively control capital liquidity risk.
- c. Overseas branches shall regulate the code of conduct for liquidity risk management based on business characteristics and the regulations of local authorities. After being approved by the general manager, the Risk Management Department will be in charge of monitoring liquidity risk.

B. Process

- a. Finance Department is in charge of daily capital deployment to ensure that the capital is sufficient to cope with various demands for capital.
- b. Risk Management Department is in charge of the identification, measurement, supervision and control of capital liquidity risk to establish a firm operation process and structure.
- c. Risk Management Department reports the result of capital liquidity risk measurement to the Assets and Liabilities Management Committee on a monthly basis and reports the results of capital liquidity risk and pressure test to Risk Management Committee and the board of directors quarterly.

C. Measurement

- a. Maturity gap: To place the inflows and outflows of capital into various time zones accordingly based on the remaining days to maturity and calculate the gap of capital of each time zone in order to measure the capital deficiency of each time zone.
- b. Lona-deposit ratio: To calculate the deposits the Bank received which are used to conduct loan business. In other words, the percentage of the total loan amount accounts for the total deposit amount.

- c. Capital concentration and stability: In order to prevent the Bank from over-relying on single trade counterparty, product or market, the Bank observes several aspects such as the changes in large time deposit customers, the percentage of demand deposits and the continuity of deposits.
- d. Pressure test: Except for monitoring the capital demand under normal circumstances, the Bank conducts pressure test regularly in order to evaluate the capital liquidity under abnormal circumstances and ensure that the Bank is equipped with sufficient capital.

(3) Financial assets possessed for managing liquidity risk and maturity analysis for non-derivative financial liability

A. Financial assets possessed for managing liquidity risk

The Bank possesses cash and other high liquidity interest yielding assets to cope with payment obligations and potential emergent capital demands in the market. The assets possessed for managing liquidity risk include cash and cash equivalent, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, discounts and loans, available-for-sale financial assets, held-to-maturity financial assets, debts investment without active market.

B. Maturity analysis for non-derivative financial liabilities

The table below shows the cash outflows from the non-derivative financial liabilities which are possessed by the Bank based on the remaining days from the consolidated financial statement date to the contract maturity date. The amount disclosed is based on the cash flows of the contracts and thus part of the amount disclosed may not correspond to the amount disclosed in the consolidated financial statement.

	December 31, 2014					
	0-30 days	31-90 days	91 days-1 year	1-5 years	Over 5 years	Total
Major matured cash outflow	\$ 739,355,610	155,649,864	321,772,228	43,727,203	35,380,274	34,928,743
Deposits from the Central Bank and banks	388,548	-	-	-	-	388,548
Overdrafts on banks	1,274,988	-	-	-	-	1,274,988
Call loans from banks	25,837,595	11,811,378	2,237,850	-	-	39,886,823
Bills and bond sold under repurchase agreement	1,666,432	2,081,162	147,714	-	-	3,895,308
Interest payable	244,970	464,872	979,948	49,141	-	1,738,931
Deposits transferred from Chunghwa Post Co., Ltd.	1,229,890	19,672,559	18,142,264	-	-	39,044,713
Demand deposits	591,084,342	-	-	-	-	591,084,342
Time deposits	117,187,139	121,619,143	293,930,362	27,900,802	1,504	560,638,950
Remittance	433,706	-	-	-	-	433,706
Financial debentures	-	-	6,200,000	8,600,000	27,000,000	41,800,000
Appropriated loan fund	8,000	750	134,090	7,177,260	8,378,770	15,698,870

	December 31, 2013					
	0-30 days	31-90 days	91 days-1 year	1-5 years	Over 5 years	Total
Major matured cash outflow	\$ 698,623,857	138,154,643	329,133,771	56,906,299	23,214,945	1,246,033,515
Deposits from the Central Bank and banks	409,956	-	-	-	-	409,956
Overdrafts on banks	1,217,031	-	-	-	-	1,217,031
Call loans from banks	23,034,668	4,859,522	297,475	-	-	28,191,665
Bills and bond sold under repurchase agreement	2,420,469	1,305,817	472,956	-	-	4,199,242
Interest payable	458,532	474,155	876,688	47,549	-	1,856,924
Deposits transferred from Chunghwa Post Co., Ltd.	1,319,651	19,738,374	28,203,076	-	-	49,261,101
Demand deposits	564,513,138	-	-	-	-	564,513,138
Time deposits	104,839,346	110,676,775	290,627,086	24,356,000	2,612	530,501,819
Remittance	405,316	-	-	-	-	405,316
Financial debentures	-	1,100,000	8,550,000	26,800,000	15,000,000	51,450,000
Appropriated loan fund	5,750	-	106,490	5,702,750	8,212,333	14,027,323

(4) Derivative financial liability maturity analysis

A. Derivative financial instruments settled by net amount

The derivative instruments of the Bank's possession which are settled by net amount include foreign derivative instruments, such as non-delivery forward contracts, foreign exchange options settled by net amount. After evaluation the Bank concluded that the maturity date is the basic element to comprehend all the derivative financial instruments listed in the consolidated financial statement. The amount disclosed is based on the cash flows of the contracts and thus part of the amount disclosed may not correspond to the amount disclosed in the consolidated financial statement.

The maturity analysis of derivative financial liabilities settled by net amount is as follows:

	December 31, 2014					
	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivative instrument	\$ 362	724	-	-	-	1,086

B. Derivative financial instruments settled by gross amount

The derivative instruments of the Bank's possession settled by gross amount include the following :

- Foreign exchange derivative financial instrument: Foreign exchange options settled by gross amount, foreign exchange forward contracts and currency swap contracts.
- Interest rate derivative financial instruments: interest rate swap contracts.

The table below shows the derivative financial instruments of the Bank's possession which are settled by gross amount based on the remaining days from the consolidated financial statement date to the contract maturity date. The amount disclosed is based on the cash flow of the contracts and thus part of the amount disclosed may not correspond to the amount disclosed in the consolidated financial statement. The maturity analysis for derivative financial liabilities settled by gross amount is as follows:

December 31, 2014	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivative instrument						
Cash outflow	\$ 20,903,693	17,985,172	2,002,706	971,141	-	41,862,712
Cash inflow	20,720,398	17,841,479	1,986,866	970,159	-	41,518,902
Interest rate derivative instrument						
Cash outflow	3,560	7,791	11,372	16,544	5,248	44,515
Cash inflow	1,312	3,301	4,611	9,820	4,802	23,846
Total cash outflow	20,907,253	17,992,963	2,014,078	987,685	5,248	41,907,227
Total cash inflow	20,721,710	17,844,780	1,991,477	979,979	4,802	41,542,748
Net cash flow	\$ 185,543	148,183	22,601	7,706	446	364,479

December 31, 2013	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivative instrument						
Cash outflow	\$ 29,348,773	15,447,508	2,003,167	803,635	-	47,603,083
Cash inflow	30,440,923	15,448,564	1,970,244	824,528	-	48,684,259
Interest rate derivative instrument						
Cash outflow	3,638	17,948	21,628	33,082	21,792	98,088
Cash inflow	1,172	18,043	20,017	30,367	20,109	89,708
Total cash outflow	29,352,411	15,465,456	2,024,795	836,717	21,792	47,701,171
Total cash inflow	30,442,095	15,466,607	1,990,261	854,895	20,109	48,773,967
Net cash flow	\$ (1,089,684)	(1,151)	34,534	(18,178)	1,683	(1,072,796)

(5) Maturity analysis of off balance sheet items

The table below shows the maturity analysis of the off-balance-sheet items of the Bank based on the remaining days from the consolidated financial statement date to the contract maturity date. For the financial guarantee contracts issued, the maximum amount of the guarantee is listed in the earliest time zone that the guarantee may be executed. The amount disclosed is based on the cash flows of the contracts and thus part of the amount disclosed may not correspond to the amount disclosed in the consolidated financial statement.

December 31, 2014	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Issued and irrevocable loan commitment	\$ 494,902	426,677	661,155	25,818,962	12,292,682	39,694,378
Irrevocable credit card loan commitment	1,247	206,411	403,385	685,050	22,161,314	23,457,407
Issued but not yet executed letter of credit	4,561,517	6,233,718	1,280,768	278,900	36,708	12,391,611
Miscellaneous guarantee	9,073,990	-	-	-	-	9,073,990
Total	\$ 14,131,656	6,866,806	2,345,308	26,782,912	34,490,704	84,617,386

December 31, 2013	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Issued and irrevokable loan commitment	\$ -	-	893,400	34,145	1,674,565	2,602,110
Irrevokable credit card loan commitment	1,005	941,574	1,904,320	3,050,133	17,939,855	23,836,887
Issued but not yet executed letter of credit	2,882,954	5,996,412	523,519	622,405	29,205	10,054,495
Miscellaneous guarantee	9,000,830	-	-	-	-	9,000,830
Total	\$ 11,884,789	6,937,986	3,321,239	3,706,683	19,643,625	45,494,322

(6) Maturity analysis of lease contract commitments

Operating lease commitment refers to, when the Bank is the lessor or lessee and under the irrevocable operating lease conditions, the minimum total future rent payment. Below tables show the maturity analysis of the Bank's operating lease contract commitments:

December 31, 2014	Below 1 year	1-5 years	Over 5 years	Total
Operating lease expense (lessee)	\$ 80,264	132,336	-	212,600
Operating lease income (lessor)	1,404	339	-	1,743

December 31, 2013	Below 1 year	1-5 years	Over 5 years	Total
Operating lease expense (lessee)	\$ 63,634	133,231	15,437	212,302
Operating lease income (lessor)	434	182	-	616

The capital expenditure commitment of the Bank refers to the contract signed to obtain buildings and equipments. The maturity analysis of the capital expenditure commitment of the Bank is as follows:

December 31, 2014	Below 1 year	1-5 years	Over 5 years	Total
Machinery and equipments	\$ 292,321	68,081	-	360,402
Lease property	9,599	36,368	7,707	53,674
Total	\$ 301,920	104,449	7,707	414,076

December 31, 2013	Below 1 year	1-5 years	Over 5 years	Total
Machinery and equipments	\$ 278,292	-	-	278,292
Lease property	10,494	35,758	17,464	63,716
Total	\$ 288,786	35,758	17,464	342,008

(7) Disclosures required by "Regulations Governing the Preparation of Financial Reports by Public Banks"

A. Maturity analysis in New Taiwan dollars

In NTD thousands, %

December 31, 2014							
	Total	Amount during the maturity period from the balance sheet date to due date					
		0-10days	11-30days	31-90days	91-180days	181days-1year	Over 1 year
Major maturity capital inflow	\$ 1,202,044,702	106,107,982	153,420,772	103,373,559	173,515,267	157,381,492	508,245,630
Major maturity capital outflow	1,571,454,900	61,084,104	82,111,881	166,806,571	183,012,377	294,223,739	784,216,228
Gap	(369,410,198)	45,023,878	71,308,891	(63,433,012)	(9,497,110)	(136,842,247)	(275,970,598)

Note: Listed amounts are denominated in New Taiwan dollars (i.e., excluding foreign – currency amounts) of the head office and domestic branches, including commitment of credit agreement and estimates to outflow \$369,998,301.

In NTD thousands, %

December 31, 2013							
	Total	Amount during the maturity period from the balance sheet date to due date					
		0-10days	11-30days	31-90days	91-180days	181days-1year	Over 1 year
Major maturity capital inflow	\$ 1,216,383,434	112,668,003	176,627,289	97,182,075	161,973,521	169,580,116	498,352,430
Major maturity capital outflow	1,635,501,222	47,735,953	108,766,710	179,575,123	226,930,704	335,438,022	737,054,710
Gap	(419,117,788)	64,932,050	67,860,579	(82,393,048)	(64,957,183)	(165,857,906)	(238,702,280)

Note: Listed amounts are denominated in New Taiwan dollars (i.e., excluding foreign – currency amounts) of the head office and domestic branches, including commitment of credit agreement and estimates to outflow \$424,955,300.

B. Maturity analysis in U.S. dollars

US dollars in thousands, %

December 31, 2014						
	Total	Amount during the maturity period from the balance sheet date to due date				
		0-30days	31-90days	91-180days	181days-1year	Over 1 year
Major maturity capital inflow	\$ 6,342,931	1,873,581	1,404,221	910,311	611,131	1,543,687
Major maturity capital outflow	7,271,176	2,082,382	1,668,590	669,561	531,163	2,319,480
Gap	(928,245)	(208,801)	(264,369)	240,750	79,968	(775,793)

Note: Including commitment of credit agreement and estimates to outflow US\$1,098,986.

US dollars in thousands, %

December 31, 2013						
	Total	Amount during the maturity period from the balance sheet date to due date				
		0-30days	31-90days	91-180days	181days-1year	Over 1 year
Major maturity capital inflow	\$ 6,091,724	2,179,267	1,346,856	733,738	462,210	1,369,653
Major maturity capital outflow	7,661,973	2,444,640	1,387,194	686,965	675,799	2,467,375
Gap	(1,570,249)	(265,373)	(40,338)	46,773	(213,589)	(1,097,722)

Note: Including commitment of credit agreement and estimates to outflow US\$1,604,340.

(e) Market risk

(1) Definition of market risk

Market risk refers to the possible loss of the Bank's business in or off the balance sheet results from the disadvantageous fluctuation in market price in terms of interest rates, stock prices, foreign exchange rates and commodity prices.

(2) Policies and procedures of market risk management

A. Strategy

a. To carry out market risk management, achieve operation target and maintain healthy capital adequacy by following "Directions Governing the Market Risk Management of Taiwan Business Bank" and other relevant regulations.

b. Under the risk tolerance approved by the board of directors, the Bank applies various risk control mechanism to effectively deploy and manage capital in order to maintain the market risk exposure within the tolerable extent and achieve earning target.

B. Policies and procedures

In order to establish the market risk management mechanism and ensure that the market risk is within the tolerable extent, the Bank set up directions governing the market risk management, remarks governing the limit of market risk and financial product valuation procedures as the primary management guidance. Other than what is stated above, the Bank also establish limit control mechanism in terms of trade positions, stop-limit, suspensions and lines of alert based on the operation notices and procedures of different financial products (including fix income products, equity securities, foreign exchange transaction and derivative financial products).

(3) Process for market risk management

A. Risk identification

In accordance with the rules of "Directions Governing the Market Risk Management of Taiwan Business Bank", the Bank shall conduct appropriate market risk evaluation and document the process for later review before financial products are promoted. The content of evaluation includes risk factors identification, evaluation methods, cost-benefit analysis, market liquidity, risk strategy, adequacy of risk management mechanism and the influence on the Bank for undertaking market risk.

B. Risk measurement

- a. Annually based on the business development of transaction units and submit to the board of directors for approval. For the units which the positions and limits remain unchanged after evaluation, they can put the positions and limits into practice after receiving the approval from the general manager.
- b. The risk measurements (or evaluations) of the financial products of the Bank are conducted through different information systems. For the market data and parameters of the models applied for evaluation, they shall be inspected regularly to determine the rationality.

C. Risk monitoring

- a. Valuation reports of various financial products are prepared regularly for high rank supervisors to review and serve as the guidance for daily risk management operation.
- b. All financial transactions are equipped with different regulations in terms of limit of loss and stop-limit. Provided that the valuation loss amount is over the limit, a stop-limit, suspension and subsequent risk control will be executed.

D. Risk report

Risk management units report current market risk management status of the Bank to directors (executive directors) and high rank management to facilitate the directors and management to control the risk exposure status and adjust management procedures properly.

(4) Scope and method of market risk management

A. Foreign exchange risk management

a. Definition of foreign exchange risk management

Foreign exchange risk refers to the potential profit or loss of the foreign currency financial instruments which results from the transition among fluctuating currencies.

b. Applicable scope

All the financial instruments which apply to trading book position and banking book position and involve in foreign currencies.

c. Purpose for foreign exchange risk management

To avoid loss of earnings or deterioration of financial status due to intensive fluctuation of foreign exchange and to increase capital deployment efficiency and business operation integrity.

d. Procedures of foreign exchange risk management

- 1) In order to control foreign exchange transaction risk, the Bank established trade position authorization standard for financial transaction operations, trade units and traders in current regulations. In addition, for non-commercial business foreign exchange operation, all trade units submit the required amounts of position annually based on operation status. Risk management units will evaluate the requirement and submit to the board of directors' (executive directors) for approval. The demand will be executed after the board of directors approved. For the units which the positions remain unchanged after evaluation, they can put the positions into practice after receiving the approval from the general manager.
- 2) The trade units conduct various foreign financial product business, they shall fully understand the content of commodities, the risk tolerance and trade purpose. Trade units shall establish financial products trading strategies based on market status in the meeting every morning and submit the risk-benefit evaluation in the meeting minutes for the department heads to review. The trading shall follow the relevant authorization rules of the Bank and the stop-limit of all trade positions shall be executed reliably.

e. Process of foreign exchange risk management

1) Identification and measurement

- A) Risk Management unit established risk factor chart based on different financial transactions to effectively identify risk factors and market risk resources. In addition, the financial transactions which the Bank conducts deal with simple type financial products. For complex financial products, the Bank conducts back-to-back hedge covering to effectively avoid market risk.
- B) Positions of the trading book shall be evaluated daily where the positions of the banking book shall be evaluated monthly. When there are public quotes for financial instruments, the quotes shall be the prior evaluation prices. If the financial instruments are evaluated by models, then they shall be evaluated by mathematic models prudently and the assumptions and parameters of the models shall be reviewed regularly.

2) Monitoring and report

- A) When the evaluation loss of non-commercial foreign exchange transactions is over the limit, the trade units shall execute a stop-limit per the regulations. If the loss amount reaches the suspension warning line or suspension limit of the financial transaction, risk management units shall report to the general manager. Provided that the loss amount reaches the annual suspension line, risk management units shall report to the board of directors (executive directors).
- B) Reports of operation results shall be prepared and submitted to the department heads for approval on a daily basis.



B. Equity security risk management

a. Definition of equity security risk

The market risks of the equity securities possessed by the Bank include the individual risk results from the market price fluctuation of individual equity security and the general market risk results from overall market price fluctuation.

b. Applicable scope

Financial instruments similar to equity security in all trading books.

c. Purpose of equity security risk management

To avoid loss of earnings or deterioration of financial status due to intensive fluctuation of equity securities and to increase capital deployment efficiency and business operation integrity.

d. Procedures of equity security risk management

- 1) All trade units submit the required amounts of position annually base on operation status. Risk management units will evaluate the requirement and submit to the board of directors' (executive directors) for approval. The demand will be executed after the board of directors approved. For the units which the positions remain unchanged after evaluation, they can put the positions into practice after receiving the approval from the general manager.
- 2) The trade units shall predict the possible trend of domestic stock market based on the information of foreign and domestic security markets so as to set up the operation strategies and directions. The traders shall pay close attention to the market trend when the market opens so as to conduct security transactions and the operations as well as the meeting minutes shall be submitted to the department heads to review.

e. Process of equity security risk management

1) Identification and measurement

- A) The risk management units apply Value at Risk models to measure the market risk of equity security investment. Furthermore, base on the trade units operation demand and the risk limit established by the Bank's risk tolerance, the risk management units effectively control the variation of risk factors under an acceptable extent.
- B) Trading book position shall be evaluated daily. When there is a public quote in the market, the quote shall be adopted as the prior evaluation price (If the transaction is in secondary market and the liquidity is high, the closing price can be adopted as the evaluation price) ; If the financial instruments are evaluated by models, then they shall be evaluated by mathematic models prudently and the assumptions and parameters of the models shall be reviewed regularly.

2) Monitoring and report

- A) When the evaluation loss of equity security investment is over the limit, the trade units shall execute a stop-limit per regulations. If the loss amount reaches the suspension warning line or suspension limit of the financial transaction, risk management units shall report to the general manager. Provided that the loss amount reaches the annual suspension line, risk management units shall report to the board of directors (executive directors).
- B) Transaction reports shall be prepared and submitted to the department heads for approval on a daily basis.

C. Interest rate risk management

a. Definition of interest rate risk

Interest rate risk refers to the price decline of the Bank's financial products which contain interest risk factors due to the disadvantageous changes in interest rate.

b. Applicable scope

Financial instruments which contain interest rate factors in all trading books.

c. Purpose of interest rate risk management

To avoid loss of earnings or deterioration of financial status due to intensive fluctuation of interest rate and to increase capital deployment efficiency and business operation integrity.

d. Procedures of interest rate risk management

- 1) In order to control interest rate risk, the Bank established trade position authorization standard for financial transaction operations, trade units and trade counterparties in current regulations. In addition, for the positions held for trading, all trade units submit the required amounts of position annually based on operation status. Risk management units will evaluate the requirement and submit to the board of directors' (executive directors) for approval. The demand will be executed after the board of directors approved. For the units which the positions remain unchanged after evaluation, they can put the positions into practice after receiving the approval from the general manager.
- 2) The trade units shall consider safety, liquidity and profitability and gather market information to assess the potential risk and benefit. In addition, the trade units shall choose investment target prudently through analyzing the issuers' credit, financial status, country risks and interest rate trends.

e. Process of interest rate risk management

1) Identification and measurement

A) The risk management units establish risk factor charts base on different financial transaction to effectively identify risk factors and market risk resources. In addition, the financial transactions which the Bank conducts deal with simple type financial products. For complex financial products, the Bank conducts back-to-back hedge covering to effectively avoid market risk.

B). Position of the trading book shall be evaluated daily. When there are public quotes for financial instruments, the quotes shall be the prior evaluation prices. If the financial instruments are evaluated by models, then they shall be evaluated by mathematic models prudently and the assumptions and parameters of the models shall be reviewed regularly.

2) Monitoring and report

A) The risk management units apply DV01 to measure to what extent the trading book bond positions are influenced by the interest rate risk and set up interest rate sensitivity limit base on the requirements of the trade units and the risk tolerance of the Bank annually.

B) The trade units shall prepare the income assessment tables of trade positions and traders for the department heads to review. In addition, When the evaluation loss of the position is over the limit, the trade units shall execute a stop-limit per the regulations.



If the loss amount reaches the suspension warning line or suspension limit of the financial transaction, risk management units shall report to the general manager. Provided that the loss amount reaches the annual suspension line, risk management units shall report to the board of directors (executive directors).

D. Concentration management

- a. The trade counterparties of the Bank are mostly financial institutions. To avoid the risk being over concentrated and enhance credit risk management, the Bank established financial institution credit risk limit based on the world ranking of tier 1 capital and credit ratings from The Banker. The trade units shall also pay attention to the changes of the credit status of individual financial institution as well as the changes of the national credit rating to conduct the transaction prudently.
- b. Except for the limit of credit risk for individual country and individual financial institution, the Bank set up limits for the corporate bonds and commercial papers purchased without the guarantee from financial institutions.
- c. For equity security investments, the Bank set up limits for single institution and single related party.

(5) Interest rate risk management of the banking book

A. The definition and management purpose for the interest rate risk of the banking book

- a. The interest rate risk of the banking book refers to the negative effect towards the the future net interest income or economic value of equity results from the fluctuation of interest rate. Net Interest Income (hereafter NII) is the total amount of interest revenue deducted by the total amount of interest expense; Economic Value of Equity (hereafter EVE) is the total discounted future cash inflow from assets deducted by the total discounted future cash outflow from liabilities.
- b. The management purpose of the interest rate risk management of the banking book is to control the negative effect from the interest rate risk fluctuation towards NII or EVE within the approved limit extent.

B. The process for the interest rate risk management of the banking book

a. Identification and measurement

When the Bank conducts interest rate related products, it identifies the repricing risk, yield curve risk, basis risk and option characteristic risk and measures the possible influence on the earnings and economic value results from interest rate fluctuation.

b. Monitoring and report

The Bank established limits of the ratio between interest-rate-sensitivity assets and interest-rate-sensitivity liabilities, the effect to NII in 1 year when the market interest rate parallel changes 1 BP and the effect to EVE when the market interest rate parallel changes 200 BP to control the banking book interest rate risk. The results of interest rate risk measurement are reported to the Assets and Liabilities Management Committee monthly and to the board of directors (executive directors) quarterly. When the measurement result is over the limit, relevant units shall be convened to establish responding plan and the plan shall be submitted to the Assets and Liabilities Management Committee for discussion. After the plan is approved by the general manager, it shall be executed by the relevant business units and report to the the board of directors (executive directors).

(6) Value at Risk

A. Description of Value at Risk

Value at Risk (VaR) is a statistical amount used to evaluate the maximum possible loss of portfolio results from the changes of market risk factors within a certain period of time and a fixed confidence interval.

B. Value at Risk models and assumptions

In order to enhance the market risk control operation, the Bank established quantified indices of market risk for the equity security position of the trading book. Based on the historical information of the last 1 year and applies Historical Simulation Method (with the confidence interval being 99% and the duration of possession being 1 day), the Bank calculates and monitors the trend of Value at Risk.

C. The limit of Value at Risk model

Value at Risk is a tool to measure market risk under normal circumstance. The limits of the model are listed below:

- a. Value at Risk can not reflect the losses result from other type of risks, such as credit risk and liquidity risk.
- b. Value at Risk measures the possible loss of the position on hand at the end of the transaction day, but it can not reflect the distribution of the part which actual loss exceeds Value at Risk
- c. Value at Risk model is based on historical data to evaluate the amount, and therefore it may not be able to predict the future changes of risk factors, especially for those exceptions result from significant market fluctuation.

(7) Foreign exchange risk disclosure and sensitivity analysis

A. Foreign exchange risk exposure

a. Significant net positions of foreign currencies (Market risk)

December 31, 2014		
Currency	Foreign currency amount	NT\$ amount
USD	\$ 114,665	3,631,441
AUD	15,292	397,974
HKD	31,602	128,999
JPY	271,978	72,237
EUR	1,654	63,745

December 31, 2013		
Currency	Foreign currency amount	NT\$ amount
USD	\$ 110,685	3,296,199
AUD	2,267	60,268
HKD	21,866	83,965
EUR	994	40,873
CNY	49,952	25,414

Note 1 Main foreign currencies are the top five foreign currencies ranked in NTD value.

Note 2 Net foreign currency is the absolute value of the net value of each foreign currency.

b. Assets and liabilities of foreign currency

December 31, 2014						
Currency	Monetary Financial assets			Monetary Financial liabilities		
	Forreign currency amount (in thousand)	Spot rate	NTD amount	Forreign currency amount (in thousand)	Spot rate	NTD amount
USD	\$ 5,525,472	31.6700	174,991,698	5,363,091	31.6700	169,849,092
CNY	8,727,109	5.0990	44,499,529	8,729,303	5.0990	44,510,716
HKD	10,894,525	4.0820	44,471,451	10,885,821	4.0820	44,435,921
AUD	1,263,697	26.0250	32,887,714	1,233,854	26.0250	32,111,050
ZAR	7,370,250	2.7400	20,194,485	7,372,364	2.7400	20,200,277
EUR	244,217	38.5400	9,412,123	236,537	38.5400	9,116,136
JPY	27,983,237	0.2656	7,432,348	27,979,330	0.2656	7,431,310
CAD	38,990	27.3200	1,065,207	39,220	27.3200	1,071,490
NZD	35,182	24.8500	874,273	35,145	24.8500	873,353
GBP	14,229	49.3400	702,059	14,073	49.3400	694,362
SGD	3,114	24.0000	74,736	3,302	24.0000	79,248
Other (Note)	-	-	122,246	-	-	128,274

December 31, 2013						
Currency	Monetary Financial assets			Monetary Financial liabilities		
	Forreign currency amount (in thousand)	Spot rate	NTD amount	Forreign currency amount (in thousand)	Spot rate	NTD amount
USD	\$ 5,492,938	29.7800	163,579,694	5,325,502	29.7800	158,593,450
CNY	4,278,186	4.9130	21,018,728	4,277,750	4.9130	21,016,586
HKD	6,977,261	3.8400	26,792,682	6,966,240	3.8400	26,750,362
AUD	1,372,042	26.5850	36,475,737	1,356,350	26.5850	36,058,565
ZAR	5,379,424	2.8600	15,385,153	5,380,848	2.8600	15,389,225
EUR	253,891	41.1200	10,439,998	245,988	41.1200	10,115,027
JPY	11,543,839	0.2840	3,278,450	11,553,664	0.2840	3,281,241
CAD	23,529	27.9800	658,341	23,638	27.9800	661,391
NZD	42,815	24.5000	1,048,968	42,670	24.5000	1,045,415
GBP	17,516	49.1400	860,736	17,496	49.1400	859,753
SGD	4,594	23.5200	108,051	4,710	23.5200	110,779
Other (Note)	-	-	88,696	-	-	100,746

Note : Consolidated disclosure is applied for other currencies not over NT\$100,000.



B. Foreign exchange risk sensitivity analysis (Change by 1%)

Foreign exchange risk sensitivity analysis is the analysis that given other conditions remain the same, the influence on profit or loss and equity when each respective currency depreciate or appreciate by 1%

Currency	December 31, 2014			
	Depreciate by 1%		Appreciate by 1%	
	Income	Equity	Income	Equity
USD	\$ 26,507	(42,133)	(26,507)	42,133
AUD	9,204	(13,190)	(9,204)	13,190
HKD	3,221	(2,821)	(3,221)	2,821
CAD	70	-	(70)	-
GBP	(76)	-	76	-
SGD	45	-	(45)	-
ZAR	54	-	(54)	-
SEK	(4)	-	4	-
CHF	42	-	(42)	-
JPY	(10)	-	10	-
THB	22	-	(22)	-
EUR	144	-	(144)	-
NZD	(9)	-	9	-
CNY	(329)	-	329	-
Total	<u>\$ 38,881</u>	<u>(58,144)</u>	<u>(38,881)</u>	<u>58,144</u>

Currency	December 31, 2013			
	Depreciate by 1%		Appreciate by 1%	
	Income	Equity	Income	Equity
USD	\$ 21,226	(37,535)	(21,226)	37,535
AUD	5,344	(9,541)	(5,344)	9,541
CAD	19	-	(19)	-
HKD	2,887	(2,194)	(2,887)	2,194
GBP	(11)	-	11	-
SGD	27	-	(27)	-
ZAR	40	-	(40)	-
SEK	36	-	(36)	-
CHF	23	-	(23)	-
JPY	45	-	(45)	-
THB	61	-	(61)	-
EUR	4	-	(4)	-
NZD	(46)	-	46	-
CNY	(506)	-	506	-
Total	<u>\$ 29,149</u>	<u>(49,270)</u>	<u>(29,149)</u>	<u>49,270</u>

(8) Interest rate risk disclosure and sensitivity analysis

A. Interest rate sensitivity analysis

The assumption of interest rate sensitivity analysis is, under the circumstance that other conditions remain the same, the yield of the market increase or decrease by 1 basis point (1 bp).

Currency	December 31, 2014			
	Interst rate increases by 1 bp		Interst rate decreases by 1 bp	
	Income	Equity	Income	Equity
trading book				
TWD	\$ (58)	(3,638)	58	3,638
banking book				
TWD	-	(5,824)	-	5,824
USD	(25)	(95)	25	95
AUD	-	(75)	-	75
HKD	-	(379)	-	379
CNY	-	(176)	-	176
Total	\$ (83)	(10,187)	83	10,187

Currency	December 31, 2013			
	Interst rate increases by 1 bp		Interst rate decreases by 1 bp	
	Income	Equity	Income	Equity
trading book				
TWD	\$ (9)	(4,106)	9	4,106
banking book				
TWD	-	(3,320)	-	3,320
USD	(28)	(77)	28	77
AUD	-	(39)	-	39
HKD	(5)	(1)	5	1
CNY	-	(119)	-	119
Total	\$ (42)	(7,662)	42	7,662

B. Sensitivity analysis of expected net revenue/Sensitivity of equity in terms of interest rate fluctuation

	December 31, 2014			
	Effect on NII in 1 year		Effect on EVE in 1 year	
	TWD	USD	TWD	USD
Scenario				
Interst rate increases by 100 bp	3,079,541	(9,879)	1,834,336	(3,178)
Interst rate decreases by 100 bp	(5,353,320)	(94)	(1,820,770)	1,652

	December 31, 2013			
	Effect on NII in 1 year		Effect on EVE in 1 year	
	TWD	USD	TWD	USD
Scenario				
Interst rate increases by 100 bp	2,861,728	(9,266)	2,482,283	(3,880)
Interst rate decreases by 100 bp	(4,980,631)	(29)	(2,506,060)	2,087



(9) Equity security risk disclosure and sensitivity analysis

A. Equity security sensitivity analysis (Changes by 1%)

The assumption of equity security sensitivity analysis is, under the circumstance that other conditions remain the same, the price of equity security increased or decreased by 1%.

Change	December 31, 2014		
	Currency	Income	Equity
Equity security price increases by 1 %	TWD	-	15,031
Equity security price decreases by 1 %	TWD	-	(15,031)

Change	December 31, 2013		
	Currency	Income	Equity
Equity security price increases by 1 %	TWD	-	5,750
Equity security price decreases by 1 %	TWD	-	(5,750)

B. Value at Risk of equity security

Value at Risk	From January 1, 2014 to December 31, 2014		
	Average	Average	Average
Equity security risk	23,815	47,242	11,679

Value at Risk	From January 1, 2013 to December 31, 2013		
	Average	Average	Average
Equity security risk	20,864	27,994	11,528

(10) Disclosures required by "Regulations Governing the Preparation of Financial Reports by Public Banks"

A. analysis of interest rate-sensitive assets and liabilities (New Taiwan dollars)

In NTD thousand, %

December 31, 2014					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 1,077,922,594	6,450,645	15,830,328	35,730,574	1,135,934,141
Interest rate-sensitive liabilities	897,131,135	66,144,274	79,635,462	25,369,017	1,068,279,888
Interest rate sensitivity gap	180,791,459	(59,693,629)	(63,805,134)	10,361,557	67,654,253
Net amount					62,737,917
Ratio of interest rate-sensitive assets to debt (%)					106.33
Ratio of interest rate-sensitive gap to net worth (%)					107.84



In NTD thousand, %

December 31, 2013					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 1,070,152,461	5,517,310	12,898,323	29,123,224	1,117,691,318
Interest rate-sensitive liabilities	872,672,546	96,325,484	60,275,767	28,234,077	1,057,507,874
Interest rate sensitivity gap	197,479,915	(90,808,174)	(47,377,444)	889,147	60,183,444
Net amount					57,253,568
Ratio of interest rate-sensitive assets to debt (%)					105.69
Ratio of interest rate-sensitive gap to net worth (%)					105.12

Note 1 Listed amounts are denominated in N.T. dollars of the head office and domestic branches, offshore banking unit, overseas branches. (i.e., excluding foreign currency amounts).

Note 2 Interest rate-sensitive assets and liabilities refer to revenue or cost of interest-yielding assets and interest-bearing liabilities, which are affected by interest rate fluctuations.

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

Note 4 Ratio of interest rate-sensitive assets to liabilities=Interest rate-sensitive assets÷ Interest rate-sensitive liabilities (New Taiwan dollars interest-rate-sensitive assets and New Taiwan dollars interest-rate-sensitive liabilities).

B. Analysis of the interest-sensitive assets and liabilities (U.S. dollars)

US dollars in thousand, %

December 31, 2014					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 2,993,041	546,025	64,999	49,817	3,653,882
Interest rate-sensitive liabilities	3,641,988	230,611	165,855	-	4,038,454
Interest rate sensitivity gap	(648,947)	315,414	(100,856)	49,817	(384,572)
Net amount					1,980,989
Ratio of interest rate-sensitive assets to debt (%)					90.48
Ratio of interest rate-sensitive gap to net worth (%)					(19.41)

US dollars in thousand, %

December 31, 2013					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 2,787,114	468,353	24,221	99,143	3,378,831
Interest rate-sensitive liabilities	3,509,512	160,932	137,788	-	3,808,232
Interest rate sensitivity gap	(722,398)	307,421	(113,567)	99,143	(429,401)
Net amount					1,922,551
Ratio of interest rate-sensitive assets to debt (%)					88.72
Ratio of interest rate-sensitive gap to net worth (%)					(22.33)

Note 1 Listed amounts are in U.S. dollars (i.e., excluding contingent assets and contingent liabilities) of the head office and domestic branches, offshore banking unit, overseas branches.

Note 2 Interest rate-sensitive assets and interest rate-sensitive liabilities refer to the interest yielding assets and interest paying liabilities which the revenue and cost are affected by interest rate fluctuation.

Note 3 Interest rate sensitivity gap=interest rate-sensitive assets-interest rate-sensitive liabilities.

Note 4 Ratio of interest rate-sensitive assets to liabilities=Interest rate-sensitive assets÷ Interest rate-sensitive liabilities (U.S. dollars interest-rate-sensitive assets and U.S. dollars interest-rate-sensitive liabilities).

(AK) Capital Management

- (a) The Bank takes business development and risk control into consideration and calculates capital adequacy per “Regulations Governing the Capital Adequacy Ratio and Capital Category of Banks” and “Calculation Methods and Forms of Proprietary Capital and Risk Capital of Banks”. The ratio between proprietary capital and risk capital shall remain above the regulated minimum ratio.
- (b) In order to maintain adequate capital and reach a balance between risk control and business development, the Bank established “Directions Governing Capital Adequacy” as the guidance for controlling capital adequacy. The scope of the directions include, except for the least capital requirements for credit risk, market risk and operation risk, significant risk such as banking book interest rate risk, liquidity risk and concentration risk. In addition, in order to link business strategies, capital and risk management, the Bank sets up capital management plan annually for the president’s approval and reports to Risk Management Committee and the board of directors quarterly about relevant risks and capital control status.
- (c) The Bank identifies, measures, monitors and reports various risks based on the directions, notices and relevant rules of competent authority regarding credit risk, market risk, operation risk, legal and compliance risk, interest rate risk of the banking book, liquidity risk and concentration risk so as to be familiar with current business environment and monitors and adjusts capital adequacy effectively.
- (d) To cope with the implementation of new Basel Accord, the Bank set up complete risk management system, risk management operation tracking procedures to provide the management with appropriate risk management information for making decisions. Therefore, the Bank is able to maintain adequate capital within the tolerable extent and to ensure the provision of proprietary capital of the Bank corresponds with the overall operating risk characteristics of the Bank.
- (e) The proprietary capital is categorized as tier 1 capital and tier 2 capital
 - (1) Tier 1 capital
 - A. Common stock equity: The item includes common stock deducted by treasury stock, goodwill and other intangible assets, deferred tax assets based on future profit status of the Bank, unrealized gain on available-for-sale financial assets, operating reserve and deficiency of allowance for bad debts, real estate retained earning increment arising from applying the fair value or the revaluation reserve as the deemed cost when first adopting IFRSs, and 25% of the investment on financial related business which is classified in banking book.
 - B. Other tier 1 capital: Twenty-five percent of the perpetual non-accumulated subordinated financial debentures deducted by the investment on financial related business which is classified in banking book.
 - (2) Tier 2 capital

The item includes perpetual accumulated subordinated financial debentures, long term subordinated debenture, real estate retained earning increment arising from applying the fair value or the revaluation reserve as the deemed cost when first adopting IFRSs, 45% of unrealized gain on available-for-sale financial assets, and 50% of the investment on financial related business which is classified in banking book.

Item			December 31, 2014	December 31, 2013
Eligible capital	Common stock equity		60,731,181	55,567,008
	Other tier 1 capital		2,532,896	3,209,313
	Tier 2 capital		18,043,384	21,602,216
	Eligible Capital		81,307,461	80,378,537
Risk- weighted assets	Credit risk	Standardized approach	726,103,364	674,231,863
		Internal ratings-based approach	-	-
		Securitisation	-	-
	Operational risk	Basic indicator approach	32,959,913	30,731,800
		Standardized approach/selective standardized approach	-	-
		Advanced measurement approach	-	-
		Market risk	Standardized approach	12,022,600
	Internal model approach		-	-
	Total risk-weighted assets		771,085,877	714,132,788
	Capital adequacy ratio			10.54%
Common stock equity/ Risk-weighted assets ratio			7.88%	7.78%
Tier 1 capital / Risk-weighted assets ratio			8.20%	8.23%
Leverage ratio			3.41%	3.19%

The formulas of the table are listed as follows:

- A. The eligible capital, risk-weighted assets and exposure are calculated per "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "The Calculation and Forms of Eligible Capital and Risk Assets of Banks".
- B. The Bank shall fill out the capital adequacy of this period and last period for this period and last period, For the semi-annual report, the Bank shall disclose the capital adequacy of the previous period ended December 31 except the capital adequacy of this period and last period.
- C. Note 1. Eligible Capital = Common stock equity + Other Tier 1 Capital + Tier 2 Capital
Note 2. Total risk-weighted assets = Credit risk weighted asset + (operational risk charge + market risk charge) × 12.5
Note 3. Capital adequacy ratio = Eligible Capital ÷ Risk weighted asset.
Note 4. Common stock equity / Risk-weighted assets ratio = Common stock equity / total risk weighted assets
Note 5. Tier 1 capital / Risk-weighted assets ratio = (Common stock equity + other tier 1 capital) / Risk-weighted assets
Note 6. Leverage ratio = Average net Tier 1 capital for the last three months / Average value of risk exposure for the last three months.
- D. Above table is not required to be disclosed when preparing the financial reports of the first quarter and third quarter.

7. RELATED PARTY TRANSACTIONS

(A) Names of related parties and relationship with the bank

Name of related party	Relationship with the Bank and its subsidiaries
Bank of Taiwan	Corporate director of the Bank
Ministry of Finance, R.O.C	Corporate director of the Bank
Land Bank of Taiwan	Corporate director of the Bank
Other	Major shareholders, directors(includes independent directors), president, executive vice president, managers and their second tier of kinship.

(B) Significant related party transactions

(a) Due from other Banks

	December 31, 2014	
	Amount	%
Bank of Taiwan	\$ 98,946	0.21
Land Bank of Taiwan	310	-
Total	\$ 99,256	0.21

	December 31, 2013	
	Amount	%
Bank of Taiwan	\$ 159,498	0.85
Land Bank of Taiwan	18	-
Total	<u>\$ 159,516</u>	<u>0.85</u>

Interest rates are the same as those with regular clients.

(b) Deposits from other banks

	December 31, 2014	
	Amount	%
Land Bank of Taiwan	<u>\$ 471</u>	<u>0.26</u>

	December 31, 2013	
	Amount	%
Land Bank of Taiwan	<u>\$ 865</u>	<u>0.58</u>

Interest rates are the same as those with regular clients.

(c) Call loans to banks

	Maximum balance	Balance on December 31, 2014	Interest income	Annual interest rate
Bank of Taiwan	\$ 5,576,020	-	1,051	0.39%~1.35%
Land Bank of Taiwan	3,167,000	475,050	2,992	0.2%~1.4%
Total	<u>\$ 8,743,020</u>	<u>475,050</u>	<u>4,043</u>	

	Maximum balance	Balance on December 31, 2013	Interest income	Annual interest rate
Bank of Taiwan	\$ 679,805	-	1,532	0.39%~2.90%
Land Bank of Taiwan	2,779,920	-	4,520	0.15%~3.00%
Total	<u>\$ 3,459,725</u>	<u>-</u>	<u>6,052</u>	

Interest rates are the same as those with regular clients.

(d) Call loans from banks

	Maximum balance	Balance on December 31, 2014	Interest expense	Annual interest rate
Bank of Taiwan	\$ 11,212,070	791,750	12,131	0.21%~1.6%
Land Bank of Taiwan	7,366,670	2,308,120	14,399	0.18%~1.7%
Total	<u>\$ 18,578,740</u>	<u>3,099,870</u>	<u>26,530</u>	

	Maximum balance	Balance on December 31, 2013	Interest expense	Annual interest rate
Bank of Taiwan	\$ 10,896,440	893,400	7,830	0.21%~0.90%
Land Bank of Taiwan	8,486,630	446,700	3,369	0.10%~2.78%
Total	<u>\$ 19,383,070</u>	<u>1,340,100</u>	<u>11,199</u>	

Interest rates are the same as those with regular clients.

(e) Deposits

	December 31, 2014	
	Amount	%
Bank of Taiwan	\$ 3,262	-
Others	2,640,222	0.23
Total	<u>\$ 2,643,484</u>	<u>0.23</u>

	December 31, 2013	
	Amount	%
Bank of Taiwan	\$ 3,257	-
Others	1,369,394	0.13
Total	<u>\$ 1,372,651</u>	<u>0.13</u>

Interest rates are the same as those with regular clients.

(f) Credit

December 31, 2014							
Category	Number of clients or name of related party	Maximum balance	Ending balance	Performing situations		Collaterals	Transaction terms are the same as those with regular clients
				Performing loan	Non-performing Loans		
Employee consumer loans	116	293,387	256,784	256,784	-	none/real estate	none
Self-use residence collateral loans	104	364,638	330,982	330,982	-	real estate	none
Others	Hung ○ ○	2,127	2,127	2,127	-	real estate	none
	Lu ○ ○	394	1	1	-	real estate	none
	Lin ○ ○	1,967	1,357	1,357	-	real estate	none
	Cho ○ ○	500	500	500	-	real estate	none
	Hsiao ○ ○	343	343	343	-	real estate	none

December 31, 2013							
Category	Number of clients or name of related party	Maximum balance	Ending balance	Performing situations		Collaterals	Transaction terms are the same as those with regular clients
				Performing loan	Non-performing Loans		
Employee consumer loans	117	311,657	264,147	264,147	-	none/real estate	none
Self-use residence collateral loans	98	359,093	308,633	308,633	-	real estate	none
Others	Sun ○	2,500	-	-	-	real estate	none
	Lin ○ ○	2,500	-	-	-	real estate	none

(g) Guarantees of credit: None.

(h) Rental revenue: None.

(i) Derivatives financial instrument transactions: None.

(j) Sales of Non-Performing Loans Transactions: None.



(C) Major management salary information

	For the year ended December 31,	
	2014	2013
Salary and other short-term employee benefit	\$ 98,469	72,075
Retirement Benefit	1,202	1,121
Total	<u>\$ 99,671</u>	<u>73,196</u>

8. PLEDGED ASSETS : Please refer to note 6(H) for more details.**9. COMMITMENTS AND CONTINGENCIES****(A) Significant commitments and contingencies were as follows:**

	December 31, 2014	December 31, 2013
Marketable securities held for custody	\$ 4,469,561	4,638,603
Bills collected for others	63,775,749	65,603,899
Bills lent for others	20,118,912	24,899,190
Guarantees and letters of credit	21,465,601	19,055,325
Collaterals received	426	886
Trust liabilities	126,849,691	118,080,583
Travelers' check in custody for sale	150,009	155,040
Items held for custody	6,730,929	9,433,036
Registered government bonds for sale	9,110,200	9,015,000
Registered short-term bills for sale	5,407,300	7,883,200
Guarantee notes payable	30,508,000	35,699,220

(B) As of December 31, 2014 and 2013, major constructions in progress and purchases amounted to \$397,034 and \$197,312 respectively, of which \$316,965 and \$126,726 respectively, remained unpaid.

(C) The Bank's trust department plans, manages, and operates trust services in accordance with the Banking Law and Trust Law. Special purpose funds are used to invest in marketable securities and the Bank also manages trust funds. The trust information as of December 31, 2014 and 2013 is as follows:

Trust Balance Sheet

Trust Assets	December 31, 2014	December 31, 2013
Cash in Bank	\$ 3,465,392	3,407,100
Common stock	255,620	265,799
Funds	55,692,251	52,272,070
Receivables	67	63
Prepayment	4	17
Real estate	7,138,995	5,124,459
Securities custody	60,297,362	57,011,075
Total trust assets	<u>\$ 126,849,691</u>	<u>118,080,583</u>



Trust Liabilities	December 31, 2014	December 31, 2013
Payables	\$168	198
Securities held for custody	60,297,361	57,011,075
Trust capital	66,529,150	61,052,985
Reserves and accumulated loss	(1,756,434)	(647,986)
Net income	1,779,446	664,311
Total trust liabilities	<u>\$ 126,849,691</u>	<u>118,080,583</u>

Trust Property Accounts

Investment in	December 31, 2014	December 31, 2013
Cash in bank	\$ 3,465,392	3,407,100
Common stock	255,620	265,799
Funds	55,692,251	52,272,070
Receivables	67	63
Prepayment	4	17
Real estate		
Land	7,096,192	5,092,714
Buildings	32,323	31,745
Construction in progress	10,480	-
Securities in custody	60,297,362	57,011,075
Total	<u>\$ 126,849,691</u>	<u>118,080,583</u>

Note: As of December 31 2014 and 2013, the amounts above included OBU transaction on "foreign currency designated trust funds investment in foreign negotiable securities business" amounting to \$832,748 and \$680,633, respectively.

Trust Income Statement

Investment in	For the year ended December 31,	
	2014	2013
Trust Revenue		
Interest income	\$ 13,823	12,793
Realized capital gain-fund	-	3,825
Realized capital gain-stock	1,392	372
Cash dividend income of common stock	1,340,443	974,353
Gains on property transaction	1,434,320	1,384,882
Other revenue	236	1,407
Sub-total	<u>2,790,214</u>	<u>2,377,632</u>
Trust Expense		
Administrative expenses	69,705	69,095
Custody expenses	540	636
Postage and phone/fax expense	-	2
Duties	-	83,145
Realized capital loss-fund	2,696	502
Realized capital loss-stock	-	26
Losses on property transaction	936,612	1,551,923
Other expense	189	7,029
Sub-total	<u>1,009,742</u>	<u>1,712,358</u>
Net income before tax	1,780,472	665,274
Income tax expense	(1,026)	(963)
Net income after tax	<u>\$ 1,779,446</u>	<u>664,311</u>

- (D) (a) In 1996, the Bank's World Trade Center Branch was sued for handling a letter of credit export collection from Chin Seen Industrial Co., which allegedly used a forged export document and failed to ship the goods to the importer, the International Comagnie de Commercialization et d'Investissement (I.C.C.I.) of the Republic of Zaire, suffered a loss thereon. In November 1998, I.C.C.I. initiated a case with the Court of Commerce of Brussels in Belgium, requested the L/C opening bank (Banque Bruxelles Lambert, or BBL) and the Bank to jointly pay compensation of US\$7,830 thousand plus interest, losses, and expenses for the L/C. On August 31, 2005, the Court of Commerce of Brussels rendered its judgment which the Bank has to make compensation of US\$7,674 thousand plus interest to I.C.C.I. The Bank has engaged a local attorney in Belgium to formally file an appeal. In February 2011, Court of Appeal in Brussels had made an intermediate adjudication which I.C.C.I. and the Bank are both responsible for the offense. Furthermore, on November 16, 2011, the judgment of the court indicated that the Bank should be responsible for 90% of the negligence proportion. In terms of the judgment of the court of the second instance The Bank has filed an appeal on November 3, 2011. On February 6, 2013, the court overruled the Bank's appeal and the Bank lost the case. As of December 31, 2014, the Bank has accrued the compensation of NT\$ 135,815 thousands and EUR 8,000,000. The relevant provision please refer to Note 6(S).
- (b) In December, 2007, Jin-ye Industry Corporation (JIC) was a checking account client of the Bank's Tai Ping Branch. The JIC's accountant falsified the seal to write checks and steal the deposit from the company. JIC filed a lawsuit with Taichung District Court according to the claim right of consumption deposit which required the Bank to return the deposit of \$61,751 thousand plus the interest. Taiwan High Court Taichung branch ruled that the Bank lost the case in November 2011 and should return \$61,751 thousand and the interest with annual rate of 5% from April 1, 2008 to the settlement date. The Bank filed an appeal. On January 16, 2013 Taiwan Supreme Court overruled the appeal and the Bank lost the case. The Bank settled with the counterparty with \$62,677 on May 15, 2014 and paid the proceeds to the counterparty on May 29, 2014. The case is closed. The estimated liability reserve was written off and the relevant decreased amount please refer to Note 6 (S).
- (c) In July 2008, Hua Nan Bank, which purchased secured and unsecured non-performing loans receivable of Wei Lei Food Corporation (WLF), argued that the Bank should allocate the payment that it received from Ge Riu Wei Assets Management Corporation (GWAM) which resulted from the auction of the real estate mortgaged to the Bank by Wei Lei Food Corporation on 1996. For this reason, Kang-Cheng Corp. filed a lawsuit to Shihlin District Court to oblige the Bank to pay Kang-Cheng Corp. \$15,594 thousand plus the interest. The Bank lost the first trial and appealed. Taiwan High Court ruled that the Bank lost the lawsuit in December, 2010 and should pay Hua Nan Bank \$10,250 thousand plus the interest with annual rate of 5% from July 18, 2008 to the settlement date. The Bank has filed an appeal. Taiwan Supreme Court ruled that the original verdict was abandoned and the case was sent back to remand in September, 2011. Taiwan High Court ruled that the Bank lost the lawsuit on October 23, 2013 and should pay Hua Nan Bank \$249 thousand plus the interest with annual rate of 5% from July 18, 2008 to the settlement date. The counterparty has filed an appeal now and it is under the trial of Taiwan supreme Court.

10. LOSSES DUE TO MAJOR DISASTERS: None.

11. SUBSEQUENT EVENTS: None.



12. OTHER

(A) Employee benefits, depreciation, depletion and amortization expenses were as follows:

Nature	For the year ended December 31,	
	2014	2013
	Operating expense	Operating expense
Employee benefit expenses		
Salary expense	\$ 5,578,887	5,587,989
Labor and health insurance expenses	391,191	389,939
Pension expenses	320,282	333,925
Other employee benefit	743,793	994,033
Total employee benefit	7,034,153	7,305,886
Depreciation expenses	324,023	363,327
Amortization expenses	84,064	75,876
Total	\$ 7,442,240	7,745,089

The employee numbers for the year 2014 and 2013 amounted to 4,839 and 4,797 people, respectively.

(B) Profitability

Unit : %

Item		December 31, 2014	December 31, 2013
The ratio of return on assets	Before income tax	0.40	0.29
	After income tax	0.39	0.28
The ratio of return on equity	Before income tax	9.14	6.96
	After income tax	8.86	6.51
Net income ratio		27.98	20.37

Note 1 The ratio of return on assets = Income before (after) income tax expense ÷ average assets

Note 2 The ratio of return on equity = Income before (after) income tax expense ÷ average equity

Note 3 Net income ratio = Gain or loss after income tax expense ÷ Net revenue

Note 4 Income before (after) income tax expense refers to income accumulated from January of the current year to the current period.

13. OTHER DISCLOSURES

(A) Information on significant transactions:

(a) Cumulative purchase or sale of the same investee's capital stock up to \$300,000 or 10% of paid-in capital :

Unit: In NTD thousands; thousand share

Name of Company	Category and name of security	Account name	Name of counter-party	Relationship with the Company	Beginning balance		Purchases		Sales				Ending balances (Note)	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Cost	Disposal gain or loss	Shares/Units	Amount
Taiwan Business Bank International Leasing Co., Ltd.	Private placement	Investment under equity method	Not applicable	Subsidiary company	40,000	400,000	110,000	1,100,000	-	-	-	-	150,000	1,500,000

Note: Original investment.

(b) Acquisition of real estate amounting to over \$300,000 or 10% of paid-in capital: None.

(c) Disposition of real estate amounting to over \$300,000 or 10% of paid-in capital: None.

(d) Discount of commissions and handling fees with related parties amounting to over \$5,000: None.

(e) Receivables from related parties amounting to over \$300,000 or 10% of paid-in capital: None.

(f) Sale of non-performing loans information:

(1) Sale of non-performing loans:

Unit: In NTD thousands(US dollars in thousands)

Trade date	Counterparty	Debt component	Book value	Sale price	Gains and losses	On disposal additional term	Relationship
2014.01.29	JP MORGAN CHASE BANK NATIONAL ASSOCIATION	Syndicated loan	203,076 (USD6,699)	207,786 (USD6,854)	4,710 (USD155)	None	None
2014.03.17	MACQUARIE BANK LIMITED	Syndicated loan	100,364 (USD3,290)	117,801 (USD3,862)	17,437 (USD572)	None	None

(g) Types of securitization goods and related information approved by financial assets securitization rules or real estate securitization rules: None.

(h) Business relationship and significant transactions with the subsidiaries:

No	Trader	Counterparty	Relationship	Transaction in For the year ended December 31, 2014			
				Account	Amount	Terms	Percentage accounted for consolidated net revenue or total assets
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Insurance Agency Co., Ltd.	1	Account Receivables	73,920	No difference with non-related parties	0.01%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Insurance Agency Co., Ltd.	1	Deposits and remittances	85,247	No difference with non-related parties	0.01%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Insurance Agency Co., Ltd.	1	Service revenue	960,597	No difference with non-related parties	5.06%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Insurance Agency Co., Ltd.	1	Other	838	No difference with non-related parties	-%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Property Insurance Agency Co., Ltd.	1	Account Receivables	3,665	No difference with non-related parties	-%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Property Insurance Agency Co., Ltd.	1	Deposits and remittances	6,484	No difference with non-related parties	-%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Property Insurance Agency Co., Ltd.	1	Service revenue	44,064	No difference with non-related parties	0.23%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Property Insurance Agency Co., Ltd.	1	Other	419	No difference with non-related parties	-%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank International Leasing Co., Ltd.	1	Deposits and remittances	118,495	No difference with non-related parties	0.01%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank International Leasing Co., Ltd.	1	Other	691	No difference with non-related parties	-%



No	Trader	Counterparty	Relationship	Transaction in For the year ended December 31, 2013			
				Account	Amount	Terms	Percentage accounted for consolidated net revenue or total assets
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Insurance Agency Co., Ltd.	1	Account Receivables	112,371	No difference with non-related parties	0.01%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Insurance Agency Co., Ltd.	1	Deposits and remittances	127,645	No difference with non-related parties	0.72%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Insurance Agency Co., Ltd.	1	Service revenue	873,865	No difference with non-related parties	4.93%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Insurance Agency Co., Ltd.	1	Other	690	No difference with non-related parties	-%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Property Insurance Agency Co., Ltd.	1	Account Receivables	3,342	No difference with non-related parties	-%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Property Insurance Agency Co., Ltd.	1	Deposits and remittances	8,619	No difference with non-related parties	0.05%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Property Insurance Agency Co., Ltd.	1	Service revenue	41,632	No difference with non-related parties	0.23%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Property Insurance Agency Co., Ltd.	1	Other	345	No difference with non-related parties	-%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank International Leasing Co., Ltd.	1	Deposits and remittances	5,935	No difference with non-related parties	0.03%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank International Leasing Co., Ltd.	1	Other	519	No difference with non-related parties	-%

Note: The meaning of the number is as follows.

1. Zero stands for the parent company
2. Subsidiaries are coded from No 1 per respective companies.

- (i) Other significant transactions that might have influence over the decision making process of the financial statements users: None.

(B) Information of investee company:

(a) Names, locations, and related information of investees on which the company exercises significant influence:

(In NTD thousand; thousand share)

Name of investee company	Address	Main business scope	Shareholding ratio	Book Value	Investment gain or loss recognized by the Company	The cross holding of the Bank and its related parties				Note
						Number of shares	Number of profoma shares	Total		
								Number of shares	Shareholding ratio	
Taiwan Business Bank Insurance Agency Co., Ltd.	2F, No.158, Songjiang Rd Taipei City 104, Taiwan (R.O.C.)	Agent of personal insurance	100.00%	65,434	55,433	500	-	500	100.00%	Already written-off when preparing the consolidated financial statements
Taiwan Business Bank Property Insurance Agency Co., Ltd.	2F, No.158, Songjiang Rd Taipei City 104, Taiwan (R.O.C.)	Agent of property insurance	100.00%	6,244	1,867	300	-	300	100.00%	"
Taiwan Business Bank International Leasing Co., Ltd.	5F., No.151, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City 10580, Taiwan (R.O.C.)	Leasing business	100.00%	1,505,883	(17,808)	150,000	-	150,000	100.00%	"
Taiwan Business Bank International Financing Leasing Co., Ltd.	Room 925B, 9th floor, No.55, Xili road, China (Shanghai) Pilot Free Trade Zone	Leasing business	100.00%	865,415 (CNY170 million)	(1,389)	-	-	-	100.00%	"

(b) Loans to others: None

(c) Endorsements and guarantee for others: None

(d) Acquisition of securities:

(Unit: In NTD thousands)

Company acquired	Type and name of the security	Relationship with the security issuer	Account	At the end of the period				Note
				Number of shares	Book value	Share proportion (Note 2)	Market price (Note 1)	
Taiwan Business Bank International Financing leasing Co., Ltd.	Not public	The investee under the equity method of the subsidiary Taiwan Business Bank International Leasing Co., Ltd.	Investment under equity method	-	865,415 (CNY170 million)	100.00%	865,415	The transaction has been written off when preparing the consolidated financial statements.

Note 1: Listed companies apply the market price to calculate the net amount of the shares possessed. Not listed companies and companies that are not in the over-the-counter market apply the share proportion to calculate the net amount of the shares possessed. The net amount of preferred stock is calculated based on the settlement.

Note 2: The share proportion of the preferred stock is calculated based on the shares the Company possessed divided by the shares issued.

(e) Accumulative purchases or sales of the same investee companies amounting to over \$300,000 or 10% of paid-in capital: None.



(Unit: In NTD thousands)

Company	type and name of the security	Account	Trade counter-party	Relation-ship	Beginning of the period		Purchase		Sale				End of the period	
					Shares	Amount	Shares	Amount	Shares	Amount	Book value	Disposition gains or losses	Shares	Amount
Taiwan Business Bank International Financing leasing Co., Ltd.	Not public	Investment under equity method	Not applicable	Subsidiary	-	-	-	838,305 (CNY170 million)	-	-	-	-	-	838,305 (CNY170 million)

- (f) Acquisition of real estate amounting to over \$300,000 or 10% of paid-in capital: None.
- (g) Disposition of real estate amounting to over \$300,000 or 10% of paid-in capital: None.
- (h) Discount of commissions and handling fees with related parties amounting to over \$5,000: None.
- (i) Receivables from related parties amounting to over \$300,000 or 10% of paid-in capital: None.
- (j) Transactions of financial derivatives: None
- (k) Sale of non-performing loans information: None.
- (l) Types of securitization goods and related information approved by financial assets securitization rules or real estate securitization rules: None.
- (m) Other significant transactions that might have influence over the decision making process of the financial statements users: None.

(C) Information on investment in mainland China :

- (a) Name and major business item of the investee in China :

(In NTD thousand)

Name of investee company	Major business item	Paid-in capital	Investment method	Accumulated amount transferred from Taiwan, beginning of the period	Investment transferred out or recovered		Accumulated amount transferred from Taiwan, end of the period	The current profit or loss of the investee	Shares directly or indirectly possessed by the Bank	Profit or loss recognized	Ending book value of investment	Investment profit transferred in
					Transferred out	Recovered						
Taiwan Business Bank , Ltd. Shanghai branch	Banking business	2,371,237 (CNY500 million) (Operating capital)	(e)	2,371,237 (CNY500 million)	-	-	2,371,327 (CNY500 million)	-	Shanghai branch of the Bank, not an investee company	-	2,631,794	None
Taiwan Business Bank International Financing leasing Co., Ltd.	Leasing business	838,305 (CNY170 million)	(d)	-	838,305 (CNY170 million)	-	838,305 (CNY170 million)	(1,389)	100%	(1,389)	865,415	"

Investment method is divided into 5 categories and are listed as follows:

- (a) Invest in a Chinese Company through remittance from the third party.
- (b) Establish a company in the third party and use the company to invest in a Chinese Company.
- (c) Reinvest in the existing company in the third party and use the company to invest in a Chinese company.
- (d) Directly invest in a Chinese company.
- (e) Other: establish a foreign branch.

(b) Limit of investment in China :

(In NTD thousand)

Name of Company	Accumulated amount transferred from Taiwan, end of the period	Investment amount approved by Ministry of Finance	Limit of investment regulated by Investment Audit Committee of Ministry of Finance.
Taiwan Business Bank Co., Ltd. (Note)	3,209,542 (CNY 670 million)	3,209,542 (CNY 670 million)	37,642,750

Note: The investment amount in China of the subsidiary Taiwan Business Bank International Leasing Co, Ltd is included.

14. SEGMENT INFORMATION

(A) General information

The chief operating decision maker is the general manager of the Bank who is in charge of all major projects approval, budget review and performance measurement. In order to express operating activities legitimately, the reportable segments of the Bank are Bank segment and others (including securities department and trust department). The major operating activities of securities department are securities brokerage, financing transaction and future auxiliary transaction. It is to provide customer a platform for securities investment. The trust department mainly provides customers relevant financial services, including securities review and approval, custodian bank service, new type trust business and specific trust funds investing in domestic or foreign securities. The profit or loss of the operating segments of the Bank is measured by net income before tax. The reported amount is consistent with the data which was provided to the chief operating decision maker in order to use it as the base of resource allocation and performance measurement.

(B) Segment information

December 31, 2014	Bank Department	Other-securities and trust	Inter-department adjustment	Total segment
Net interest income	\$ 14,548,907	241,350	-	14,790,257
Other net non-interest income	3,597,528	647,980	(41,440)	4,204,068
Net revenue	18,146,435	889,330	(41,440)	18,994,325
Bad debt expenses	(2,488,352)	(50,235)	-	(2,538,587)
Operating expense	(10,489,846)	(482,121)	1,945	(10,970,022)
Net income before tax	\$ 5,168,237	356,974	(39,495)	5,485,716
Total assets	\$ 1,377,074,733	17,172,016	(1,856,182)	1,392,390,567
Total liabilities	\$ 1,316,842,415	13,088,854	(278,619)	1,329,652,650

December 31, 2013	Bank Department	Other-securities and trust	Inter-department adjustment	Total segment
Net interest income	\$ 13,424,144	170,358	-	13,594,502
Other net non-interest income	3,555,693	608,573	(35,527)	4,128,739
Net revenue	16,979,837	778,931	(35,527)	17,723,241
Bad debt expenses	(2,994,335)	(5,804)	-	(3,000,139)
Operating expense	(10,402,754)	(465,151)	1,553	(10,866,352)
Net income before tax	\$ 3,582,748	307,976	(33,974)	3,856,750
Total assets	\$ 1,310,041,521	17,049,020	(722,465)	1,326,368,076
Total liabilities	\$ 1,255,240,083	14,132,336	(257,911)	1,269,114,508

**(C) Geographic information :**

The Bank and its subsidiaries, based on the geographic location of foreign operating segments, to disclose the information as below:

Net income before tax :

Area	For the year ended December 31,	
	2014	2013
Taiwan	\$ 5,007,309	3,503,638
USA	293,740	177,151
Hong Kong	37,109	19,065
Australia	58,443	137,794
China	89,115	19,102
Total	<u>\$ 5,485,716</u>	<u>3,856,750</u>

Non-current assets :

Area	December 31, 2014	December 31, 2013
Taiwan	\$ 18,834,327	16,164,713
USA	1,067	21,721
Hong Kong	24,257	10,362
Australia	16,659	20,357
China	17,730	12,462
Total	<u>\$ 18,894,040</u>	<u>16,229,615</u>

(D) Significant client information :

No single customer represents 10% or more of the Bank and its subsidiaries's operating revenue. Therefore, no disclosure of major customer information is required.

VII

Corporate Social Responsibility





1. Corporate Social Responsibility

The fulfillment of CSR has always been one of the Bank's four major operating principles. Besides pursuing business development, the upgrading of employee value-added, and an emphasis on shareholders' interest in its own business operations, the Bank uses concrete action to fulfill its CSR by showing care for disadvantaged groups, carrying through with the principle of care for society, and participating actively in public-benefit activities.

(1) Fulfillment of Responsibilities as an SME Bank

A. Active guidance of SMEs and deep-rooting of the core SME business

The TBB jointly organized, with the Taipei Exchange, a Cultural/Creative Youth Dream-Building Plan Seminar in response to the government's promotion of the cultural/creative industry and to help young people with start-ups; participated in the "2014 Taiwan Innovation Match-Making Show" organized by the Taiwan External Trade Development Council (TAITRA) in order to support the "Financial Sector Support for Innovation Industries Project" by providing financial consultation for innovation industries; and cooperated with the Ministry of Culture's organizing of a Cultural/Creative Industry Advertising and Promotion Seminar to help enterprises obtain bank financing.

B. Assistance for startups, increasing employment, winning awards

The TBB tops the nation in the extension of "Young Entrepreneur Loan", and "Micro-Business Startup Phoenix" loans.

C. Loan policy

To realize the spirit of the "Equator Principles" and fulfill the Bank's CSR obligations, the fulfillment of the food safety, labor safety, environmental protection are included among the key points in loan assessment.

(2) Customer Care

A. A diverse range of innovative financial products to satisfy the capital needs throughout all stages of the human life cycle

- (A) The "childbearing consumer loan" program was carried out in order to encourage childbearing by providing capital needed for bearing children, thereby lightening the burden on families and satisfying the funding needs of more people.
- (B) "Youth Overseas Living Experience Loan" was extended and "Youth Overseas Grand Tour Loan" was offered to help young people take overseas study tours, free individual travel (FIT) tours, and working holiday tours in order to expand their global view, cultivate their career abilities, and carry out career planning.
- (C) The graded management of small-business customers was implemented and three innovative preferential loan programs—"Small but Beautiful," "Small but Rich," and "Little Giant"—were introduced and approved by the Credit Guarantee Fund and listed for "preferential conditions, high-speed" underwriting approval in order to satisfy corporate needs for quick loans and show the Bank's strong support for domestic micro-businesses.
- (D) The Bank strongly supports cultural/creative industries and actively handles financing for them, helping creative industries with the potential for development by providing the most professional financing services so as to attract more creative people into the industry, stimulate production capacity, and bring new economic value to Taiwan.

B. Protection of customer rights

- (A) The Bank has established "Consumer Protection Policy" and "Consumer Protection Operating Procedure" to protect the rights of consumers by clearly stipulating measures that should be adopted pursuant to the consumer protection policy and designating a unit to be responsible for monitoring the effectiveness of the consumer protection mechanism. The Auditing Dept. is responsible for checking the status of implementation to assure the protection of consumers.
- (B) Details of loan charges and annual percentage rates on total loan charges are disclosed in contracts, and standards for the collection of fees are displayed on the TBB website and in business lobbies so that customers can easily understand the actual cost of loans.
- (C) The Wealth Management customer rights protection manual, standard contracts, fees for financial services, settlement procedures for trust-business disputes, and information on fund channel reimbursement are disclosed on the TBB website.

C. In response to the Kaohsiung gas explosion, food safety scares, and other major social incidents, the Bank established personal loan relief measures to help rehabilitate victims of the Kaohsiung gas explosion and assist victims of the food safety incidents get through their financial difficulties.

(3) Environmental Protection

The Bank vigorously implements the energy conservation and carbon reduction policy to promote sustainable environmental development.

Energy conservation improvement programs are rigorously carried out to enhance the energy efficiency of equipment and save electricity costs.

(4) Social-benefit Activities and Community Participation

The Bank carries through with the principle of care for society, participates actively in social-benefit activities, and calls on its domestic branches to exhibit the spirit of "sending warmth in the winter chill," cultivate the community through visits, and donate to disadvantaged groups within their areas.

(5) Support for Academic and Sports Activities

The Bank and the Taiwan Cooperative Bank jointly organized the 11th Annual Meeting and Conference of APEC Financial Institutions Dealing with SMEs, which focused on the strengthening of professional know-how about SME financing and reinforced cooperation and cross-cultural interchange among APEC members while promoting the beauty of Taipei.

(6) Employee Care

- A. **Employees are company's assets, and the TBB has never spared any effort to take care of its employees. In addition to establishing work rules and human resources management regulations in accordance with the Labor Standards Act and other relevant labor regulations, the Bank also complies with laws in providing labor insurance, national health insurance, and allocations for retirement funds. Employee health exams are carried out on a regular basis and group medical care and accident insurance are offered on preferential terms in order to protect the living of employees so that they can fully express their professional skills at work.**
- B. **To strengthen employees' competitiveness and upgrade their professional know-how, the Bank holds training classes focused on different businesses in accordance with its annual manpower training plans, and provides a rich diversity of courses on its digital learning website along with irregular video lectures and professional speeches**

by prominent speakers.

C. The Bank has a complete salaries/rewards system and promotion channels as well as diversified training and welfare measures designed to recruit and retain outstanding personnel to struggle in concert with the Bank.

D. The Bank places utmost attention on employee rights and regularly calls labor-management meetings where the two sides can fully communicate and negotiate on employee rights and welfare issues, and sign group agreements, thereby maintaining harmonious labor-management relations.

(7) Continuity of Operations and Creation of Shareholders' interest

The Bank is engaged in a long-term effort to upgrade corporate governance, in which it spares no effort, and demonstrates its capacity to act through full-marketing in the pursuit of outstanding operating performance, and works continuously to enhance asset value and competitiveness with the aim of reinforcing the TBB's operating structure and creating maximum value for all our shareholders.

2. Implementation of Social Responsibility

Item	Status of Operation	Divergence from Corporate Responsibility Rules for Listed Companies, and Reasons for Divergence
1. Corporate Governance Implementation		
(1) Does the Bank declare its corporate social responsibility policy and examine the results of the implementation?	- The TBB Articles of Incorporation clearly stipulate: "In line with government policy, Taiwan Business Bank takes as its objectives the provision of credit to the public and to small and medium enterprises, the provision of assistance to small and medium enterprises in improving their production equipment and financial structures, and the strengthening of their business management." - To carry through with corporate social responsibility and promote balanced and sustainable economic, social, and environmental development, the Bank has formulated "Corporate Social Responsibility Best Practice Principles" and produced corporate social responsibility report disclosing the Bank's status of CRS implementation, and published it on the TBB website.	No divergence.
(2) Does the Bank Provide educational training on corporate social responsibility on a regular basis?	- The Bank provides information on education and training to its directors in a timely manner and conforms to the provisions of the "Directions for the Continuing Education for Directors and Supervisors of TWSE Listed and GTSM Listed Companies" so as to upgrade the professional competence of directors, and posts notices of their participation in training activities on the company's Market Observation Post System. - The Bank's education and training courses include social responsibility in their curricula, and employees are also sent to participate in external training classes in corporate social responsibility.	No divergence.

Item	Status of Operation	Divergence from Corporate Responsibility Rules for Listed Companies, and Reasons for Divergence
(3) Does the Bank establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	The Bank has established "Corporate Social Responsibility Best Practice Principles" and its Board of Directors Secretariat, Operating Management Center, Human Resources Department, and General Affairs Department carry out corporate social responsibility. Each of the Bank's units strives to execute corporate social responsibility within the scope of its authority, and reports on implementation in accordance with the Bank's division of responsibilities.	No divergence.
(4) Does the Bank declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	The Bank has instituted "Guidelines for the Payment of Employee Salaries" and "Guidelines for the Issuance of Employee New Year and Performance Bonuses," and standards for salary increases are based on year-end evaluations. Further, the Bank's guidelines for employee rewards and punishments, and instructions for general evaluations, provide punishment, up to dismissal, for violation of business ethics and for bribery and corruption; there is also provision of rewards for the prevention or reporting of improper behavior and fraud, to encourage employees to implement business ethics and corporate social responsibility.	No divergence.
2. Sustainable Environment Development		
(1) Does the Bank endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	- Carbon powder ink cartridges are collected for recycling. - Double-sided printing - Recycling companies are commissioned to dispose of unusable computer equipment. - The Bank has signed the "Letter of Intent for Green Procurement by Private Enterprises and Groups" as promoted by the Environmental Protection Administration, providing for the priority adoption of green construction materials and other goods that bear energy-saving or environmental protection labels. - Bisphenol A-free paper rolls are used in ATMs, environmentally friendly cars and motor scooters are procured or leased, and copying machines and other office machines that are environmentally friendly and can serve as energy-saving models are leased.	No divergence.
(2) Does the Bank establish proper environmental management systems based on the characteristics of their industries?	Environmental cleaning and maintenance is carried out in accordance with the Bank's "Cleaning and Maintenance Instructions for Business Units."	No divergence.



Item	Status of Operation	Divergence from Corporate Responsibility Rules for Listed Companies, and Reasons for Divergence
(3) Does the Bank monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish strategies for energy conservation and carbon reduction?	1. The Bank's greenhouse gas emissions and volume reduction information is posted on the market observation post system. 2. Bank-wide water conservation measures have been implemented; use of water and electricity by the different units is monitored regularly, and is included in business performance evaluation. 3. The improvement of energy-saving measures is evaluated the efficiency of equipment is enhanced, and the conservation of water and electricity is upgrader. 4. The Taipei City Government Statute for Autonomy in Energy Conservation and Carbon Reduction is observed, and air conditioners in offices and business premises are set no lower than 26 degrees Celsius.	No divergence.
3. Preserving Public Welfare		
(1) Does the Bank formulate appropriate management policies and procedures according to relevant regulations and the international Bill of Human Rights?	The Bank's personnel regulations are written to conform to the relevant labor laws and regulations. The employment policy has no discrimination on gender, race, age, marital and family status, and has equality of opportunity on remuneration, employment, training and promotion which protect the legitimate rights and interest of employees.	No divergence.
(2) Has the Bank set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	Employees may submit written complaints to their superiors at any time. The Bank also provides telephone and Internet channels for complaints, which the head office assigns designated personnel to handle.	No divergence.
(3) Does the Bank provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis	1. To prevent occupational accidents and protect the safety and health of workers, the Bank has set up a specific worker-safety unit to oversee bank-wide occupational safety and health matters and work to prevent occupational accidents. The Bank has also trained 481 personnel in charge of occupational safety and health, along with 417 emergency-care personnel, with the aim of achieving a happy workplace and a safe, healthy environment with zero accidents.	No divergence.

Item	Status of Operation	Divergence from Corporate Responsibility Rules for Listed Companies, and Reasons for Divergence
	2. To reinforce employee health management, the prevention of occupational disease, and the promotion of health, the Bank contracts a specialist doctor and employs a full-time nurse to provide health services. Safety and health education is offered on a regular basis, and an inquiry area is provided on the E-service Employee Portal for employees to use. In addition, courses related to occupational safety and health are offered on the TBB E-learning Network for the choice of employees. 3. The Bank holds three hours of labor safety education for all of its employees every three years, and provides health checkups for new employees. In-service employees are given regular health checks every one or two years in accordance with the Occupational Safety and Health Act, indicating the Bank's concern for the health of its employees and reminding them of the importance of health.	
(4) Does the Bank setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	Matters that affect the rights or welfare of employees are submitted to labor-management meetings for discussion on a regular basis, or to prior labor-management negotiations. There is also a channel for employees to express their opinions, and their legal rights are fully respected and protected. Changes in operations or regulations that may have a major influence on employees are reported by letter to all units, which are asked to publicize them during business meetings, and bank-wide videoconferences are also used for notification purposes.	No divergence.
(5) Does the Bank provide its employees with career development and training sessions?	The Bank has formulated an annual personnel training program, with courses in general banking education, basic business courses, advanced courses, seminars, executive training, and lectures provided in accordance with the specific jobs and seniorities of personnel. Personnel are also selected for professional courses by external agencies, and outside professional lecturers are hired to offer course in order to train TBB personnel in advanced professional skills, in an integration of training and hiring designed to advance the career development of banking staff.	No divergence.
(6) Does the Bank establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	Please refer to VII Corporate Social Responsibility (2) customer care B. Protection of Customer rights.	No divergence.



Item	Status of Operation	Divergence from Corporate Responsibility Rules for Listed Companies, and Reasons for Divergence
(7) Does the Bank advertise and label its goods and services according to relevant regulations and international standards?	In addition to following to its own regulations, in the marketing and labeling of products and services the Bank also adheres to the laws and regulations of the competent authorities, and to relevant legal orders and international practices.	No divergence.
(8) Does the Bank evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	Environmental commitments are included in the Bank's construction contracts in order to strengthen the responsibilities borne by contracted companies.	No divergence.
(9) Do the contracts between the Bank and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	Environmental commitments are included in the Bank's construction contracts in order to strengthen the responsibilities borne by contracted companies.	No divergence.
4. Enhancing Information Disclosure Does the Bank disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	1. The Bank discloses its "Corporate Social Responsibility Best Practice Principles" on its website. 2. The Bank discloses its "Corporate Social Responsibility Report" on its website and the Market Observation Post System. 3. The Bank's greenhouse gas emissions and volume reduction information is posted on the Market Observation Post System.	No divergence.
5. If the Company compiles its own CSR rules in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-listed Companies," please describe its operation and divergences by the established rules: The Bank has set up "Corporate Social Responsibility Best Practice Principles" in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-listed Companies" in order to carry through with CSR. There is no divergence from the Best Practice Principles.		
6. For other information to aid understanding of the Bank's CSR operations, please refer to VII Corporate Social responsibility		
7. If the Company's products or CSR report has passed the verification standards of a related verification institution, please explain: None.		

3. Implementation of honest operation, and measures adopted

Item	Status of Operation	Divergence from Corporate Responsibility Rules for Listed Companies, and Reasons for Divergence
1. Establishment of ethical corporate management policies and programs		
(1) Does the Bank declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	1. The Bank's establishment, in accordance with the relevant laws and regulations, of auditing, internal controls, and other internal regulations that specify rules which employees must observe. 2. The Bank's work rules clearly specify that employees may not use their positions to perpetrate fraud for personal gain or for the illicit interest of themselves or others, and may not receive gifts of any kind or obtain other improper benefit.	No divergence.
(2) Does the Bank establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	1. Clear provisions for punishment, up to dismissal, for corporate ethics violations, bribery, and corruption are written into the Bank's guidelines for employee rewards and punishments and instructions for normal evaluation, and rewards are offered for the prevention or reporting of improper behavior or fraud. This prevents employees from dishonest behavior. 2. "Guidelines for the Construction, Procurement, Customization, and Selling of Property" have been established to serve as a basis for the Bank's procurement operations, and are thoroughly carried out.	No divergence.
(3) Does the Bank establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?	According to the provisions of the "Guidelines for the Construction, Procurement, Customization, and Selling of Property," Article 21, which states that "Persons handling the construction, procurement, customization, and sale of property may not engage in the work of inspection and acceptance of a related case, persons involved in inspection may not supervise the inspection of a related case, and persons involved in the sale of property may not handle the work of inspection transfer of a related case." And Article 27, "Personnel of all levels who handles or supervises construction or the procurement, customization, or sale of property are strictly prohibited from accepting invitations to banquets or presentations of gifts from related companies, in order to assure rectitude and fairness, and persons handling procurement should be rotated on a regular basis." The Bank does in fact demand that such personnel observe these rules, and if there is any misconduct to report it to the personnel unit for reporting to the Personnel Evaluation Committee for review and investigation.	No divergence.



Item	Status of Operation	Divergence from Corporate Responsibility Rules for Listed Companies, and Reasons for Divergence
2. Fulfill operations integrity policy		
(1) Does the Bank evaluate business partners' ethical records and include ethics-related clauses in business contracts?	Contract provisions clearly state that all hardware and software equipment must be legally authorized, and that if personnel sent by a company that wins the bidding for a procurement contract engage in any illegal behavior, divulging of secrets, or negligence that results in loss for the Bank, then that company may be banned from participation in the bidding and be held jointly liable for payment of compensation for the loss. It is also stipulated in bidding instructions that if a bidding company has a record of unethical behavior, it may be banned from participation in bidding.	No divergence.
(2) Does the Bank establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	Related units of the Bank promote ethical management within the scope of their responsibility, and internal auditing reports are submitted to the Board of Directors on a regular basis.	No divergence.
(3) Does the Bank establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	Provisions for recusal for conflict of interest are included in the Bank's Rules and Procedures for Board of Directors Meetings, making discussions more fair and objective. Rules are also established for donations to materially interested parties in order to avoid harming the Bank's interests.	No divergence.
(4) Has the Bank established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	1. Beginning in 2013 the Bank accounting system is compiled with the International Financial Reporting Standards, as approved by the Financial Supervisory Commission. 2. The Bank does establish internal control system to manage risk in line with Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries. The Bank carries out auditing by an independent auditing department so as to assure the design and implementation of the system sustained effectiveness.	No divergence.

Item	Status of Operation	Divergence from Corporate Responsibility Rules for Listed Companies, and Reasons for Divergence
	3. The TBB Board of Directors Audit Department carries out auditing in accordance with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" and the TBB "Internal Auditing Operating Rules," and submits reports on auditing operations to the Board of Directors and Audit Committee at least once every three months. At least one general audit and one special audit is carried out for domestic branches, Treasury Department, asset custody unit and IT Department. each year, along with one special audit for other management units. At least one general audit is carried out each year for each regional operation division, operation center, and overseas business unit. One special business audit is carried out each half-year for the finance, risk management, and legal compliance of subsidiaries. Full-time auditors are appointed to carry out internal securities business auditing, and the Board of Directors Auditing Department supervises at least one audit each half-year.	
(5) Does the Bank regularly hold internal and external educational trainings on operational integrity?	The Bank's education and training courses encompass the discussions of regulatory compliance, including education in laws and regulations, the legal liabilities of employees, and ethical management, and employees are sent to take outside training courses in ethical management and corporate social responsibility.	No divergence.
3. Operation of the integrity channel		
(1) Does the Bank establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	Bank employees may make suggestions or report offenses to the heads of their units. They may report, giving their names along with evidence, to the head office for action; the head office will assign appropriate designated personnel to handle the matter.	No divergence.
(2) Does the Bank establish standard operating procedures for confidential reporting on investigating accusation cases?	The Bank's designated personnel for handling reports of offenses investigate reports in accordance with the relevant business regulations, and protects job-related secrets in conformity with the provisions of the Bank's work rules and the Personal Information Protection Act.	No divergence.
(3) Does the Bank provide proper whistleblower protection?	The Bank keeps the identity of whistle-blowers strictly confidential, and the names of whistle-blowers, and other personal information that might identify them, are suitably masked in relevant written investigative reports.	No divergence.



Item	Status of Operation	Divergence from Corporate Responsibility Rules for Listed Companies, and Reasons for Divergence
4. Strengthening information disclosure Does the Bank disclose its ethical corporate management policies and the results of its implementation on the company's website and the Market Observation Post System?	1. The Bank has posted its "Ethical Corporate Management Best Practice Principles" on its website and the Market Observation Post System. 2. Monthly operating conditions and quarterly Chinese-language CPA audited and approved financial statements and important financial business information are posted on the Bank's website and the Market Observation Post System, and quarterly English-language CPA audited and approved financial statements are disclosed on the Bank's website. 3. Information on the Bank's risk management is disclosed on the "Capital Adequacy and Risk Management" area of the Bank's website in accordance with the Regulations Governing the Capital Adequacy and Capital Category of Banks. 4. The TBB Board of Directors Auditing Department discloses on the Market Observation Post System, in accordance with the "Criteria for Establishment of Internal Control Systems by Public Companies," the "Statement of Internal Control" approved by the Board of Directors 5. When the Bank acquires or takes over real estate from a materially interested party, or acquires or takes over non-real-estate assets from a materially interested party, and the amount of the transaction reaches at least 20% of the Bank's paid-in capital, 10% of its total assets, or NT\$300 million and the assets acquired or taken over consist of machinery or equipment used by a jointly operated business, or its object is not a materially interested party and the amount of the transaction reaches at least NT\$500 million and the assets consist of real estate acquired via commissioned development on self-owned land, commissioned development on leased land, joint development and division of buildings, or joint development and divided sale, and projected investment in the transaction reaches at least NT\$500 million, the matter is disclosed on the Market Observation Post System.	No divergence.
5.	If the Bank establishes its own ethical management rules in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies," please describe differences in their operation and established rules: (1) In accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-listed Companies" and other relevant rules, the Bank has set up "Ethical Corporate Management Best Practice Principles" with the aim of realizing an ethical management policy and preventing unethical behavior. There is no deviation from the rules. (2) In accordance with our accounting and internal control system, The TBB Board of Directors Auditing Department conducts annual review to each business unit. Scope of review includes all business and internal management. The Auditing Department has submitted reports to the Board and Auditing committee quarterly.	

Item	Status of Operation	Divergence from Corporate Responsibility Rules for Listed Companies, and Reasons for Divergence
6.	Other important information that will facilitate an understanding of the Bank's ethical management operations (such as the Bank's publicizing of its ethical management determination and policies to companies with which it does business, and its inviting of them to participate in education and training, and review and amendment of the ethical management rules established by the Bank).	
	The Bank provides its directors with information on corporate governance learning channels so as to improve their competence.	

4. Information Disclosure

(1) Internal significant information disclosure procedures

The Banks has set up "Information Disclosure Procedures" as the SOP of internal significant information disclosures. Regarding insider trading prevention, please refer to our "Stockholders' Equity Management Policy".

(2) For information on corporate governance rules and related regulations, please visit the Market Observation Post System website ([http:// mops.twse.com](http://mops.twse.com)) and click on "corporate governance."

(3) For a further understanding of the Bank's governance operations, please visit the Bank's website (<http://www.tbb.com.tw>) and click on "About TBB" and then "Investor Relations."

VIII

Directory of Head Office and Branch Units



TBB'S OFFICES	ADDRESS	TEL NO.	SWIFT ADDRESS
Head Office	30 Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	
Banking Department	30 Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	MBBTTWTP010
Trust Department	15F, 30 Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	
Securities Department (Banking Broker)	4F, 30 Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	
International Banking Department	3F, 30 Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	MBBTTWTP
Chi Lin Branch	46, Sec. 2, Minquan E. Rd., Zhongshan Dist., Taipei, Taiwan, R.O.C.	(02)25417171	MBBTTWTP001
Chung Ho Branch	634-10, Jingping Rd., Zhonghe Dist, New Taipei City, Taiwan, R.O.C.	(02)22427171	MBBTTWTP002
Po Ai Branch	419, Mingcheng 2nd Rd., Zuoying Dist., Kaohsiung City, Taiwan, R.O.C.	(07)5567171	
North Taoyuan Branch	985 Chunri Rd., Taoyuan Dist., Taoyuan City, Taiwan, R.O.C.	(03)3567171	MBBTTWTP004
Nan Ken Branch	381 Zhongzheng Rd., Luzhu Dist., Taoyuan City, Taiwan, R.O.C.	(03)3227171	MBBTTWTP005
Si Tuen Branch	839/847 Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City , Taiwan R.O.C.	(04)23587171	MBBTTWTP006
Chung Min Branch	301 Zhongming S. Rd., West Dist., Taichung City, Taiwan, R.O.C.	(04)23057171	MBBTTWTP007
Kinmen Branch	116, Minquan Rd., Jincheng Township, Kinmen County, Taiwan, R.O.C.	(082) 316871	MBBTTWTP009
Ta Ya Branch	161 Daya Rd., Daya Dist., Taichung City, Taiwan, R.O.C	(04)25687171	MBBTTWTP011
Jen Ta Branch	183 Fengnan Rd., Nanzi Dist., Kaohsiung City, Taiwan, R.O.C.	(07)3537171	MBBTTWTP012
Jen Ai Branch	357, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City, Taiwan, R.O.C.	(02)27217171	MBBTTWTP020
Sung Shan Branch	147, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City, Taiwan, R.O.C.	(02)27167171	MBBTTWTP021
Chien Cheng Branch (Banking Broker)	76 Nanjing W. Rd., Datong Dist., Taipei City, Taiwan, R.O.C.	(02)25507171	MBBTTWTP022
Shih Lin Branch	601 Zhongzheng Rd., Shilin Dist., Taipei City, Taiwan, R.O.C	(02)28117171	MBBTTWTP023
Yung Ho Branch	168 Zhulin Rd., Yonghe Dist., New Taipei City, Taiwan, R.O.C.	(02)29277171	
Hsin Tien Branch	192, Sec. 2, Zhongxing Rd., Xindian Dist., New Taipei City, Taiwan, R.O.C.	(02)29117171	MBBTTWTP025



VIII

TBB'S OFFICES	ADDRESS	TEL NO.	SWIFT ADDRESS
Hsin Chuang Branch	16, Sec. 1, Zhonghua Rd., Xinzhuang Dist., New Taipei City, Taiwan, R.O.C.	(02)29907171	MBBTTWTP026
Hwa Cheng Branch	25, Touqian Rd., Xinzhuang Dist., New Taipei City, Taiwan, R.O.C.	(02)29977171	MBBTTWTP027
Sung Kiang Branch	158 Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan, R.O.C.	(02)25377171	MBBTTWTP040
Taipei Branch (Banking Broker)	72, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City, Taiwan, R.O.C.	(02)23717171	MBBTTWTP050
Wan Hua Branch	146 Guangzhou St., Wanhua Dist., Taipei City, Taiwan, R.O.C.	(02)23387171	MBBTTWTP060
South Taipei Branch	93, Sec. 2, Roosevelt Rd., Da'an Dist., Taipei City, Taiwan, R.O.C.	(02)23697171	MBBTTWTP061
Fu Hsin Branch	390, Sec. 1, Fuxing S. Rd., Da'an Dist., Taipei City, Taiwan, R.O.C.	(02)27057171	MBBTTWTP070
Chung Shan Branch	17 Changchun Rd., Zhongshan Dist., Taipei City, Taiwan, R.O.C.	(02)25517171	MBBTTWTP080
Chien Kuo Branch	4, Sec. 3, Minquan E. Rd., Zhongshan Dist., Taipei City, Taiwan, R.O.C.	(02)25097171	MBBTTWTP081
Nai Hu Branch	15, Alley 360, Sec. 1, Naihu Rd., Naihu Dist., Taipei City, Taiwan, R.O.C.	(02)27997171	MBBTTWTP082
Nan King East Road Branch (Banking Broker)	311, Sec. 3, Nanjing E. Rd., Songshan Dist., Taipei City, Taiwan, R.O.C.	(02)27127171	MBBTTWTP090
Chung Hsiao Branch	267, Sec. 3, Chung Hsiao E. Rd., Taipei City, Taiwan, R.O.C.	(02)27727171	MBBTTWTP100
East Taipei Branch	135, Sec. 4, Bade Rd., Songshan Dist., Taipei City, Taiwan, R.O.C.	(02)87877171	MBBTTWTP101
World Trade Center Branch	547 Guangfu S. Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.	(02)23457171	MBBTTWTP102
Yung Trin Branch	552, Sec. 5, Chung Hsiao E. Rd., Taipei City, Taiwan, R.O.C.	(02)23467171	MBBTTWTP103
Nan Kang Branch	19-2 Sanchong Rd., Nangang Dist., Taipei City, Taiwan, R.O.C.	(02)26553771	MBBTTWTP105
Sung Nan Branch	161, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.	(02)27647171	MBBTTWTP110
Dong Hu Branch	152, Sec. 6, Minquan E. Rd., Naihu Dist., Taipei City, Taiwan, R.O.C.	(02)87929771	MBBTTWTP111
Ta An Branch	92, Sec. 2, Dunhua S. Rd. Da'an Dist., Taipei City, Taiwan, R.O.C.	(02)27007171	MBBTTWTP120
Shuang Ho Branch	356 Zhonghe Rd., Zhonghe Dist., New Taipei City, Taiwan, R.O.C.	(02)22327171	MBBTTWTP121

TBB'S OFFICES	ADDRESS	TEL NO.	SWIFT ADDRESS
Jim Ho Branch	403, Sec. 2, Zhongshan Rd., Zhonghe Dist., New Taipei City, Taiwan, R.O.C.	(02)22287171	MBBTTWTP122
Wu Ku Branch	95 Wugong Rd., Wu Ku Industrial Zone, Xinzhuang Dist., New Taipei City, Taiwan, R.O.C.	(02)22987171	MBBTTWTP130
Lin Kou Branch	1F-2, 188 Zhongshan Rd., Linkou Dist., New Taipei City, R.O.C.	(02)26037171	MBBTTWTP131
Pan Chiao Branch	2-1 Mingde St., Banqiao Dist., New Taipei City, Taiwan, R.O.C.	(02)29687171	MBBTTWTP140
Shu Lin Branch	217, Sec. 1, Zhongshan Rd., Shulin Dist., New Taipei City, Taiwan, R.O.C.	(02)26757171	MBBTTWTP141
Tu Cheng Branch	126, Sec. 2, Zhongyang Rd., Tucheng Dist., New Taipei City, Taiwan, R.O.C.	(02)22737171	MBBTTWTP142
Hwei Long Branch	933 Zhongzheng Rd., Xinzhuang Dist., New Taipei City, Taiwan, R.O.C.	(02)82097171	MBBTTWTP143
Xi Zhi Branch	75, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City, R.O.C.	(02)26987171	MBBTTWTP144
Kee Lung Branch	9 Ai 3rd Rd., Ren'ai Dist., Keelung City, Taiwan, R.O.C.	(02)24237171	
Pu Chya Branch (Banking Broker)	62-1, Sec. 2, Zhongshan Rd., Banqiao Dist., New Taipei City, Taiwan, R.O.C.	(02)29547171	MBBTTWTP151
North San Chung Branch	137, Sec. 4, Sanhe Rd., Sanchong Dist., New Taipei City, Taiwan, R.O.C.	(02)22867171	MBBTTWTP152
South San Chung Branch	232, Sec. 1, Ziqiang Rd., Sanchong Dist., New Taipei City, Taiwan, R.O.C.	(02)29827171	MBBTTWTP153
Lu Chow Branch	42 Yongle St., Luzhou Dist., New Taipei City, Taiwan, R.O.C.	(02)28477171	MBBTTWTP154
I Lan Branch	305 Sec. 2, Zhongshan Rd., Yilan City, Yilan County, Taiwan, R.O.C.	(03)9367171	
Lo Tung Branch	15 Zhongzheng N. Rd., Luodong Township, Yilan County, Taiwan, R.O.C.	(03)9567171	
Su Aw Branch	96-1, Sec. 1, Zhongshan Rd., Su'ao Township, Yilan County, Taiwan, R.O.C.	(03)9965051	
Yang Mei Branch	146 Dacheng Rd., Yangmei Dist., Taoyuan City, Taiwan, R.O.C.	(03)4786111	MBBTTWTP290
Hu Kou Branch	76, Sec. 1, Zhongcheng Rd., Hukou Township, Hsinchu County, Taiwan, R.O.C.	(03)5997171	MBBTTWTP291
Taoyuan Branch (Banking Broker)	99 Zhonghua Rd. Taoyuan Dist., Taoyuan City, Taiwan, R.O.C.	(03)3317171	MBBTTWTP300
Ta Yuan Branch	80 Zhongshan S. Rd., Dayuan Township, Taoyuan County, Taiwan, R.O.C.	(03)3857171	MBBTTWTP301



TBB'S OFFICES	ADDRESS	TEL NO.	SWIFT ADDRESS
Ta Shi Branch	80 Fuxing Rd., Daxi Dist., Taoyuan County, Taiwan, R.O.C.	(03)3887171	MBBTTWTP302
Chung Li Branch	157 Zhongshan Rd., Zhongli Dist., Taoyuan City, Taiwan, R.O.C.	(03)4277171	MBBTTWTP310
Nei Li Branch	153 Zhongxiao Rd., Zhongli Dist., Taoyuan City, Taiwan, R.O.C.	(03)4557171	MBBTTWTP311
Hsin Ming Branch	282 Minzu Rd., Zhongli Dist., Taoyuan City, Taiwan, R.O.C.	(03)4027171	MBBTTWTP312
East Taoyuan Branch	1223, Sec. 2, Wanshou Rd., Guishan Dist., Taoyuan City, Taiwan, R.O.C.	(03)3297171	MBBTTWTP313
Hsin Wu Branch	257 Zhongshan Rd., Xinwu Dist., Taoyuan City, Taiwan, R.O.C.	(03)4777171	
Hsin Chu Branch	154 Dongmen St., Hsinchu City, Taiwan, R.O.C.	(03)5277171	MBBTTWTP320
Chu Pei Branch (Banking Broker)	128 Xianzheng 9th Rd., Zhubei City, Hsinchu County, Taiwan, R.O.C.	(03)5517171	MBBTTWTP321
Hsinchu Science Based Industrial Park Branch	489, Sec. 1, Guangfu Rd., Hsinchu City, Taiwan, R.O.C.	(03)5637171	MBBTTWTP322
Pa Te Branch	789, Sec. 1, Jieshou Rd., Bade Dist., Taoyuan County, Taiwan, R.O.C.	(03)3767171	MBBTTWTP330
Luong Tan Branch	64 Longyuan Rd., Longtan Dist., Taoyuan County, Taiwan, R.O.C.	(03)4807171	MBBTTWTP332
Chu Tung Branch	6 Donglin Rd., Zhudong Township, Hsinchu County, Taiwan, R.O.C.	(03)5947171	MBBTTWTP340
Chu Nan Branch	29 Bo'ai St., Zhunan Township, Miaoli County Taiwan, R.O.C.	(037)467171	MBBTTWTP350
Tou Fen Branch	90 Xinyi Rd., Toufen Township, Miaoli County, Taiwan, R.O.C.	(037)687171	MBBTTWTP351
Maio Li Branch	606 Zhongzheng Rd., Miaoli City, Taiwan, R.O.C.	(037)327171	MBBTTWTP360
Feng Yuan Branch (Banking Broker)	1 Sanfeng Rd., Fengyuan Dist., Taichung City, Taiwan, R.O.C.	(04)25267171	MBBTTWTP460
Houli Branch	51 Wenming Rd., Houli Dist., Taichung City, Taiwan, R.O.C.	(04)25587171	
Tai Ping Branch (Banking Broker)	27 Zhongxing E. Rd., Taiping Dist., Taichung City, Taiwan, R.O.C.	(04)22707171	MBBTTWTP470
Ta Chia Branch	14 Zhenzheng Rd., Dajia Dist., Taichung City, Taiwan, R.O.C.	(04)26867171	MBBTTWTP480
Sha Lu Branch	1023 Sec. 7, Taiwan Blvd., Shalu Dist., Taichung City, Taiwan R.O.C.	(04)26657171	MBBTTWTP482

TBB'S OFFICES	ADDRESS	TEL NO.	SWIFT ADDRESS
Wu Jih Branch	616 Zhonghua Rd., Wuri Dist., Taichung City, Taiwan, R.O.C.	(04)23387171	MBBTTWTP483
Taichung Branch (Banking Broker)	400 Sec. 1, Taiwan Blvd., Central Dist., Taichung City, Taiwan R.O.C.	(04)22297171	MBBTTWTP490
Min Chen Branch	84 Minquan Rd., Central Dist., Taichung City, Taiwan, R.O.C.	(04)22267171	MBBTTWTP491
Hsing Chung Branch	136 Taizhong Rd., South Dist., Taichung City, Taiwan, R.O.C.	(04)22877171	MBBTTWTP500
Pei Tuen Branch	53 Jinhua N. Rd., Beitun Dist., Taichung City, Taiwan, R.O.C.	(04)22307171	MBBTTWTP501
Nan Tou Branch	139 Fuxing Rd., Nantou City, Nantou County, Taiwan, R.O.C.	(049)2237171	
Tsao Tuen Branch	604 Zhongzheng Rd., Caotun Township, Nantou County, Taiwan, R.O.C.	(049)2357171	MBBTTWTP511
Pu Li Branch	434 Zhongzheng Rd., Puli Township, Nantou County, Taiwan, R.O.C.	(049)2997171	
Tan Tze Branch	135, Sec. 2, Zhongshan Rd., Tanzi Dist., Taichung City, Taiwan, R.O.C.	(04)25317171	MBBTTWTP521
Chu Shan Branch	919, Sec. 3, Jishan Rd., Zhushan Township, Nantou County, Taiwan, R.O.C.	(049)2637171	
Chang Hwa Branch	61 Guangfu Rd., Changhua City, Changhua County, Taiwan, R.O.C.	(04)7257171	MBBTTWTP540
Ho Mei Branch	8 He'an St., Hemei Township, Changhua County, Taiwan, R.O.C.	(04)7558131	MBBTTWTP541
Yuan Lin Branch	16 Minquan St., Yuanlin Township, Changhua County, Taiwan, R.O.C.	(04)8377171	MBBTTWTP550
Pei Tou Branch	62 Gongqian St., Beidou Township, Changhua County, Taiwan, R.O.C.	(04)8877171	MBBTTWTP560
Erh Lin Branch	2 Zhongzheng Rd., Erlin Township, Changhua County, Taiwan, R.O.C.	(04)8957171	
Tou Liu Branch	109 Datong Rd., Douliu City, Yunlin County, Taiwan, R.O.C.	(05)5347171	MBBTTWTP660
Pei Kang Branch	65 Wenhua Rd., Beigang Township, Yunlin County, Taiwan, R.O.C.	(05)7827171	
Hu Wei Branch	45 Heping Rd., Huwei Township, Yunlin County, Taiwan, R.O.C.	(05)6337171	
Chia Yi Branch (Banking Broker)	132 Guanghua Rd., Chiayi City, Taiwan, R.O.C.	(05)2287171	MBBTTWTP680
Ming Hsiung Branch (Banking Broker)	83, Sec. 3, Jianguo Rd., Minxiong Township, Chiayi County, Taiwan, R.O.C.	(05)2207171	



VIII

DIRECTORY OF HEAD OFFICE AND BRANCH UNITS

TBB'S OFFICES	ADDRESS	TEL NO.	SWIFT ADDRESS
Hsin Ying Branch	216 Zhongshan Rd., Xinying Dist., Tainan City, Taiwan, R.O.C.	(06)6357171	MBBTTWTP690
Kai Yuan Branch	12 Zhonghua Rd., Yongkang Dist., Tainan City, Taiwan, R.O.C.	(06)3117171	MBBTTWTP691
Yun Kang Branch	79 Zhongzheng S. Rd., Yongkang Dist., Tainan City, Taiwan, R.O.C.	(06)2517171	MBBTTWTP700
Shiue Chia Branch	87 Zhongshan Rd., Xuejia Dist., Tainan City, Taiwan, R.O.C.	(06)7837171	
Shan Hwa Branch	352 Zhongshan Rd., Shanhua Dist., Tainan City, Taiwan, R.O.C.	(06)5816111	MBBTTWTP702
Yung Ta Branch	1532, Sec. 2, Yongda Rd., Yongkang Dist., Tainan City, Taiwan, R.O.C.	(06)2337171	MBBTTWTP703
Tainan Branch (Banking Broker)	185 Zhongzheng Rd., Tainan City, Taiwan, R.O.C.	(06)2247171	MBBTTWTP710
Jen Te Branch	339 Zhongshan Rd., Rende Dist., Tainan City, Taiwan, R.O.C.	(06)2797171	MBBTTWTP711
Cheng Kung Branch	25 Gongyuan Rd., West Central Dist., Tainan City, Taiwan, R.O.C.	(06)2217171	MBBTTWTP720
East Tainan Branch	75, Sec. 2, Zhonghua E. Rd., East Dist., Tainan City, R.O.C.	(06)2687171	MBBTTWTP721
An Ping Branch	67, Sec. 1, Zhonghua W. Rd., East Dist., Tainan City, R.O.C.	(06)2657171	MBBTTWTP730
Hua Lien Branch	247 Zhongshan Rd., Hualien City, Hualien County, Taiwan, R.O.C.	(03)8357171	MBBTTWTP760
Taitung Branch	335, Sec. 1, Zhonghua Rd., Taitung City, Taitung County, Taiwan, R.O.C.	(089)327171	
East Kaohsiung Branch	249 Zhongzheng 1st Rd., Lingya Dist., Kaohsiung City, Taiwan, R.O.C.	(07)7167171	MBBTTWTP820
Kang Shan Branch (Banking Broker)	412 Gangshan Rd., Gangshan Dist., Kaohsiung City, Taiwan, R.O.C.	(07)6227171	MBBTTWTP830
North Feng Shan Branch	28, Sec. 3, Jianguo Rd., Fengshan Dist., Kaohsiung City, Taiwan, R.O.C.	(07)7767171	MBBTTWTP840
Ling Ya Branch	31 Qingnian 1st Rd., Lingya Dist., Kaohsiung City, Taiwan, R.O.C.	(07)5377171	MBBTTWTP841
Kaohsiung Branch	79 Wufu 3rd Rd., Qianjin Dist., Kaohsiung City, Taiwan, R.O.C.	(07)2717171	MBBTTWTP850
North Kaohsiung Branch (Banking Broker)	90, Fuxing 1st Rd., Xinxing Dist., Kaohsiung City, Taiwan, R.O.C.	(07)2387171	MBBTTWTP851
Ta Chang Branch	116 Dachang 2nd Rd., Sanmin Dist., Kaohsiung City, Taiwan, R.O.C.	(07)3827171	

TBB'S OFFICES	ADDRESS	TEL NO.	SWIFT ADDRESS
Chien Chen Branch	378-3 Minquan 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan, R.O.C.	(07)5355171	
Jeou Ru Branch (Banking Broker)	255 Jiuru 2nd Rd., Sanmin Dist., Kaohsiung City, Taiwan, R.O.C.	(07)3137171	MBBTTWTP860
San Ming Branch (Banking Broker)	153 Zhongshan 1st Rd., Xinxing Dist., Kaohsiung City, Taiwan, R.O.C.	(07)2867171	MBBTTWTP870
Feng Shan Branch	157 Zhongshan Rd., Fengshan Dist., Kaohsiung City, Taiwan, R.O.C.	(07)7107171	
Ta Fa Branch	1 Huazhong Rd., Ta Fa Industrial Zone, Daliao Dist., Kaohsiung City, Taiwan, R.O.C.	(07)7887171	MBBTTWTP881
Ping Tung Branch (Banking Broker)	7 Hankou St., Pingtung City, Pingtung County, Taiwan, R.O.C.	(08)7327171	
Xiao Gang Branch	718 Hongping Rd., Xiaogang Dist., Kaohsiung City, Taiwan, R.O.C.	(07)8016171	MBBTTWTP891
Chiao Chou Branch	100 Xinsheng Rd., Chaozhou Township, Pingtung County, Taiwan, R.O.C.	(08)7807171	
Offshore Banking Branch	3F, 30 Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	MBBTTWTP893
Los Angeles Branch	633, West 5TH St. Suite 2280 LA CA 90071 U.S.A.	1-213-8921260	MBBTUS6L
Hong Kong Branch	Suite 2705-9,27/F, Tower The Gateway, Harbour City, Kowloon,H.k,	852-29710111	MBBTHKHH
Sydney Branch	Suite 3, Level 24, 363 George Street Sydney, N.S.W.2000 Australia	61-2-92623356	MBBTAU2S
Shanghai Branch	38F,Longemont Yes Tower,399 Kaixuan Road, Shanghai 200051 China	86-21-62627171	MBBTCNSH
Brisbane Branch	Suite 903,Level 9,239 George Street, Brisbane, QLD. 4000 Australia	61-7-33173000	MBBTAU2SBRI

Taiwan Business Bank, Ltd.



Jienchang Jinn

Chairman



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