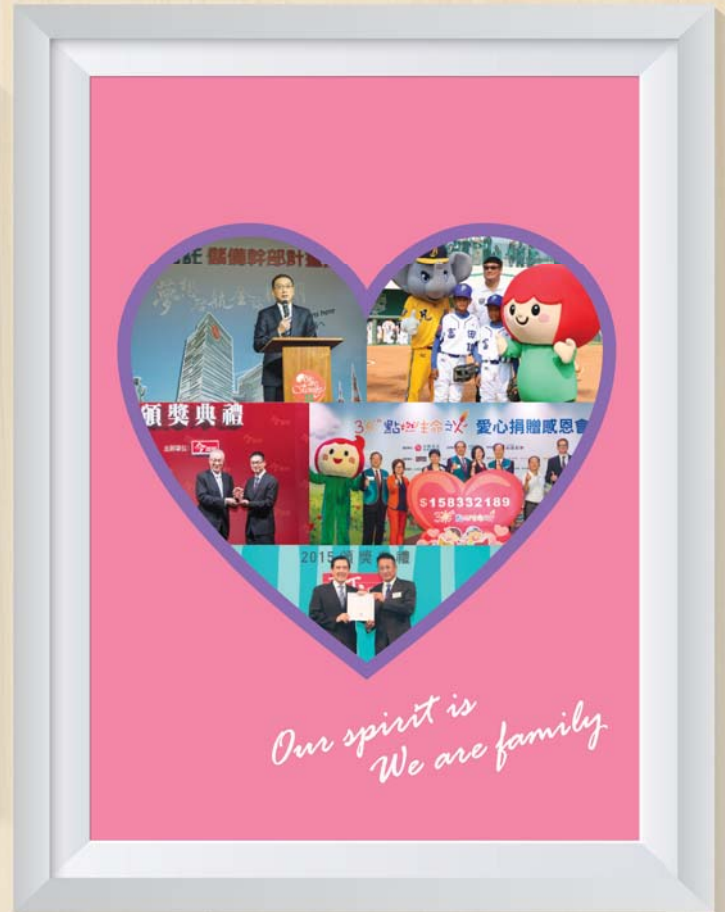


# 2015 ANNUAL REPORT

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# I. Letter to Shareholders

Dear Shareholders,

The drop in commodity prices and the slowdown of Chinese economic growth in 2015 had destabilized the financial market, increasing the risks and vulnerability of the global economy. Due to the lackluster growth of the global economy, Taiwan's export trading exhibited negative growth, which caused the economy to continue to plunge downward, rendering the 2015 GDP at merely 0.75%. In addition, due to the impact of the RMB target redemption forward (TRF), the Financial Supervisory Commission (FSC) continues to increase its control over related products and regulations, posing further challenges to the business environment of domestic financial institutions.

However, despite these challenges, CTBC Financial Holding Co., Ltd. delivered outstanding performances for the year. In 2015, thanks largely to two of its subsidiaries, namely: CTBC Bank Co., Ltd. and CTBC Life Co., Ltd., CTBC Holding delivered an after-tax profit totaling NT\$35.4 billion, indicating a strong execution and achievement of its income and expenditure budget. Going forward, CTBC Holding will continue to expand its presence in China, Japan, Hong Kong, Indonesia, the Philippines, and USA and interconnect them in a global network to provide comprehensive global financial services. Internally, CTBC Group has always adopted cross-selling strategy as its business orientation to maximize the benefits offered by financial holding groups. CTBC Holding will also stay committed to its brand spirit, "We are family", and our brand value by being a "Caring, Professional and Trustworthy" partner when serving customers. We aspire to become the best, most trusted Chinese financial institution not only in Taiwan, but also in Asia and the rest of the world.

## I. Business Plans and Results

### (1) Rapid growth in life insurance with the acquisition of Taiwan Life Insurance Co., Ltd

CTBC Holding successfully acquired Taiwan Life on October 15th, 2015, after which CTBC Life under CTBC Holding merged with Taiwan Life on January 1st, 2016. This merger further diversified the insurance sales channel, expanded the scope of service, and increased the diversity of products offered by CTBC. In response to government policies and the growing digital trend in recent years, Taiwan Life has introduced online services and offered new offshore insurance unit (OIU) services. Post the merger, Taiwan Life, with greater economies of scale focuses on valuable products to increase company value and through cross-selling, achieve greater group synergy.

### (2) Accelerate branch expansion in China

In May 2015, CTBC Holding passed the private placement of China CITIC Bank as its strategic investor, and CTBC Bank will acquire 100% of the shares of CITIC Bank International (China) under China CITIC Bank. In the future, through this subsidiary acquisition, we can accelerate the expansion in China and apply for retail RMB business license to develop wealth management, credit card, and consumer banking services. By leveraging CTBC's strength in wealth management, we can deepen our presence and expand our services to the local retail market. Furthermore, CTBC Bank has successfully launched the opening of its sub-branch in the Shanghai Pilot Free Trade Zone and another branch in Guangzhou in August 2015. With the opening of the aforementioned branches, in addition to the acquisition of CITIC Bank International (China)'s Shenzhen, Shanghai, and Beijing branches, Taiwan Life's King Dragon Life base in Xiamen, and CTBC Securities Co. Ltd.'s expected joint venture of a fully licensed securities company in the Fujian Free Trade Zone, we anticipate to become a financial holding company with the most complete financial platform in China.

### (3) Continual expansion in Asia and move toward becoming a leading regional bank in Asia

CTBC Bank has also made substantial achievements last year in Asia. For example, we successfully set up the Kuala Lumpur representation office in Malaysia, Sydney representation office in Australia, and Yangon representation office in Myanmar, extending its presence in Asia and becoming Taiwan's most international financial institution. With a more extension network, we can better service our customers with their cross border needs. In addition to organic growth, we will continue to seek suitable targets in Asia and strive to becoming a regional bank. Furthermore, CTBC Bank has continued to assist The Tokyo Star Bank, Ltd. with fine-tuning its local business operating model. Last year, The Tokyo Star Bank concluded an after-tax profit totaling approximately NT\$ 3.6 billion. In the future, it will continue to expand the customer base in Japan and provide long-term and unique customer experiences to target customer groups. The Tokyo Star Bank also has established another business scope in investing in private equity funds. As of the end of 2015, The Tokyo Star Bank has invested in 12 private equity funds which covers funds in SMEs, public infrastructures, medical sector, etc. The investment amount totaled to JPY 2.853 billion with a total strong investment return of 12.9%.

## 2. 2015 Business Plans, Strategies and Results

CTBC Holding has subsidiaries ranging from banking, securities, life insurance, venture capital, asset management, securities investment trust, security service, to lottery. In addition, 99.7% of revenue and profit are recognized using the equity method and are mostly contributed by the banking subsidiary and other income made up the remaining 0.3%. In 2015, CTBC Holding concluded a consolidated after-tax profit of NT\$ 35.4 billion and a consolidated after-tax return on equities of 13.97%, which ranked the top among the financial holding companies.

Moreover, CTBC Holding achieved 147 major domestic and international awards in 2015 which was 25 more awards than 2014. These awards were for outstanding performances in corporate governance, brand image, corporate social responsibilities, personal banking, wealth management, institutional banking, digital payment, and innovation. For the eighth time, CTBC Holding has been recognized as the Best Bank in Taiwan by The Banker and earned first place in the Top Banking Brands in Taiwan by Brand Finance in their Global 500 Banking Brand Survey for three years in a row. These achievements are unmatched in the Taiwan banking industry and are the best testament to CTBC Holding's outstanding performance. Nevertheless, in areas of finance, risk management, information technology, human resource, and branding strategies, CTBC Holding has undertaken a number of initiatives to explore ways of improving performance and maximizing group synergies that would lead to reduced costs and greater economies of scale.

### Date and Result of the Latest Credit Rating

Type of Rating	Rating Agency	Credit Rating		Outlook	Effective Date
		Long-term	Short-term		
Global	Moody's	Baa1		Stable	2016.4.6
	Standard & Poor's	BBB	A-3	Positive	2014.7.22
	Fitch	A	F1	Negative	2015.9.25
National	Taiwan Ratings	twAA-	twA-I+	Stable	2014.7.22
	Fitch	AA+(twn)	F1+(twn)	Negative	2015.9.25

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### 3. 2016 Business Overview

CTBC Holding continues to pursue growth with stability, and strengthen its financial structure for the most optimal capital allocation to build sustainable customer relations and a solid foundation for the future development of CTBC Holding. Below is a summary of the company's 2016 business plans:

#### (1) 2016 business plans

- 1) Expand presence in Asia and think globally.
- 2) Fine-tune corporate governance and enhance brand equity.
- 3) Combine group resources to maximize group synergies.
- 4) Capture customer demands and create customer value.
- 5) Enhance risk management and strengthen product depth.
- 6) Implement risk management and control asset quality.
- 7) Increase sources of revenue and reduce operational risks.

#### (2) Expected goals

- 1) Becoming the most trusted, most efficient bank that best understands customers' needs.
- 2) Implement post-M&A management that actively integrates group members and business activities.
- 3) Enhance collaboration between group subsidiaries to deliver greater group synergy.
- 4) Continue growing the banking business and profitability in Taiwan and establish closer connections with overseas networks; expand overseas business scale.
- 5) Employ dynamic investment strategies to increase insurance's investment return and thereby create more sources of revenue for the group.
- 6) Capture overseas securities business opportunities made available by ongoing China deregulation and establish business collaborations via strategic alliances.
- 7) Accelerate diversified product development in securities investment trust business. Leverage group resources to expand business scale. Aim to improve long-term fund management performance.
- 8) Integrate product and service strengths in digital banking service by combining Internet banking services with insurance, investment, consumer banking, and loan services to enhance the value chain.

#### (3) Key operational policies

- 1) Combine group resources and actively participate in social charity events to enhance CSR.
- 2) Increase information transparency as a means of stronger corporate governance.
- 3) Tend to customers' needs and achieve higher customer satisfaction by offering diverse and complete services.
- 4) Create long-term value by ensuring good asset quality, operational stability, and consistent growth.
- 5) Implement risk management and establish risk management mechanism, policies, talent pool, and capabilities.
- 6) Cultivate international talents to facilitate overseas expansion.

#### 4. Impacts Due to the Competitive Environment, Regulatory Environment, and Overall Business Environment

Taiwan's banking industry has long been plagued by excessive competition and a low-interest environment that is largely due to the slowdown of China's economy and global uncertainties. Despite such intense competitive environment, CTBC Holding will continue to strengthen its home base, expand regionally and extend into other businesses by combining systems and resources across subsidiaries and maintaining its leadership position by offering diversified, innovative, and enriched products and services.

The cross-strait banking environment today has become more liberal than before. With more deregulations underway, particularly the implementation of RMB Clearing Agreement, CTBC Holding will be able to offer a broader range of products and services to corporate and retail customers. We will seize this opportunity by providing more RMB-denominated products to customers. However, considering the recent uncertainties in China's economy, CTBC Holding will take calculated, controlled risk in China exposure and facilitate policy development by expanding distribution, product portfolio, and service coverage in the financial market of Taiwan and China.

Going forwards, CTBC Holding will continue to expand its global presence in response to the government's Asia Cup financial policy, and replicating domestic successes to capture overseas business opportunities, with the aim to establish its subsidiary, CTBC Bank as a top regional bank and supporting Taiwan Life and CTBC Securities in expanding their operational scale.

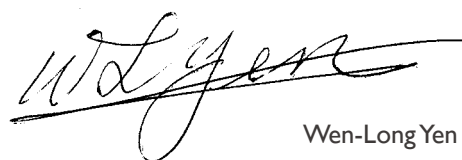
#### 5. Future Corporate Development Strategy

Reflecting on last year's landscape including fluctuations in the global financial environment, emergence of digital trend, and tightening of financial regulations, with the concerted effort of our professional teams, we will continue to focus on international and cross-strait affairs and digital banking innovation and look for opportunities to grow in Asia. CTBC's future development strategies are as follows:

- (1) Expand global presence and build an international platform.
- (2) Seek suitable targets to increase economies of scale and competitiveness.
- (3) Maintain corporate competitiveness and increase corporate brand equity and value.
- (4) Fulfill corporate responsibilities by actively engaging in social charity events.
- (5) Focus on innovations to satisfy customers' needs.

In the future, CTBC Holding will continue to explore growth on top of its solid foundation. The company will capture new markets and new businesses in Asia and the rest of the world by building an international financial brand that employees, shareholders, customers and the global Chinese population can be proud of.

Chairman



Wen-Long Yen

## II. Company Profile

### I. Date of Establishment: May 17, 2002

### 2. Company History:

#### (1) CTBC Financial Holding Co., Ltd.

CTBC Financial Holding Co., Ltd. was established on May 17, 2002 and headquartered in Taipei City of Taiwan, hiring over 25,000 employees worldwide. CTBC Holding houses eight subsidiaries: CTBC Bank Co., Ltd., Taiwan Life Insurance Co., Ltd., CTBC Securities Co., Ltd., CTBC Venture Capital Co., Ltd., CTBC Asset Management Co., Ltd., CTBC Investments Co., Ltd., CTBC Security Co., Ltd. and Taiwan Lottery Corporation.

To date, CTBC Holding's primary subsidiary—CTBC Bank—has a total of 149 branches in Taiwan with 106 outlets (office, branch, subsidiary and branch of subsidiary) worldwide, including the U.S., Canada, Japan, Indonesia, the Philippines, India, Thailand, Vietnam, Malaysia, Hong Kong, Singapore, China, Myanmar, and Australia, making CTBC Bank is the most internationalized financial institutions in Taiwan.

Looking ahead, CTBC Holding will continue to stand by its brand spirit "We are family", its corporate mission to "protect and build," and its brand values of being "Caring, Professional, and Trustworthy" as we provide customers with a complete array of convenient financial services. CTBC Holding will continue to strive to be Taiwan Champion, Asian Leader, and the financial institution most worthy of client trust.

#### International Awards

- Corporate Governance Asia
  - Asian Excellence Recognition Awards 2015
    - Asia's Best CEO (Investor Relations)-Daniel Wu
    - Asia's Best CFO (Investor Relations)- Rachael Kao
    - Best CSR
    - Best Investor Relations by Company, Taiwan
  - Corporate Governance Asia Recognition Awards 2015: Icon on Corporate Governance
  - Asian Corporate Director Recognition Awards 2015: Daniel Wu
- The Asset
  - Platinum Award for All-Round Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations
  - Best Initiative in Social Responsibility
  - Best Initiative in Environmental Responsibility
- Asiamoney
  - 2015 Best Managed Company Poll: Best Managed Company in Taiwan-Large Cap
  - Corporate Governance Poll 2015
    - Ranking #1 of Best Companies in Asia for Corporate Governance
    - Ranking #1 Best for Disclosure and Transparency in Asia
    - Ranking #1 Best for Responsibilities of Management and the Board of Directors in Asia
    - Ranking #1 Best for Shareholders' Rights and Equitable Treatment in Asia
    - Ranking #1 Best for Investor Relations in Asia
    - Ranking #1 Best for Corporate Social Responsibility in Taiwan

- Ranking #1 Best Overall for Corporate Governance in Taiwan
- Ranking #1 Best for Disclosure and Transparency in Taiwan
- Ranking #1 Best for Responsibilities of Management and the Board of Directors in Taiwan
- Ranking #1 Best for Shareholders' Rights and Equitable Treatment in Taiwan
- Ranking #1 Best for Investor Relations in Taiwan
- Ranking #1 Best for Corporate Social Responsibility in Taiwan
- Corporate Livewire: Innovation & Excellence in Banking, Taiwan

### Domestic Awards

- Ministry of the Interior: Certified Diamond Level Green Building.
- Financial Supervisory Commission Excellence in Creative Industry Investment and in Creative Industry Sponsoring: First place.
- The Real Estate Association of The Republic of China: 2015 Best Commercial Architecture Plan and Design under the FIABCI Taiwan Real Estate Excellence Award.
- Chinese Institute of Engineers: Engineering Award.
- Common Wealth Magazine: 2015 Corporate Citizen Award.
- Environmental Protection Administration of the Executive Yuan: Best Green Purchasing Unit Among Private Enterprises and Groups in 2014.
- Bureau of Energy, Ministry of Economic Affairs: Energy-Saving Enterprise.
- Ministry of Culture: 12th Arts & Business Award-Long Term Sponsorship.
- Taiwan M&A and Private Equity Council (MAPECT): 2015 MAPECT Taiwan M&A Awards-The Most Representative M&A.
- Department of Environmental Protection, Taipei City Government: Best Green Purchasing Unit Among Private Enterprises.
- Industrial Development Bureau, Ministry of Economic Affairs: Top 20 Enterprises in the 2015 Taiwan Innovative Enterprise Survey.
- Taiwan Institute for Sustainable Energy (TAISE): 2015 Taiwan Corporate Sustainability Award under the categories of Top 50 Corporate Sustainability Report Award, Creativity in Communication Award, Growth through Innovation Award, and Social Inclusion Award.
- Wealth Magazine: 2015 Taiwan Financial Award-Excellence in CSR.
- British Standards Institution: Green Enterprise Award.

### (2) CTBC Bank Co., Ltd.

Formerly known as China Securities Investment Corp., CTBC Bank Co., Ltd. was established in 1966. CTBC Bank's operations include deposits, loans, guarantees, foreign exchange, offshore banking units (OBU), trusts, credit cards, securities, bonds, proprietary futures, derivatives, factoring, safe deposit boxes, electronic banking services, national lottery and insurance services.

To maximize operational scope, CTBC Bank merged with Grand Commercial Bank in December 2003, acquired the Fengshan Credit Cooperative in July 2004 and successfully bid to purchase Enterprise Bank of Hualien in May 2007. To make the group more effective, CTBC Bank formally merged with the Chinatrust Bills

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Finance Corporation in April 2008. The acquisition of The Tokyo Star Bank, Ltd. was completed in June 2014, officially becoming the sole shareholder of The Tokyo Star Bank. In October 2015, CTBC Bank, in a first for the banking industry, received approval from the competent authorities to operate within the insurance sector. On November 30, 2015, CTBC Bank merged with CTBC Insurance Brokers Co., Ltd., with CTBC Bank, the surviving company, to continue providing services to CTBC Insurance Brokers' clients.

As of the end of 2015, CTBC Bank has a total of 149 branches in Taiwan and over 100 oversea outlets, leading the financial sector in Taiwan. Moreover, it has a total of 5,505 ATMs in Taiwan. CTBC Bank boasts NT\$ 2,730 billion in deposits and NT\$ 3,520 billion in total assets — the most of any privately operated bank in Taiwan.

### International Awards

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

- IDC Financial Insights: Governance, Risk & Compliance
- Retail Banker International: Excellence in Internet Banking in Asia
- CEPI (Cards & Electronic Payment International)
  - Best Digital Wallet Initiative
  - Highly Commended: Best Credit Card Offering – Taiwan
- The Asian Banker
  - Best Retail Bank in Taiwan
  - The Sub-Custodian Bank of the Year, Taiwan
  - Best Trade Finance Bank in Taiwan
  - Best Counterparty Bank in Taiwan
  - Best Corporate Payments Project in Taiwan
  - Best Wealth Management Business in Taiwan
  - Best Mobile Banking in Taiwan
  - Best Data and Analytics project in Taiwan
  - Achievement in Operational Risk Management of the Year in Taiwan
  - The Strongest Bank in Taiwan
- The Asset
  - Best Trade Finance Bank in Taiwan
  - Best Risk Management Bank in Taiwan
  - Best Domestic Custodian Bank in Taiwan
  - Derivatives House of the Year, Taiwan
  - Best Flow Derivatives House, Taiwan
  - Best Rates Derivatives House, Taiwan
  - Best FX Derivatives House, Taiwan
  - Best Commodities Derivatives House, Taiwan
  - Best Wealth Manager, Taiwan
  - Taiwan Highly Commended Private Bank
  - Best Loan House in Taiwan
  - Best M&A Deal in Taiwan
  - Best Loan Deal in Taiwan
  - Best Syndicated Loan, Indonesia
  - Rank 3 Top investment houses in Asian Local Currency Bonds for 2015, Taiwan
- Asiamoney
  - Best Executive for Taiwan – James Chen, CEO CTBC Bank
  - Best Domestic Private Bank in Taiwan
  - Overall Best Private Bank in Taiwan-AUM US\$1-5m #1
  - Overall Best Private Bank in Taiwan-AUM US\$5.01-25m #1
  - Overall Best Private Bank in Taiwan-AUM US\$>25m #2
  - Best Local Currency Cash Management Services voted by Financial Institutions

- Global Trade Review: Best Trade Finance Bank in Taiwan
- Asian Banking & Finance: Taiwan Domestic Foreign Exchange Bank of the Year
- Brand Finance: #116 of Top 500 Banking Brands
- World Branding Forum: Brand of the Year – Banking category

### Domestic awards

- Reader's Digest Trusted Brand survey: Gold Winner in Banking Industry, Wealth Management Bank, and Credit Card issuing Bank.
- Manager Today: Ranked first in 2015 Most Influential Brand - Banking Category.
- Common Wealth Magazine: Ranked first in 2015 Golden Service Award.
- Global Views Magazine: Ranked first in the's Five Star Financial Management Award.
- 30 Young Brand Survey: Ranked first as the Most Popular Credit Card Brand.
- Business Next: 2015 Future Commerce Award- Grand Jury Award, Best Platform Application and Best Propaganda Integration.
- Business Today Magazine: First place for Best Wealth Management Bank Award and Best Digital Development Award, second place for Best Commodity Award and Best Overseas Development, and third place for Best Financial Advisor in the 2015 Evaluation of Wealth Management Bank.
- Excellence Magazine: 2015 Best Bank Rating Survey- Best Social Responsibility Award .
- Sports Administration, Ministry of Education: 2015 Sports Sponsorship Gold Award.
- M&A and Private Equity Council (MAPECT): 2015 MAPECT Taiwan M&A Awards- Most Representative M&A Award for the Year, Best Creative M&A Award, and Best Strait M&A Award.
- IT-enabled Services Management Association(itSMF): ITeS Award- Private Sector from.
- Global Views Magazine: 2015 Service Sector Survey- Second place in Banking Industry.
- Business Today: 8th Ideal Brands for Business People Award- First Place in the Best Banking Brand.
- Management Magazine: 2016 Consumer's Ideal Brand Survey- First place in the Banking category.
- Wealth Magazine: Survey on Elite Business People's favorite Financial Brand-Best Local Bank, Best Banking Service, Best Banking Product, Best Internet Banking, and Best Mobile Banking .

### Date and Result of the Latest Credit Rating

Type of Rating	Rating Agency	Credit Rating		Outlook	Effective Date
		Long-term	Short-term		
Global	Moody's	A2	Prime-1	Stable	2016.4.6
	Standard & Poor's	A-	A-2	Positive	2014.7.22
	Fitch	A	F1	Negative	2015.9.25
National	Taiwan Ratings	twAA+	twA-1+	Stable	2014.7.22
	Fitch	AA+(twn)	F1+(twn)	Negative	2015.9.25

### (3) Taiwan Life Insurance Co., Ltd.

To reinforce the breadth and diversity of financial services for customers, CTBC Holding plans its entry into the insurance business, as shown in its 100% acquisition of the subsidiary of MetLife, Inc. in Taiwan in November 2011. In January 2012, MetLife was renamed CTBC Life Co., Ltd. marking the point of entry of CTBC into the insurance business sector.

CTBC Life acquired Manulife Taiwan on January 1, 2014, making it stronger in terms of human resources, distribution coverage, and service scope, with a team of nearly 1,000 dedicated employees. To expand its scale in the insurance business, CTBC Holding received approval from the board of directors on May 12, 2015 to engage in stock exchange with Taiwan Life Insurance Co., Ltd., which was completed on October 15, 2015. Subsequently, Taiwan Life officially became a subsidiary of CTBC Holding, acquiring 100% of its shares. At the beginning of 2016, CTBC Holding completed merging Taiwan Life with CTBC Life to effectively integrate resources, expand its life insurance business, and create consolidated synergies between CTBC and Taiwan Life.

Taiwan Life, the first life insurance company in Taiwan, was established in 1947 and privatized in 1998. Realizing the practice of local cultivation, Taiwan Life started off with offering a comprehensive range of insurance services and paid continuous attention to market changes to develop flexible, creative commodity strategies that help improve company performance and provide a comprehensive protective network that ensures the health, wealth, and safety of the insured. Moreover, valuable commodities are promoted to maintain the company's long-term stable profitability so that both the insured and the company can achieve stable and tangible sources of protection.

In future, Taiwan Life will uphold CTBC Holding's service belief in treating its customers as if they are family and the brand value—we are family, and work hand-in-hand with CTBC members to afford more thoughtful financial services and innovative products for every customer. In addition, we will pursue our mission to "protect and build" customer, employee, shareholder, and community values, create a better future, and become the first brand that offers insurance services in a Chinese society.

### Date and Result of the Latest Credit Rating

Type of Rating	Rating Agency	Credit Rating Long-term	Outlook	Effective Date
Global	Fitch	A	Negative	2015.11.25
National		AA+(tw)		

### (4) CTBC Securities Co., Ltd.

CTBC Securities Co., Ltd. was formerly known as Pou Chen Securities, which was founded in 1989. It was originally the largest professional brokerage in Kaohsiung with an initial paid-in capital investment of NT\$ 200 million. In 2000, it was renamed Chinatrust Securities Corporation and its capital had increased to NT\$ 3.5 billion. In 2002, it joined CTBC Holding. In 2003 it was renamed Chinatrust Securities Co., Ltd. (CTBC Securities) and had increased capital to NT\$ 5 billion. In 2009, to increase its operational capital, BIS ratio, and EPS, CTBC Securities issued private equity, increasing its capital to NT\$ 5.36 billion. In response to the government policy that is aimed at encouraging enterprises to participate in the Asian Cup competition, CTBC Securities expanded its scope of business cooperation local and abroad, increasing its capital to NT\$ 6 billion in

2015. CTBC Securities assists with corporate financing in the capital market and strives to improve its securities and futures, all for the purpose of providing customers with a more diversified spectrum of trading services.

In addition to the head office, CTBC Securities also has branches in local areas such as Zhongxiao, Kaohsiung, Sanchung, Yongkang, Wenxin, Hsinchu, Taoyuan, Songjiang, Chiayi, Shuanghe, and Zhongli to serve customers in the trading of securities listed on TSEC/GTSM/Emerging Stock Market and futures. CTBC Securities assembled its offshore securities unit (OSU) to develop global exposure and product variety.

In the future under CTBC Holding, CTBC Securities will provide online ordering, app orders, telephone orders, and ordering compatible with the iPhone and Android smartphones to afford greater diversity in electronic trading services and to meet customers' one-stop shopping demands. With the rapid development of technology, growth of per capita income, and improvements in education, local investors are more accepting of a variety of financial products and demand has increased accordingly. High-quality product planning and financial services have become important factors for investors, and a diversity of cross-border financial services was provided after obtaining licenses from international financial companies, and this has spurred CTBC Securities to expand operations.

### Date and Result of the Latest Credit Rating

Type of Rating	Rating Agency	Credit Rating		Outlook	Effective Date
		Long-term	Short-term		
Global	Fitch	A	F1	Negative	2015.9.25
National		AA+(tw)	F1+(tw)		

### (5) CTBC Venture Capital Co., Ltd.

Founded in March 2003, CTBC Venture Capital Co., Ltd. is CTBC Holding's first venture capital company. CTBC Capital invests mainly in businesses such as information, communication, biotech, healthcare, culture, creativity, alternative energy, and conventional industries of sound potentials. Leveraging CTBC Holding's vast pool of financial resources and services, CTBC Capital's management professionals are well positioned to help enterprises develop and become the most valued partner to entrepreneurs.

### (6) CTBC Asset Management Co., Ltd.

CTBC Asset Management Co., Ltd. was founded in May 2003, mainly for the purpose of taking advantage of the large quantities of non-performing assets arising from Taiwan's domestic financial reform. A team of professionals was assembled to seek potential business opportunities and to help companies improve their finances. CTBC AMC manages debt trading for financial institutions and for the leasing investment industry.

Since its inception, CTBC AMC has been continually increasing investments and collaborating with reputable foreign partners to manage non-performing loans (NPLs) and related businesses, in addition to assisting with handling NPLs for CTBC. In response to globalization and financial internationalization and to broaden its global horizons, CTBC AMC will actively bid for NPLs at financial institutions, both domestic and overseas, and will strive to enrich its foreign NPL processing techniques and other related professional experience, while operating in accordance with financial reform policy.

In light of the increasingly competitive environment, CTBC AMC will be shifting its investment focus towards the leasing business, and for which it has created an investment company in Hong Kong in April 2012 specifically to invest into China. In mainland China, there are few barriers to establishing a financial leasing company and the business scope is broad. After establishment, a company can directly begin dealing with RMB and immediately begin increasing their presence. Future integration with financial holdings companies will enhance the effectiveness of asset disposal, maximize the synergy to enhance investment profits and expand the scope of asset management business.

#### **(7) CTBC Investments Co., Ltd.**

In order to expand product variety, CTBC Holding obtained a 98.6% stake in Trustwell Securities Investment Trust Co. in November 2012. In January 2013 its name was officially changed to CTBC Investments Co., Ltd., and in June, the same year, obtained the remaining 1.4%, becoming the sole shareholding holding a 100% stake. CTBC Investments principal responsibilities include securities investment trust, discretionary investment services, offshore fund agent services, and engaging in other government-sanctioned business.

#### **(8) CTBC Security Co., Ltd.**

Founded in 1995, CTBC Security Co., Ltd, became a subsidiary of CTBC Holding in December 2005. CTBC Security is principally engaged in helping corporate entities protect their property and personnel. Chosen through a meticulous screening process, its highly-trained workforce of over 343 employees stands out as one of the finest in the industry.

CTBC Security's business scope includes planning and design for fire safety and disaster prevention, security systems consulting, security courier services, stationed guards and personnel protection. Financial institutions constitute the majority of its clientele. CTBC Security is committed to a security-based, service-oriented business philosophy to ensure customer satisfaction with its security services.

#### **(9) Taiwan Lottery Corporation**

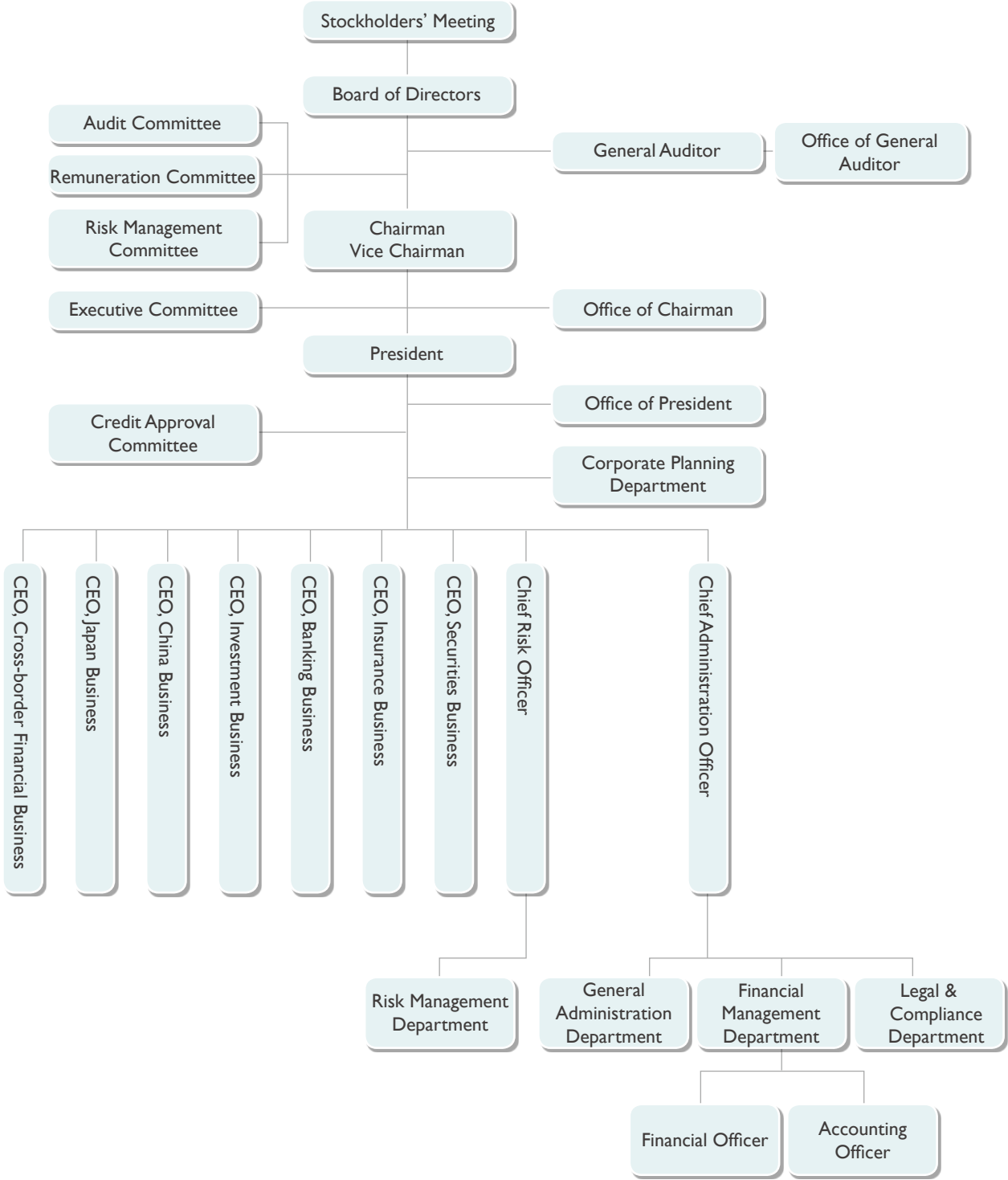
Taiwan Lottery Corporation was officially registered in July 10, 2006 as a CTBC Holding subsidiary entrusted with the distribution, sales, marketing, operations and management of the lottery and with handling the prize money. CTBC Bank has now obtained the lottery distribution rights for the fourth time, the duration of which will be from January 1, 2014, to December 31, 2023.

CTBC sought the right to run Taiwan's Public Welfare Lottery largely because it believes in and supports the values the Lottery upholds, such as enhancing employment opportunities for disadvantaged groups and caring for these individuals. Moreover, it serves to create a larger public welfare surplus, which improves the society as a whole and supports core values. For CTBC Bank, operating the lottery is a way of giving back to the community. In addition to the annual surplus of NT\$ 25 billion, which is raised for government public welfare, an additional NT\$ 2.7 billion is allocated to various social welfare programs. Since our involvement in the sales of public welfare lotteries, we have given more back to society than any other company in the world. By taking action in issuing public welfare lotteries, CTBC Holding will be able to uphold its philosophy of giving back to the community and implementing corporate social responsibility.

# III. Corporate Governance Report

## I. Organization

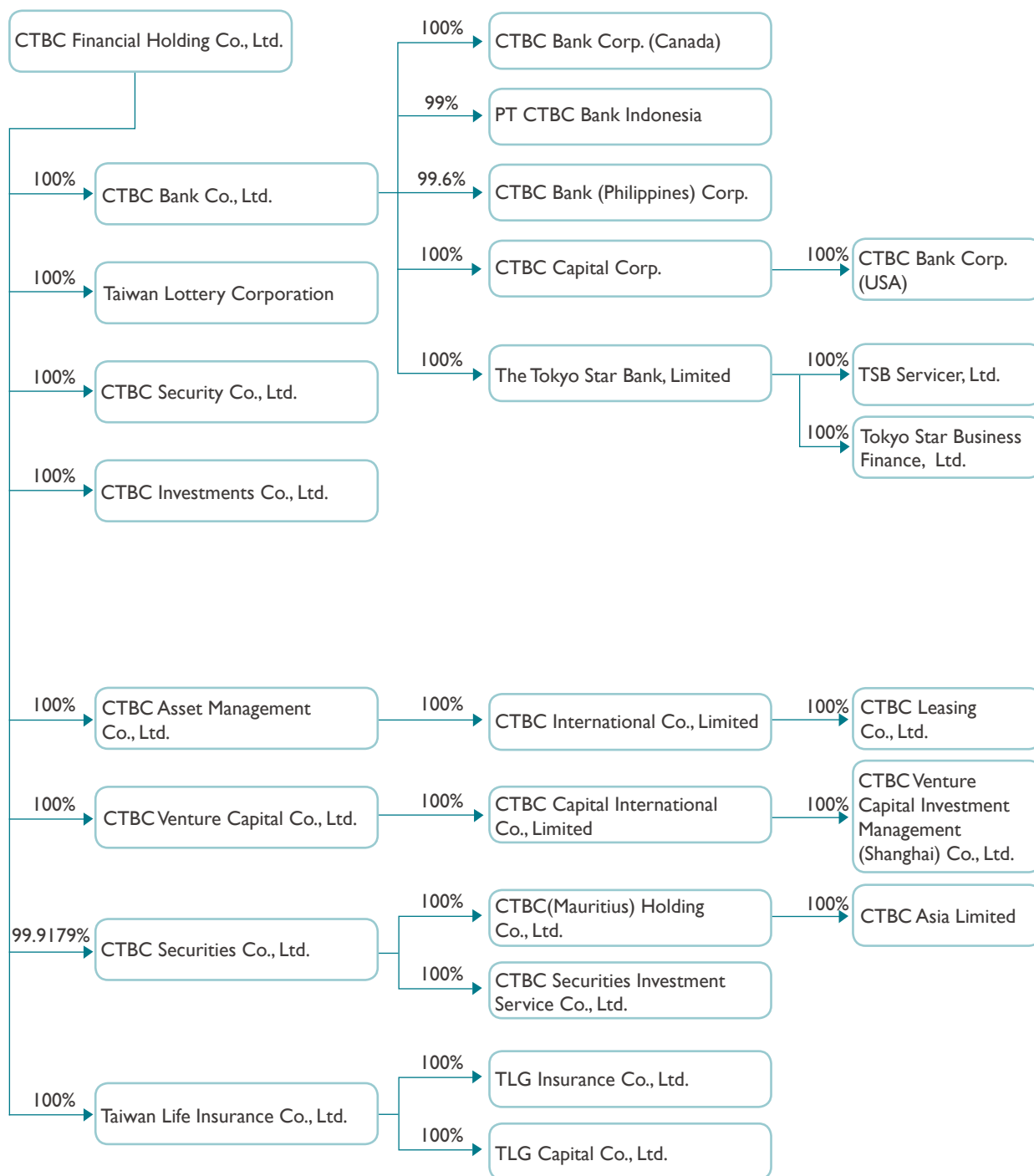
As of 04/29/2016



(PS: Head of Legal & Compliance Department is concurrently serving as Compliance Officer)

## Organization of Group

As of 04/29/2016



## 2. Directors, Supervisors and Management Team

### (1) Directors and Supervisors

As of 04/29/2016

Title	Name	Date of Assignment	Office Term (Note)	Owned Shares upon Assignment		Presently Owned Shares		Shares Owned by the Shareholders, Spouse and Children under the Legal Ages		Significant Experience	Education
				Number of Shares	%	Number of Shares	%	Number of Shares	%		
Chairman	Wen-Long Yen Representative of Wei Fu Investment Co., Ltd.	Jun.20, 2014	3	71,296,370	0.48%	79,922,733	0.44%	84,494,547	0.47%	Director of CTBC Bank Co., Ltd. Chairman of Kainan University	Department of Economics, Soochow University, Taiwan
Vice Chairman	H. Steve Hsieh Representative of Yi Chuan Investment Co., Ltd.	Jun.20, 2014	3	40,670,079	0.28%	56,800,805	0.31%	-	-	Director of CTBC Bank Co., Ltd. Chairman of Taiwan Lottery Co., Ltd. Independent Director LITE- ON IT Co., Ltd. Secretary General, Executive Yuan	Ph.D. in Biochemical Nutrition, University of Wisconsin, U.S.A.
Director	Chao-Chin Tung Representative of Chang Chi Investment Ltd.	Jun.20, 2014	3	1,422,857	0.01%	1,595,012	0.01%	256,285	0.00%	Chairman of CTBC Bank Co., Ltd. Chairman of CTBC Capital Corp. Director of CTBC Life Insurance Co., Ltd. Chairman of CTBC Venture Capital Co., Ltd. Chairman of CTBC Asset Management Co., Ltd.	M.S. in Material Science, University of Rochester, U.S.A.
Director	Thomas K. S. Chen Representative of Yi Chuan Investment Co., Ltd.	Jun.20, 2014	3	40,670,079	0.28%	56,800,805	0.31%	1,147,048	0.01%	Vice Chairman of CTBC Bank Co., Ltd. Chairman of CTBC Investment Co., Ltd. Chairman of CTBC Bank Corp.(USA)	Bachelor of Public Finance, National Chengchi University, Taiwan
Director	Kuen-Bao Ling Representative of Chung Yuan Investment Co., Ltd.	Jan. 27, 2015	3	36,816,421	0.25%	41,270,950	0.23%	2,265,045	0.01%	Director of CTBC Bank Co., Ltd. Chairman of Taiwan Life Insurance Co., Ltd. Chairman of CTBC Life Insurance Co., Ltd.	Ph.D. in Insurance, Georgia State University, U.S.A.

Title	Name	Date of Assignment	Office Term (Note)	Owned Shares upon Assignment		Presently Owned Shares		Shares Owned by the Shareholders, Spouse and Children under the Legal Ages		Significant Experience	Education
				Number of Shares	%	Number of Shares	%	Number of Shares	%		
Independent Director	Chung-Yu Wang	Jun. 20, 2014	3	-	-	-	-	-	-	- Independent Director of CTBC Bank Co., Ltd. Independent Director of Chunghwa Telecom Co., Ltd. Chairman of Tong Lung Metal Industry Co., Ltd. Chairman of China Steel Co., Ltd. Chairman of Kaohsiung Rapid Transit Corporation	Honorary Ph.D. Chung Yuan Christian University, Taiwan
Independent Director	Wen-Chih Lee	Jun. 20, 2014	3	-	-	-	-	-	-	- Independent Director of CTBC Bank Co., Ltd. Professor, National Kaohsiung University of Applied Sciences Department of Wealth and Taxation Management Independent Director of Bank of Kaohsiung President of National Kaohsiung University of Applied Sciences	Ph.D. National Taiwan University Graduate Institute of Commerce, Taiwan
Independent Director	Jie-Haun Lee	Jun. 20, 2014	3	-	-	-	-	1,400	0.00%	Independent Director of CTBC Bank Co., Ltd. Professor, Finance Department, National Chengchi University National Chengchi University EMBA Executive Officer Director of Central Deposit Insurance Co., Ltd.	Ph.D. in Finance , Louisiana State University, U.S.A.

Title	Name	Date of Assignment	Office Term (Note)	Owned Shares upon Assignment		Presently Owned Shares		Shares Owned by the Shareholders, Spouse and Children under the Legal Ages		Significant Experience	Education
				Number of Shares	%	Number of Shares	%	Number of Shares	%		
Independent Director	Yin-Lun Wu	Jun. 20, 2014	3	-	-	-	-	-	-	Independent Director of CTBC Bank Co., Ltd. Executive Director & Director of Fixed Income and Corporate Sales, Mizuho Securities Asia Limited Executive Director, Director of Construction Solution Service Sales for Financial Institutions, Director of Derivatives in Asia Equity Funds, Director of Derivatives in Global Equity Funds in London, Rabobank Director, Barclays Bank Managing Director & Vice President of Debt Capital Market, Bankers Trust New York Corporation Executive Director, Goldman Sachs Bank	MBA, McGill University, Canada

Note: The 5th Board of Director period from Jun. 20, 2014 to Jun. 19, 2017

**(2) Significant Shareholders of Legal Entities**

As of 04/29/2016

Name of legal entity	Main legal person
1. Wei Fu Investment Co., Ltd.	Wen-Long Yen (37.61%)
	Chen Li-Chin Yen (29.25%)
	Chih-Kuang Yen (8.96%)
	Chih-Yu Yen (8.96%)
	Wei- Kuo Real Estate Development Co., Ltd. (8.66%)
	Wen-Tse Yen (3.58%)
	Tai-Hsuan Hsia (1.49%)
	United Real Estate Management Co., Ltd. (1.19%) Shieh-Er Chang (0.30%)
2. Yi Chuan Investment Co., Ltd.	Yi Kao Investment Co., Ltd. (100%)
3. Chung Yuan Investment Co., Ltd.	Yi Chuan Investment Co., Ltd. (100%)
4. Chang Chi Investment Ltd.	Yi Chuan Investment Co., Ltd. (100%)

Note: A main legal person refers to any shareholder whose equity is over 10% or who is one of the top ten shareholders.

**(3) Major shareholders of the major shareholders that are juridical persons**

As of 04/29/2016

Name of juridical persons	Major shareholders of the juridical persons
Wei- Kuo Real Estate Development Co., Ltd.	Chen Li-Chin Yen (67.57%)
	Wei Fu Investment Co., Ltd. (22.86%)
	Wen-Long Yen (9.43%)
	Wen-Tse Yen (0.14%)
United Real Estate Management Co., Ltd.	Wei Fu Investment Co., Ltd. (73.31%)
	Wei- Kuo Real Estate Development Co., Ltd. (20.25%)
	Wen-Long Yen (3.49%)
	Wen-Tse Yen (1.85%)
	Chiau-Chih Chen (1.00%)
	Wen-Si Yen (0.07%)
	Chen Li-Chin Yen (0.01%)
	Chih-Kuang Yen (0.01%) Chih-Yu Yen (0.01%)
Yi Kao Investment Co., Ltd.	Bo Yu Investment Co., Ltd. (100%)
Yi Chuan Investment Co., Ltd.	Yi Kao Investment Co., Ltd. (100%)

#### (4) Professional qualifications and independence analysis of directors and supervisors

As of 04/29/2016

Name	Criteria Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Wen-Long Yen			V	V	V	V	V	V	V	V	V	V	V	0
H. Steve Hsieh			V	V	V	V	V	V	V	V	V	V	V	0
Chao-Chin Tung			V	V	V	V	V	V	V	V	V	V	V	0
Thomas K.S. Chen			V	V	V	V	V	V	V	V	V	V	V	0
Kuen-Bao Ling	V	V	V	V	V	V	V	V	V	V	V	V	V	0
Chung-Yu Wang			V	V	V	V	V	V	V	V	V	V	V	1
Wen-Chih Lee	V		V	V	V	V	V	V	V	V	V	V	V	0
Jie-Haun Lee	V		V	V	V	V	V	V	V	V	V	V	V	0
Yin-Lun Wu			V	V	V	V	V	V	V	V	V	V	V	0

Note: Please tick the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Act.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

**(5) Management Team**

Name	Position	Education	Experience	Concurrently Serving Position
Daniel I.K. Wu	President & CEO, Insurance Business	MBA, University of Rochester, USA	Director of CTBC Financial Holding Co., Ltd. CEO, Investment Business of CTBC Financial Holding Co., Ltd. Senior Executive Vice President of CTBC Bank Co., Ltd. Director of CTBC Capital Corp. Director of GCB Finance (HK) Limited Chairman of CTBC Securities Co., Ltd. Director of CTBC Asset Management Co., Ltd. Director of CTBC Venture Capital Co., Ltd.	Spokesperson of CTBC Bank Co., Ltd. Director of CTBC Asia Limited
James Chen	CEO, Banking Business & CEO, China Business	MBA, The City University of New York, USA	Director of CTBC Bank Co., Ltd. Senior Executive Vice President of CTBC Bank Co., Ltd. Chairman of CTBC Asset Management Co., Ltd. Director of CTBC Venture Capital Co., Ltd. Director of GCB Finance (HK) Limited Director of CT Opportunity Investment Company Director of CTBC (Mauritius) Holding Co., Ltd. Chairman of CTBC Bank (Indonesia) Director of CTBC Bank Corp. (USA)	President of CTBC Bank Co., Ltd. Director of Grand Bills Finance Corporation
Roger Kao	General Secretary	MS in Broadcast Journalism, Boston University, USA	Chief Administration Officer of CTBC Financial Holding Co., Ltd. Director of CTBC Bank Co., Ltd. Executive Vice President of CTBC Bank Co., Ltd. Chairman of CTBC Insurance Brokers Co., Ltd.	Senior Executive Vice President of CTBC Bank Co., Ltd. Director of CTBC Security Co., Ltd. Director of Taiwan Lottery Corporation Director of CTBC Asset Management Co., Ltd.
Yonglin Chen	Acting Chief Administration Officer	EMBA, National Chengchi University	Senior Vice President of CTBC Bank Co., Ltd. Director of GCB Finance (HK) Limited Director of CTBC Insurance Brokers Co., Ltd.	Executive Vice President of CTBC Bank Co., Ltd. Director of CTBC Venture Capital Co., Ltd. Supervisor of Overseas Investment & Development Corp. Director of CTBC International Co., Limited Director of CTBC Leasing Co., Ltd. Director of Chung Liang Investment Limited Director of Ho-Yeh Investment Co., Ltd. Director of Sunpak Corporation
Jack T.K. Cheng	Chief Risk Officer	Bachelor of Business Administration, National Taiwan University	Deputy Chief Risk Officer of CTBC Financial Holding Co., Ltd. Executive Vice President of CTBC Bank Co., Ltd. Director of CTBC Venture Capital Co., Ltd. Director of CTBC Asset Management Co., Ltd. Director of CTBC Securities Co., Ltd. Director of Chung Shin-I Asset Management Co. Ltd. Director of Tuo Yu Asset Management Servicing Co. Ltd. Director of CT Opportunity Investment Company	Senior Executive Vice President of CTBC Bank Co., Ltd. Director of CTBC Bank(USA) Director of CTBC Capital Corp.

Name	Position	Education	Experience	Concurrently Serving Position
James Y.G. Chen	CEO, Japan Business	Master of Political Economy, Nankai University	President of Chang Hwa Bank	Senior Executive Vice President of CTBC Bank Co., Ltd. Director of The Tokyo Star Bank, Limited
Winston Hsia	CEO, Investment Business	MBA, The Wharton School, University of Pennsylvania, USA	Executive Vice President of CTBC Bank Co., Ltd. CEO of ShopNet Co., Ltd. President of CTBC Asset Management Co., Ltd. President of CTBC Venture Capital Co., Ltd. Director of GCB Finance (HK) Limited	Director of TransWorld Production Co. Director of CNEX Studio Corporation Director of Mandarin Vision Inc. Director of ABICO Asia Capital Corporation
Chung Mao Hsiao	Acting CEO, Cross-border Financial Business	Bachelor of Economics, Keio University, Japan	Executive Vice President of CTBC Bank Co., Ltd. Senior Vice President of RZB Austria Beijing Branch President of Bank Boston Securities Co., Ltd Japan Senior Vice President of Peregrine Fixed Income Ltd., Hong Kong Senior Vice President of Lehman Brothers Hong Kong	Director of AZ-Star Co., Ltd.
Albert Hu	General Auditor	MBA, George Washington University, USA	Executive Vice President of CTBC Bank Co., Ltd. Vice President of AIG Credit Card Co. (Taiwan), Ltd. Vice President of Standard Chartered Bank, Taipei Manager of Citibank Taiwan Assistant Manager of Societe Generale, Taipei Assistant Manager of Citibank Taiwan	None
Aaron King	Head of Legal & Compliance Department & Compliance Officer	Master of Law, Georgetown University, USA	General Counsel & Compliance Officer of CTBC Financial Holding Co., Ltd. Partner of Lotus International Law Offices, Taipei Vice President (Legal) of Hannspree, Inc. Vice President (Legal) of Taiwan Fixed Network CO., Ltd. (Taiwan Telecom Group), Taipei General Counsel of TECO Electric & Machinery Co., Ltd., Taipei Partner of Taiwan Commercial Law Offices, Taipei Prosecutor of Shi-Lin District Prosecutors Office	Executive Vice President of CTBC Bank Co., Ltd.
Rachael Kao	Head of Financial Management Department & Head of General Administration Department & Financial Officer	MBA, The City University of N.Y. Baruch College, USA	Senior Vice President of CTBC Bank Co., Ltd. Supervisor of CTBC Venture Capital Co., Ltd. Supervisor of CTBC Asset Management Co., Ltd. Supervisor of Tuo Yu Asset Management Servicing Co. Ltd. Director of GCB Finance (HK) Limited Supervisor of CTBC Leasing Co., Ltd. Supervisor of CTBC Venture Capital Investment Management (Shanghai) Co., Ltd.	Acting Spokesperson of CTBC Bank Co., Ltd.

Name	Position	Education	Experience	Concurrently Serving Position
Sophie You	Acting Head of Risk Management Department	MBA, National Taiwan University	Manager of CTBC Bank Co., Ltd.	None
Monica Chu	Head of Corporate Planning Department	MBA, National Taipei University	Vice President of CTBC Financial Holding Co., Ltd. Manager of CTBC Bank Co., Ltd.	None
Sting Yang	Accounting Officer	Bachelor of Accounting, Fu Jen Catholic University	Vice President of CTBC Financial Holding Co., Ltd. Vice President of CTBC Bank Co., Ltd.	Accounting Officer of CTBC Bank Co., Ltd. Supervisor of CTBC Investment Co., Ltd. Supervisor of CTBC Venture Capital Co., Ltd. Supervisor of Taiwan Lottery Corporation Supervisor of CTBC Venture Capital Investment Management (Shanghai) Co., Ltd.

### 3. Implementation of Corporate Governance

#### (1) Corporate governance implementation status and deviations from Corporate Governance Best-Practice Principles for Financial Holding Companies, and reasons for such deviation

Evaluation item	Operations		Summary	Deviation and reasons for deviation from Corporate Governance Best-Practice Principles for Financial Holding Companies
	Yes	No		
I. Shareholding structure and shareholders' rights within the financial holding company				
(1) Has the financial holding company implemented a set of internal procedures to process shareholders' suggestions, queries, disputes and litigations?	V		(1) The Company values the opinions of its shareholders. It has setup a contact window (IR Contacts) so shareholders can call or email suggestions or problems they have to the Company, and the Company shall designate a specific managerial department to process shareholders' suggestions and problems. Contact information is readily available under Investor Service Investor Relations page of the company's website.	(1) No deviations
(2) Does the company have a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders?	V		(2) The Company seizes hold of lists of major shareholders in accordance with the shareholder list obtained after the date on which share transfer is suspended. Together with information on equity changes of insiders and major shareholders, this is submitted to the Company as required by regulation. The Company publishes this information in the annual report and on the company's website.	(2) No deviations
(3) Has the financial holding company established and implemented risk management and firewalls in affiliated companies?	V		(3) The Company engages in credit transactions and non-credit related transactions with affiliated companies in accordance with the Financial Holding Company Act, the Securities and Exchange Act, the Company Act, and related regulations.	(3) No deviations

Evaluation item	Operations		Summary	Deviation and reasons for deviation from Corporate Governance Best-Practice Principles for Financial Holding Companies
	Yes	No		
2. Constitution and obligations of the board of directors				
(1) Apart from the Remuneration Committee and Audit Committee, has the financial holding company assembled other functional committees at its own discretion?	V	(1) In addition to assembling the Remuneration Committee and Audit Committee as required by law, the Company has also established a Risk Management Committee. 1. Audit Committee: Composed of independent directors who assist the Chairman in executing his/her supervisory roles. Auditing matters include: Adoption or amendment of an internal control system, assessment of the effectiveness of the internal control system, adoption or amendment of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, or derivatives trading, assessment of matters of personal interest to a director, assessment of matters related to shareholder transactions, assessment of material asset or derivatives transaction, assessment of offering, issuance, or private placement of any equity-type securities, evaluation of hiring or dismissal of an attesting CPA, or the compensation given thereto and its independence and performance, evaluation of appointment or discharge of a financial, accounting, or internal auditing officer; auditing of annual and semi-annual financial reports, and evaluation of other material matter so required by the company or the competent authority. 2. Remuneration Committee: Appointed by the Board of Directors, and it must consist of at least one independent director. The Committee assists the board in assessing and supervisor remuneration throughout the Company and helps to determine the level of remuneration paid to directors (excluding independent directors), senior executives, and managers. 3. Risk Management Committee: Committee members are appointed by the Board of Directors, and there should be no less than three members, with at least one being an independent director. The Committee was established for the purpose of helping the Board of Directors communicate, report, and offer suggestions to support the risk management practice of decision makers. Thus, the decisions made and leaders' supporting actions could exert a widespread influence on all employees and the organization.	(1) No deviations	
(2) Does the financial holding company conduct regular assessments on the independence of its financial statement auditors?	V	(2) The Company hires a CPA on a yearly basis; when hiring or re-hiring a CPA, the CPA is requested to provide confirmation of independence. The Board of Directors then approves the hiring of the CPA after the CPA is confirmed not to be a stakeholder of the Company and the Audit Committee evaluates the CPA's professionalism and independence.	(2) No deviations	

Evaluation item	Operations		Summary	Deviation and reasons for deviation from Corporate Governance Best-Practice Principles for Financial Holding Companies
	Yes	No		
3.Does the financial holdings company establish a communication channel and build a designated section on its website for stakeholders, and properly respond to corporate social responsibility issues of concern to the stakeholders?	V		(1)The Company has set up designated unit to confirm on a yearly basis, data accuracy with the stakeholders using paper documents. (2)The Company provides the following on its official website: contact details and information pertaining to the spokesperson, acting spokesperson, convener of the Audit Committee, institutional investor relations, stock affairs, and customer service, to ensure uninterrupted communication. (3)The Company has established an employee communication channel through which employees can express their opinions via email or in writing. (4)The Company has established a Stakeholders page that handles issues of interest to stakeholders.	No deviations
4.Disclosure of information				
(1)Has the financial holding company established a website that discloses financial, business, and corporate governance-related information?	V		(1)The Company has set up an official website to disclose financial, business, corporate governance, and other material information.	(1) No deviations
(2)Does the financial holding company have other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, creating a spokesperson system, webcasting investor conference on the company website)?	V		(2)The Company's website is mainly in Chinese, but an English version is also available for foreign investors. Related units are in charge of website information collection and disclosure. The Company has a designated spokesperson and an acting spokesperson as part of our public disclosure system. In addition, power point presentations and audio recordings used in investor conferences are disclosed on the Company's website as part of our Major Announcement page under the Events & Filings of the Investor Relations website page.	(2) No deviations
5.Does the financial holdings company have other crucial information that facilitates understanding the operation status of its corporate governance (including but not limited to situations regarding employee rights and interests, employee care, investor relations, the rights and interests of stakeholders, the continuing education of directors and supervisors, the implementation status of risk management policies and risk measuring standards, the implementation status of customer policies, the situation concerning the purchase of accountability insurance for directors and supervisors, and donations made to political parties, stakeholders, and public interest groups)?	V		Please refer to Section 7. Others.	No deviations

Evaluation item	Operations		Summary	Deviation and reasons for deviation from Corporate Governance Best-Practice Principles for Financial Holding Companies
	Yes	No		
6.Has the financial holding company prepared a corporate governance self-assessment report or commissioned a professional organization to compile a corporate governance assessment report? (If so, please describe the opinion of the board, the results of self or outside evaluation, major deficiencies found, suggestions, or improvement actions taken)	V		The Company passed the "CG6008 Advanced Corporate Governance" assessment in 2014 conducted by Taiwan Corporate Governance Association. Details of the assessment are presented in the 2014 Annual Report. [This assessment is valid for two years until 2015]	No deviations

#### 7. Others: Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons

Evaluation item	Operations		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
1.Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has devised a CTBC Financial Holding Corporate Governance Best Practice Principles and disclosed it on the company's website and the Market Observation Post System.	No deviations
2.Does the Company have internal regulations in place to prevent its people from trading securities based on information yet to be public on the market?	V		The Company has formulated Code of Ethical Conduct for our directors and managers, and an Employee Code of Conduct to regulate their conducts and has announced these codes on the company's website.	No deviations
3.Does the Board of Directors establish and consolidate the diversification policy for its composition?	V		The Company adopted the candidate nomination system to elect directors. The Board of Directors is composed of 9 directors of whom 4 are independent directors and the remaining 5 are non-independent directors. The term of office is 3 years. Candidates for the election of directors are selected based on the overall allocation of the Board of Directors. The knowledge, skills, and literacy required of Board members for executing their duties are stipulated in the rules for director election. The duties of the Board of Directors are mandated in the Company's Articles of Incorporation.	No deviations

Evaluation item	Operations		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons	
	Yes	No		Summary
4.Does the Company have Board of Directors performance assessment guidelines and assessment methods in place and perform the assessments periodically on a yearly basis?	V		<p>The Company has established the Regulations for the Assessment of CTBC Holding and its Subsidiary Board of Directors. The company conducts annual Board of Directors performance assessment at the end of December and executes external assessment corresponding to the performance of the Board every three years. Assessments are performed on overall operations of the Board of Directors, and each of its directors is required to conduct self-assessment. The items of assessment for the Company's Board of Directors comprise the following five areas:</p> <ol style="list-style-type: none"> <li>1. Involvement in the company's business activities.</li> <li>2. Improving quality of the board's decisions.</li> <li>3. Composition and structure of the board of directors.</li> <li>4. Election of directors and continuing education and training.</li> <li>5. Internal control.</li> </ol> <p>The items of assessment for members of the board should encompass at least the following six areas:</p> <ol style="list-style-type: none"> <li>1. Understanding of company goals and missions.</li> <li>2. Understanding of director duties and functions.</li> <li>3. Involvement in the company's business activities.</li> <li>4. Internal relations management and communication.</li> <li>5. Director expertise and continuing education.</li> <li>6. Internal control.</li> </ol> <p>There are five levels in the assessment rating: Excellent, very good, good, acceptable, and require improvement; the secretary division will report the assessment results to the Board of Directors, and to that the Board can propose advices on areas needing improvement. The 2015 assessment presented the rating of "Excellent" in accordance with the aforementioned regulations.</p>	No deviations
5.Does the company designate a professional shareholder service agency to deal with shareholder affairs?	V		The Company consigns the CTBC Bank to handle shareholder affairs.	No deviations

## (2) Compliance and adoption of corporate social responsibility

Evaluation item	Operations		Summary	Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons for deviation
	Yes	No		
I. Corporate governance implementation				
(1) Does the company establish corporate social responsibility policy or system and examine its implementation results?	V		(1) The Company revised its Corporate Social Responsibility Best Practice Principles in March 2015, and has followed this principle to promote CSR within the organization. Quarterly meetings are held by the CSR Consulting Committee during which each division presents a quarterly report and follow-up report on CSR implementation. The Company has taken the initiative to compile CSR reports since 2007. In 2015, the Company received the 2015 Commonwealth Corporate Citizen Award from the Commonwealth magazine, the CSR Award—Model Example of Charity Promotion Group Award from Global Views Magazine, the Top 50 Taiwan Corporate Sustainability Report Award and the Gold Award for Financial and insurance Industry from Taiwan Institute for Sustainable Energy, and the Best FHC CSR - Premium Award from the Wealth Magazine Biweekly. Internationally, the Company was rated as the Best Companies in Asia for Corporate Governance by Asiamoney, and received the Platinum Award for All-Round Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations from Global Finance.	(1) No deviations
(2) Does the company provide educational training on corporate social responsibility on a regular basis?	V		(2) The Company has taken the initiative to compile CSR reports since 2007. After the implementation of the CTBC Financial Holding Corporate Social Responsibility Best Practice Principles, the Company has followed this principle to promote CSR within the organization. The Company announces CSR-related information in meetings of the CSR Consulting Committee and regularly holds CSR training. In 2015, four meetings have been held to communicate the following matters: 1. Sharing the view of external experts regarding CSR: Educating international trends related to CSR and strategic CSR opportunities in the banking industry. 2. Devising CSR plans and policies for the year. 3. Organizing projects and campaigns relating to stakeholder communication and assessing issues of concern. 4. Evaluating and following up on the effectiveness of each project. 5. Participating in CSR award assessments and international trend discussion. 6. Sharing CSR practices adopted by foreign financial institutions.	(2) No deviations

Evaluation item	Operations		Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons for deviation
	Yes	No	
(3) Does the company establish a dedicated or concurrent unit in charge of promoting CSR with senior management authorized by the board to take charge of proposing CSR policies and reporting to the board?	V	(3) In 2011, the Company has assembled a CSR unit under the General Administration Department of CTBC Holding. In the CSR unit, five staff members are designated to take charge of CSR-related strategy planning and execution as a whole. The cross-unit "CSR Taskforce Committee," established at the beginning of 2012, was renamed the "CSR Consulting Committee" in 2015 with the President of CTBC Holding serving as the Chairman of the Committee, the General Secretary as the Deputy Chairman, and the Presidents of CTBC subsidiaries as the committee members. The General Administration Department of CTBC Holding helps to coordinate the various divisions within the company; human resources, corporate governance, legal affairs, audit, general affairs, risk management, personal banking, institutional banking, and the group's subsidiaries. Issues and policies related to the CSR of CTBC Holding are collected by the CSR Consulting Committee, which regularly identifies stakeholders that they may come into contact with over the course of business, and to discuss and allocate resources into a number of CSR aspects such as corporate governance, employee care, customer care, community involvement, and environmental sustainability. The Committee evaluates and determines the annual target of various CSR categories and regularly performs management and supervision tasks, which are then reported in quarterly meetings and are reviewed by the President before escalating to CTBC Holding's Executive Committee and to the board of directors. The final amendments and decisions are made by the board of directors. Under the operation of the Company's CSR Consulting Committee, various CSR tasks are executed through a top-down approach in the organization to ensure effective and comprehensive execution	(3) No deviations
(4) Does the company establish a reasonable salary remuneration policy, and integrate the employee performance evaluation system with its CSR policy, and establish an effective reward and disciplinary system?	V	(4) The Company formulated the CTBC Employee Code of Conduct in 2006, which specifies the corporate ethics and obligations employees should comply with. The Company has included the Employee Code of Conduct as one of the annual performance assessment items for Company employees, and established an employee incentives and penalties guidelines. The Company's remuneration and welfare policies clearly specify that remuneration management shall follow three major principles: market competitiveness, pay for performance, and performance-oriented, to facilitate a reasonable salary and remuneration policy.	(4) No deviations

Evaluation item	Operations		Summary	Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons for deviation
	Yes	No		
<b>2.Fostering a sustainable environment</b>				
(1)Is the company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	V		(1)The Company's Headquarter, CTBC Financial Park, has met the required standards in eight of Taiwan's building assessment indexes: biodiversity, amount of greening, on-site water retention, daily energy saving, CO2 reduction, waste reduction, indoor environment quality, use of water, and wastewater and refuse treatment.	(1) No deviations
(2)Has the company developed an appropriate environmental management system, given its distinctive characteristics?	V		(2)The Company assembled an Energy Management Committee in September 2012 and acquired the ISO50001 Energy Management System verification in December 2012. In June 2015, the committee was restructured into the Environment and Energy Management Committee, which was certified in July 2015 by British Standards Institution for both the ISO14001 Environmental Management System and ISO14064-1 Greenhouse Gas Inventory. Internally, the Company holds environment and energy management meetings on a quarterly basis and regularly manages, reviews the implementation of environmental management.	(2) No deviations
(3)Does the company monitor the impact of climate change on business operations, conduct greenhouse gas inventory and formulate strategies for energy conservation and carbon and greenhouse gas reduction?	V		(3)1. The Company has installed environmental and energy management system in accordance with ISO50001 and ISO14001 international standards. Our environment and energy policy is as follows: (1)Comply with legal regulations, perform self-regulation, and increase portfolio of products with energy conservation labeling. (2)Regularly hold training and promote environmental protection and energy management. (3)Integrate related resources and implement environment and energy management programs. (4)Continue to implement environmental energy improvement and conduct regular review to achieve the goal of sustainability. (5)Magnify corporate influence and link surrounding enterprises to form a green energy circle. 2. The Company continues to promote environmental protection and energy conservation.As of the end of December 2015, the carbon reduction efficiency was 582.57 ton-CO2/year.	(3) No deviations
<b>3.Upholding public interests</b>				
(1)Has the company developed its policies and procedures in accordance with laws and the International Bill of Human Rights?	V		(1)The Company's Corporate Social Responsibility Best Practice Principles mandate that the company shall adhere to international human right conventions and related laws and regulations to protect labor rights.The Company has devised Work Rules in accordance with regulations of the Labor Standard Act and established Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace to protect employee, provide equality and a harassment-free working environment.The Company and its subsidiaries regularly elect labor representatives in accordance with legal labor requirements and convene periodic labor meetings to discuss issues regarding employee equity and welfare. The Company's regulations and employee handbook are available on the company's website for employee reference.	(1) No deviations

Evaluation item	Operations		Summary	Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons for deviation
	Yes	No		
(2) Does the company have means through which employees may raise complaints? Are employee complaints being handled properly?	V		(2) The Company has set up an Employee Hot Line so that employee feedback can be handled directly and quickly. All feedback documents and letters are reviewed in a confidential manner in order to protect the rights of the complainant. 1. By mail: Employee feedback can be posted in writing to the human resource division or directly submitted to the highest executive at the human resource division. 2. Delivery in person: Employees can provide their feedback to any one of the supervisors of the human resource division in person. 3. By e-mail: 0885@ctbholding.com 4. Employee hot line: +886-2-3327-8804 5. Company website: An area for employee feedback is designated on the General Affairs website of the General Administration Department where employees can express their opinions freely.	(2) No deviations
(3) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	V		(3) The Company offers a comprehensive range of hardware and software facilities to provide a comfortable, safe, and healthy working environment. These facilities include implementation of smoke-free policy, access control measures, regular labor safety training, fire prevention drills, regular environmental inspection (CO2 emission and lighting), free health check-ups, free employee canteen, breastfeeding and lactation room, a library, staff lounge, and a gym. Such provision is aimed to allow employees work and live happily without worry.	(3) No deviations
(4) Does the company have channels to communicate with employees on a regular basis, and inform them of operational changes that may be of a significant impact?	V		(4) The Company holds employee conferences on a quarterly basis to inform employees about business matters and operations; executive managers also send email on various occasions to share with employees how the company handled an emergency situation and other business operational contingencies.	(4) No deviations
(5) Does the Company offer its employees effective occupational empowerment training programs?	V		(5) Depending on the business needs and work requirements, the Company designates employees to participate in internal or external training programs or to study abroad. The training contents include professional competency and skills training, management skills training, practical operations, language, and experience sharing. Based on employee development and organizational needs, opportunities of job duties or from time to time work shift adjustments are offered.	(5) No deviations
(6) Does the company establish any consumer protection mechanisms and complaint procedures regarding R&D, purchasing, production, operation and service?	V		(6) To protect customer interest, the Company has set up various communication channels such as a 24-hour toll-free customer service hotline, e-mail, and Stakeholders page on the company's website. In addition, subsidiary CTBC Bank adopted customer care management practices, including the Voice of Customer (VOC) mechanism and customer complaint improvement plan to ensure customer satisfaction and protect customer interest.	(6) No deviations
(7) Does the Company comply with applicable laws, regulations, and international guidelines in the marketing and labeling of products and services?	V		(7) The Company conducts marketing and labeling of products and services in accordance with the Financial Holding Company Act, the Securities and Exchange Act, and related regulations, and implements a strict internal control system.	(7) No deviations

Evaluation item	Operations		Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons for deviation
	Yes	No	
(8)Has the company evaluated the records of suppliers' impact on the environment and society before doing business with the supplier?	V	(8)The Company has implemented a "Supplier CSR Advocacy Policy" since 2012 that requires suppliers to sign a commitment to business Ethics, employee rights and assistance, environmental protection and other issues before the execution of any single transaction that amounts to NTD 1 million or above.	(8) No deviations
(9)Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause significant impact on the environment and society?	V	(9)The Company has revised this content in the Corporate Social Responsibility Best Practice Principles and specified, in the contract signed with the suppliers, that they shall implement CSR accordingly. In addition to supplier cooperation in implementing CSR, the contract between the Company and its major suppliers include termination clauses which come into force when and if the suppliers breach corporate social responsibility policy causing significant negative impact on the environment and society.	(9) No deviations
4.Enhancing information disclosure Has the company disclosed relevant and reliable CSR information on its website and at the Market Observation Post System?	V	The Company has designated a CSR Strategy page where we describe our principles and policies pertaining to CSR. In addition, we provide CSR reports in electronic versions to adequately disclose our efforts and practices in economic, social, and environmental dimensions. The CSR reports and e-book are available on the website of CTBC Holding and on the Market Observation Post System for public access. Moreover, CSR reports are distributed to our branches across Taiwan, as well as our peers and advanced technology industries. Meanwhile, we are also invited to attend various types of sustainability forums where CSR-related experiences are shared among industry experts.	No deviations
5.If the Company has established the corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the principles and their implementation: No deviations.			
6.Other important information to facilitate a better understanding of the company's corporate social responsibility practices:			
(1)The Company published its first CSR report in 2007.This year marks the 9th year of the report.The content of the report covers CSR performance, corporate governance, customer care, employee care, environmental sustainability, and social participation.Through CSR reports, we hope to fulfill our responsibilities to all our stakeholders, including employees, customers, shareholders, and the public and provide them with the best CSR corporate environment.			
(2)Please refer to the CSR Strategy page on the Company's website for information regarding our CSR implementation status <a href="http://www.ctbcholding.com/care_index.html">http://www.ctbcholding.com/care_index.html</a> .			
7.If the corporate social responsibility reports have received assurance from external certification institutions, they should state so below: The Company's most recent CSR report has been verified by the British Standards Institution (BSI), a third-party verification organization, in April 2015, which verified the materiality, inclusiveness, and responsiveness of this report based on the AA1000 guaranteed standards and GRI G4 guidelines.The disclosed contents complied with the core items provided in the GRI G4 guidelines.			

**(3) Implementation of Business Integrity Management**

Evaluation item	Operations		Summary	Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation
	Yes	No		
I. Establishment of integrity policies and solutions				
(1) Has the Company stated in its Memorandum or external correspondence about the policies and practices it has to maintain business integrity? Are the Board of Directors and the management committed in fulfilling this commitment?	V		(1) The Company has in place the CTBC Financial Holding Ethical Corporate Management Best Practice Principles, in which the Board of Directors and management levels are required to commit to complying with and abiding by.	(1) No deviations
(2) Does the Company have any measures against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems?	V		(2) The Company forbids dishonest conduct; the measures against such conduct are specified in the Employee Code of Conduct, Code of Ethical Conduct (for directors), and guidelines to the operating procedure and practices of integrity management. Every six months, the Company examines any violations within the organization. Personnel specializing in corporate governance, legal affairs, risk management, audit, international country management office and human resource hold meetings to discuss integrity management. The meeting outcomes are then presented to the Board of Directors and disclosed on the Company's website.	(2) No deviations
(3) Has the Company taken steps to prevent occurrences listed in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies" or business conduct that are prone to integrity risks?	V		(3) The Company business operations have a strict internal control and risk management mechanism. In addition to conducting business activities in accordance with regulations of competent authorities, the Company has assembled legal compliance, auditing, and risk management units to ensure strict monitoring of business activities. The aforementioned prevention measures also enforce anti-bribery regulations to ensure corporate ethical behavior.	(3) No deviations

Evaluation item	Operations		Summary	Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation
	Yes	No		
<b>2.Implementation of ethical corporate management</b>				
(1)Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	V		(1)The Company avoids all transactions with parties showing record of dishonest conduct in its business activities.The Company also requires all transaction parties to be reviewed by our legal affairs unit to ensure their rights, obligations, and legitimacy.The contract signed with agents, suppliers, customers or other business-transacting parties include compliance with integrity management policy and termination clauses which goes into effect when counterparties are involved in dishonest conduct.	(1) No deviations
(2)Does the Company have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the Board of Directors on a regular basis?	V		(2)The Company has designated related units to promote the implementation of integrity management in accordance with the nature of their business activity. For example, the finance department ensures the effective implementation of accounting systems, and the human resource department designates employees at irregular interval to attend integrity management courses.Additionally, the Company instructs the corporate governance unit affiliated with the Board of Directors to take charge in formulating integrity management regulations and regularly convening meetings with related units to inspect the implementation status of integrity management principles. Every half year, the implementation status of integrity management and integrity management reports are submitted to the Audit Committee and Board of Directors.	(2) No deviations
(3)Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	V		(3)The Company policy has policies that prevent conflict of interest and channels that facilitate the report of conflicting interests, and these are included in the Employee Code of Conduct (for employees) and Regulations Governing Procedure for Board of Directors Meetings (for directors).These policies and channels are effectively implemented.Article 16 of the Company's Regulations Governing Procedure for Board of Directors Meetings specifies the policy for director recusal of issues that are conflicts of interest. If any director or a juristic person represented by a director is an interested party with respect to any agenda item, and when the relationship is likely to prejudice the interests of the company, the director may express his/her opinions or answer questions but may not participate in the discussion or voting of that the agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter. In the Employee Code of Conduct, we require our employees to maintain awareness for situations that may influence their job performance or cause a conflict of interest, avoid any personal action or pecuniary advantage that might conflict with company interest, and prevent abuse of power for personal gains or for the benefit of others.	(3) No deviations

Evaluation item	Operations		Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation	
	Yes	No		Summary
(4) Has the Company implemented effective accounting and internal control systems for the purpose of maintaining business integrity? Are these systems reviewed by internal or external auditors on a regular basis?	V		(4) The Company's accounting system is based on the Generally Accepted Accounting Principle, and the internal control system is developed in accordance with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries, for the purpose of promoting sound corporate management and ensuring effective operational efficiency, reliability, timeliness, transparency, and regulatory compliance of reporting. The auditing unit also examines the design of its internal control system and effectiveness of its implementation through an internal auditing system and self-auditing system.	(4) No deviations
(5) Does the Company organize internal or external training on a regular basis to maintain business integrity?	V		(5) The Company produces video recordings of its integrity management training courses, which are shown to employees at scheduled interval. For newly elected directors or new employees, educational materials on integrity management are provided when directors take office, and training programs for new employees are also required. In July 2015, legal compliance supervisors of each business division were informed of amendments to integrity management regulations. Furthermore, the Company's legal compliance department compiles a summary of legal cases on a monthly basis and announces it on the company's internal information network for every employees' perusal. Moreover, it announces cases involving violation of integrity management regulations on the Company's website.	(5) No deviations
<b>3. Operation of whistleblowing system</b>				
(1) Does the Company provide incentives and means for employees to report malpractices? Does the Company assign dedicated personnel to investigate the reported malpractices?	V		(1) The Company has set up a Whistleblowing System on its website to encourage employees to take the initiative to report conducts violating legal regulations or the Company's Code of Ethical Conduct to the Board of Directors, managers, internal auditing supervisors, or other suitable personnel, and to provide sufficient information that facilitates subsequent handling by the Company. All filed reports are handled by designated personnel.	(1) No deviations
(2) Has the Company implemented any standard procedures or confidentiality measures for handling reported malpractices?	V		(2) The Company assigns designated personnel to investigate the reported cases and maintains confidentiality over the handling process and related information. The accused is granted the opportunity to provide clarifications during the investigation. Whistleblowers and investigators are subject to protection. If an employee is confirmed as involving in conducts that violate integrity principles, he/she shall be penalized in accordance with related regulations.	(2) No deviations
(3) Has the Company provided proper whistleblower protection?	V		(3) The Company has established opening reporting and complaint channels, and all cases are handled in a confidential manner to protect the complainants from unfair reprisal and treatment for having the courage to report improper conducts or provide constructive advice.	(3) No deviations

Evaluation item	Operations		Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation	
	Yes	No		Summary
4.Enhancing information disclosure Has the Company disclosed its integrity principles and progress onto its website and Market Observation Post System?	V		The Company has established website in both Chinese and English to disclose integrity management-related regulations and information. Depending on the nature of the information, designated units are tasked with updating the website content on a regular basis. The Company also discloses its Ethical Corporate Management Best Practice Principles and Code of Ethical Conduct on the Market Observation Post System and announces related information in accordance with the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities.	No deviations
5.If the Company has established Ethical Corporate Management Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies", describe any discrepancy between the principles and their implementation:			In addition to the Ethical Corporate Management Best Practice Principles, Guidelines for Reporting Unethical Conduct were formulated. Before the end of June and December every year, the auditing, legal affairs, legal compliance, human resource, risk management, and international country management office units are notified to submit cases of unethical conduct within their scope of duty to the corporate governance unit for compilation and case-by-base discussion. Subsequently, a summary report is presented to the Audit Committee and Board of Directors and then disclosed on the Company's website. All operations do not deviate from the content of the Company's Ethical Corporate Management Best Practice Principles.	
6.Other important information to facilitate a better understanding of the Company's implementation of ethical corporate management: (such as review and amendment of ethical management rules)			<p>1. In March 2015, the Company has reviewed and amended its Ethical Corporate Management Best Practice Principles, Guidelines to the Operating Procedure and Practices of Integrity Management, Corporate Governance Best Practice Principles, Code of Ethical Conduct, and Corporate Social Responsibility Best Practice Principles. In response to such amendments, we have given integrity management training to the legal compliance supervisors of our subsidiary CTBC Bank in July. Thereafter, we will work with our personnel unit in planning batch training for CTBC employees.</p> <p>2. The Company has set up a Stakeholders page on the Home page of the website, to provide a communication channel for the Company and stakeholders and serve as a reporting channel for whistleblowers.</p> <p>3. The Company requires the transacting partners to complete a Qualifications Examination Form, detailing whether they have returned check records and their company information over the past six months. This is aimed at preventing trade with "bad" suppliers or partners. Before engaging in business transactions, the Company considers the legitimacy of agents, suppliers, customers, or other business-transacting partners and whether they are involved in unethical conducts to avoid trading with those involved in unethical conducts.</p> <p>4. The Company also investigates the implementation status of CTBC Holding and its subsidiaries in terms of integrity management every six months and submits the investigation report to the Audit Committee and Board of Directors, with the hope of providing a reference that serves as a measure of caution and a basis for subsequent improvements.</p> <p>5. The Company regularly arranges all of its directors to attend corporate governance courses that improve their supervisory and corporate management capabilities, so that they can help enhance the effectiveness of CTBC corporate governance and implementation of integrity management.</p>	

**(4) Other significant information which may improve the understanding of corporate governance and operation:**

Please visit CTBC Holding website at [http://www.ctbcholding.com/ir\\_index.html](http://www.ctbcholding.com/ir_index.html).

**(5) Items that must be disclosed as required by the Corporate Governance Principles for Financial Holding Companies:**

Please visit CTBC Holding website at [http://www.ctbcholding.com/ir\\_index.html](http://www.ctbcholding.com/ir_index.html).

**(6) Internal Control Statement**

To: Financial Supervisory Commission,

On behalf of CTBC Financial Holding Co., Ltd., we hereby certify that for the fiscal year of 2015, the company has duly complied with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" in establishing its internal control system, implementing risk management mechanism, designating an independent audit department to conduct audits, and regularly reporting to the company's Board of Directors and the Audit Committee.

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

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

Sincerely yours,

Chairman



President



General Auditor



Chief Compliance Officer



## CTBC Financial Holding Co., Ltd.

### Issue and Corrective Actions for Internal Control Statement

As of December 31, 2015

Issue for Improvement	Corrective Actions	Target Completion Date
<p>1. Hong Kong Branch of CTBC Bank, a subsidiary of CTBC Holding, disposed certain loan asset; however CTBC Holding failed to timely post the public announcement of such transaction on behalf of CTBC Bank to the Market Observation Post System. Financial Supervisory Commission (FSC) imposed an administrative fine of NT\$ 240 thousand against the responsible person of CTBC Holding. &lt;FSC Letter No.1040000231 dated January 13, 2015&gt;</p>	<p>CTBC Bank has established control mechanism, reiterated related requirement and conducted staff training.</p>	<p>Completed in January 2015.</p>
<p>2. An employee of CTBC Bank manipulated a customer's accounts and early terminated insurance policies without customer's consent. It points to the improper implementation of the internal control and inspection, which impedes sound banking operations. FSC imposed an administrative fine of NT\$ 3 million against the Bank and required the Bank to dismiss the involved employee. &lt;FSC Letter No. 10400194951 dated August 27, 2015&gt;</p>	<p>(1) Setting of designated accounts through online remittance to third parties has been managed by caring inquiry and independent call back to customers. In addition, frequent early-termination of insurance policies within a short period of time will be closely monitored and managed through systems. (2) The staffs have been reiterated and prohibited to deposit or withdraw cash on behalf of customers. In addition, the Bank has reinforced the review mechanisms for services or transactions delivered outside of branch premises. (3) The Rewards and Disciplinary Committee dismissed the non-compliant employee and revoked his insurance license.</p>	<p>Completed in April 2015.</p>
<p>3. An employee of CTBC Bank forged customers' signatures on transaction orders, which impedes sound banking operations. FSC issued a reprimand letter against the Bank and required the Bank to dismiss the involved employee. &lt;FSC Letter No. 10400259250 dated December 9, 2015&gt;</p>	<p>(1) Independent verification of customer's identity by a non-Financial Adviser staff was required for over-the-counter investment transactions. (2) Rollout of Project to reinforce segregation of duties between sales and operations was under discussion and development.</p>	<p>To be completed by 2016 Q3.</p>

Issue for Improvement	Corrective Actions	Target Completion Date
<p>4. CTBC Insurance Broker was found violating the Insurance Act when conducting insurance broker business <sup>Note1</sup>. FSC issued a reprimand letter and imposed an administrative fine of NT\$ 600 thousand against the Company. &lt;FSC Letter No. 10402568602 dated August 27, 2015&gt;</p>	<p>Reiteration was given on the guidelines of insurance solicitation. An extra control has been established to verify customers' identity in a branch when an applicant applies for termination of insurance policy soon after purchasing. The mechanisms of confirmation and call back have been established for services and transactions delivered outside of branch premises. A prevention mechanism against sales misconduct risk has been activated.</p>	<p>Completed in May 2015.</p>
<p>5. FSC conducted a full-scope examination on CTBC Bank in 2014 (Report No. I03H052) with the following major findings. The Bank shall enforce supervision to ensure soundness of compliance system and effectiveness of board oversight.</p> <p>(1) The compliance system has not been soundly implemented for acquisition and disposal of some major assets involved in quasi-interested parties.</p> <p>(2) It was found that an employee helped a third party company in an asset transaction by evading regulatory requirement and oversight of the board of directors, which impacted the control mechanism of interested party transactions.</p> <p>(3) The disposal of an impaired asset of the Bank involved the relative of a senior manager. Such transaction has not been reported to the board of directors for approval to protect the Bank's interests.</p> <p>(4) Certain loan involved the borrower and an interested party of the Bank as partners in a real estate joint development project has not been reported to the board of directors for review.</p>	<p>(1) The Bank has reinforced the implementation of control guidelines for transactions with interested parties. In addition, the Bank has ensured that counterparties in related cases were neither interested parties nor quasi-interested parties.</p> <p>(2) It was clarified that this incident resulted from the involved employee's personal behavior, which was not in conflict with interest of the Bank. Reiteration was given to prohibit employees from dealing with others' personal affairs within office hours.</p> <p>(3) The identification process of transaction with interested parties and determination of ultimate beneficiaries were strengthened. It was also verified that counterparties in this case were neither interested parties nor quasi-interested parties. External lawyer was requested to investigate the case and the result indicated no impact on the Bank's interests.</p> <p>(4) The control mechanism on escalating the real estate secured loans to the board of directors was strengthen; it was clarified that such case did not involve the distribution of interests of the joint development project.</p>	<p>Completed in September 2015.</p>

Issue for Improvement	Corrective Actions	Target Completion Date
<p>6. FSC conducted a full-scope examination on CTBC Bank, Tokyo Branch (Report No. 104049) in 2015. It was found that the organization restructure to the Tokyo Branch initiated by the head office might violate the local regulations as the Bank did not consult the local compliance officer ahead. In addition, the Compliance department and the Internal Audit function at the head office did not report such matter to the board of directors. The Compliance and Internal Audit functions at the head office have to be enhanced.</p>	<p>(1) Local compliance officers will be consulted ahead for significant organizational change that may impact overseas branches' business afterwards. Any consideration of potential violation on local regulations shall be escalated to the board of directors to strengthen the compliance risk control.</p> <p>(2) Any forms of written comments provided by local regulators in regard to inspection or supervision results will be submitted to the FSC and escalated to the board of directors by internal audit. Corrective actions will be followed up on a regular basis.</p>	<p>In writing to FSC in December 2015 and February 2016 with improvement actions.</p>
<p>7. Taiwan Stock Exchange Corporation (TWSE) conducted a limited-scope inspection on CTBC Securities Kaohsiung Branch for a customer complaint case. It was found that an employee provided discretionary service to certain customer, retained blank order forms with customer's signature, and failed to conduct brokerage trading at its business premises. TWSE required CTBC Securities to pay attention onward and suspend the involved employee from duty for 6 months. &lt;Letter Tai-Zhang-Fu-Zi 1040500450, February 6, 2015&gt;</p>	<p>(1) CTBC Securities disciplined the involved employee and reported the result to the regulator. (The involved employee resigned.)</p> <p>(2) Reiteration of prohibition against conducting brokerage trading via mobile phone, providing discretionary service, and retaining customer's seal, passbook, blank order form with customer's signature was given to staffs.</p> <p>(3) CTBC Securities enhanced the trading desk management during trading hours and installed surveillance system.</p>	<p>Completed in December 2014.</p>
<p>8. Taipei Exchange GreTai Securities Market (TPEX) conducted a limited-scope inspection on CTBC Securities Taoyuan Branch for late reporting of a settlement default case. It was found that customer's credit investigation, settlement risk assessment and branch manager's supervision were not conducted properly which caused the branch's failure to report settlement default to the regulator within the required timeline. TPEX required CTBC Securities to suspend the involved employees from duties for 2 ~ 3 months and disciplined the responsible manager. Securities and Futures Bureau also issued a reprimand letter against CTBC Securities. &lt;Letter Zheng-Guei-Fu-Zi 10406000741 dated April 13, 2015 ; FSC Letter No. 1040019783 dated June 22, 2015&gt;</p>	<p>(1) The involved employees were suspended and the responsible manager was disciplined according to regulator's reprimand letter.</p> <p>(2) CTBC Securities reiterated related controls and required staffs to report default cases within the required timeline.</p> <p>(3) CTBC Securities had escalated the improvement report to the board of directors and then submitted to TPEX.</p>	<p>Completed in November 2015.</p>

Issue for Improvement	Corrective Actions	Target Completion Date
<p>9. CTBC Securities was mandated as a lead underwriter for a convertible bond and issued the evaluation report without complying certain rules in "Regulations Governing Securities Firms". FSC issued an official reprimand, and required CTBC Securities to raise attention in the future. &lt;FSC Letter No. 1040038434 dated November 18, 2015&gt;</p>	<p>(1) Reiteration of compliance has been given to staffs and training has been conducted more frequently.</p> <p>(2) CTBC Securities has enhanced underwriting processes including case selection, resource allocation based on the complexity of different cases, and will communicate with regulator effectively for the clarification of related regulatory requirements.</p>	<p>Completed in December 2015.</p>
<p>10. CTBC Life was found violating the Insurance Act when underwriting policies solicited by insurance brokers via telemarketing. FSC issued an official reprimand and imposed an administrative fine of NT\$ 1.8 million against CTBC Life and required CTBC Life to dismiss the involved underwriter. CTBC Life was requested to cease selling new policies via telemarketing since receiving the reprimand letter. In addition, CTBC Life should retain all assessment documents of underwriting and report the improvement measures to FSC within 1 month. CTBC Life shall resume the business of selling new policies via telemarketing once FSC recognizes the completion of improvement. &lt;FSC Letter No. 10402542311 dated March 3, 2015&gt;</p>	<p>(1) The involved employee was dismissed from the underwriting duty.</p> <p>(2) It was announced that CTBC Life ceased selling new policies via telemarketing. CTBC Life reported the improvement measures to FSC, and resumed the business of selling new policies via telemarketing after obtained FSC's approval.</p>	<p>Completed in March 2015.</p>
<p>11. CTBC Life was found violating Insurance Act when conducting underwriting processes. FSC issued a reprimand letter against CTBC Life and imposed an administrative fine of NT\$ 600 thousand. &lt;FSC Letter No. 10402547921 dated October 14, 2015&gt;</p>	<p>(1) CTBC Life reinforced financial underwriting assessment guidelines and established the criteria of initiating necessary review for general case.</p> <p>(2) CTBC Life enhanced the review of any irregularity noted during the soliciting and approving processes.</p>	<p>Completed in December 2015.</p>

Issue for Improvement	Corrective Actions	Target Completion Date
<p>I2. FSC conducted a limited-scope examination on CTBC Life's investments in 2015 (Report No. 104S016) with the following findings, which violating the Insurance Act. FSC issued an official reprimand and imposed an administrative fine of NT\$ 2.1 million.</p> <p>(1) Investments in certain structured notes were not 100% principal-protected and linked to the risk of entity other than issuer or guarantor, which did not comply with relevant rules.</p> <p>(2) When calculating market value-at-risks of foreign financial assets classified as trading and available for sale, risk management department did not cover all financial assets, validate data integrity independently, conduct country risk assessment and control limit setting properly.</p> <p>(3) The stress testing of fixed-income securities was not conducted via volatility simulation of interest rate and exchange rate. The scenario analysis of market risk and the risk management mechanism of foreign exchange exposure were not conducted according to related policies and guidelines.</p> <p>&lt;FSC Letter No. 10402548832 dated December 1, 2015&gt;</p>	<p>(1) CTBC Life has not purchased any type of aforementioned structured notes since July 29, 2014. Such structured notes were disposed from August to September 2014, based on the liquidity and market size. CTBC Life will comply with related regulations when investing structured notes in the future.</p> <p>(2) CTBC Life established value-at-risk calculation check list to ensure data integrity, implemented independent data validation, and revised country risk management guidelines to enhance country risk assessment and limit control.</p> <p>(3) Following the logic of stress testing, CTBC Life set up testing criteria and frequencies, and conducted testing on different risk factors, such as interest rate, exchange rate and price fluctuation. The calculation of foreign exchange risk exposure limit will also cover the hedge position.</p>	<p>In writing to FSC in September 2015 and October 2015 with improvement actions.</p>
<p>I3. FSC conducted a full-scope examination on CTBC Life in 2015 (Report No. 104F129). CTBC Life invested in a Hong Kong listed company and entered into a price guarantee agreement with another two major shareholders of such listed company to secure the right of CTBC Life. However, it was found that the counterparties were not eligible for such kind of transaction. CTBC Life did not assess the possibility of carrying out such agreement, report the related contingency measures to the board of directors, and include such derivative contract in risk monitoring.</p>	<p>CTBC Life clarified to FSC that such agreement could not be traded publicly or transferred, and is different from derivative products which have high liquidity. The agreement is not in a form of derivatives. Besides, the contract was expired and there was no issue of carrying out the agreement.</p>	<p>In writing to FSC in December 2015 with improvement actions.</p>

Issue for Improvement	Corrective Actions	Target Completion Date
<p>14. Taiwan Life was found violating Insurance Act when selling insurance policies of "Shin-Lung-You-Bau group insurance project" from September 15, 2010 to December 31, 2014 <sup>Note2</sup>. FSC issued a reprimand letter against CTBC Life and imposed an administrative fine of NT\$ 600 thousand.&lt;FSC Letter No. 10402542112 dated March 4, 2015&gt;</p>	<p>Taiwan Life ceased selling insurance policies of "Shin-Lung-You-Bau group insurance project". New project complied with related regulations and Taiwan Life will review insurance policy more prudently in the future.</p>	<p>In writing to FSC in November 2014 with improvement actions.</p>
<p>15. Taiwan Life was found violating Insurance Act when underwriting over-the-counter travel accident insurance in Taichung airport <sup>Note2</sup>. FSC issued a reprimand letter against Taiwan Life and imposed an administrative fine of NT\$ 600 thousand.&lt;FSC Letter No. 10402542402 dated March 11, 2015&gt;</p>	<p>Taiwan Life enhanced the staff training and adjusted system checking process. When the insured amount exceeds certain limit, insurance application cannot be print out and underwriting processes cannot be executed by over-the-counter in airport.</p>	<p>In writing to FSC in January 2015 with improvement actions.</p>
<p>16. FSC conducted a full-scope examination on Taiwan Life in 2014 (Report No. 103F150) with the following findings which violated Insurance Act <sup>Note2</sup>. FSC issued a reprimand letter against Taiwan Life and imposed an administrative fine of NT\$ 1.8 million.</p> <p>(1) The indemnification of group insurance policy was altered without obtaining regulator's prior-approval or reporting such alteration to the regulator for recordation.</p> <p>(2) The stop-loss management in investing domestic stocks did not comply with related regulation by not taking original acquisition cost as the basis of calculation.</p> <p>(3) The employee hiring and transferring in internal audit function were not approved by the board chairman. And the performance evaluation of auditor was approved by CEO indirectly.</p> <p>(4) The credit judgement of real estate lending was mainly conducted against the collateral value for loan approval without considering the borrower's business operation.</p> <p>(5) When conducting telemarketing, Taiwan Life did not transmit (via fax, mail, internet or email, etc.) the terms and conditions of insurance policies to customers for their review.</p> <p>&lt;FSC Letter No. 10402547532 dated September 4, 2015&gt;</p>	<p>(1) The involved group insurance policies have been terminated. All terms and conditions of insurance policies have been reviewed during new contract underwriting or existed contract renewal; the content was in compliance with related regulations.</p> <p>(2) The stop-loss and stop-gain control mechanisms have been modified for taking acquisition cost as the calculation basis; and information systems have been modified accordingly.</p> <p>(3) It has been stipulated that the hiring of personnel in the internal audit function should be proposed by the general auditor. The authority of personnel appointment, dismissal, promotion, reward, discipline, rotation, and performance review in the internal audit function has been re-defined according to the delegation of authorities.</p> <p>(4) In addition to considering the collateral value, Taiwan Life will conduct underwriting in a more prudent manner in the future and will continue to monitor the borrower's financial status and business operation after approval.</p> <p>(5) The sales pitch has been reviewed, modified, and included in the key audit items when reviewing the quality of telemarketing.</p>	<p>In writing to FSC in April 2015 with improvement actions.</p>

Issue for Improvement	Corrective Actions	Target Completion Date
<p>17. FSC conducted a full-scope examination on TLG Insurance in 2015 (Report No. 104FI10) with the following findings <sup>Note3</sup>. FSC issued a reprimand letter against TLG Insurance, imposed an administrative fine of NT\$ 4.8 million and suspended TLG Insurance from selling new policies of leased automobile insurance and commercial fire insurance offering jumbo coverage for 1 month.</p> <p>(1) "The automobile fleet clause" was not in line with the price table approved by FSC.</p> <p>(2) The charge of injury insurance premium was not in line with the price table approved by FSC.</p> <p>(3) The underwriting of "good driver clause of automobile third party liability insurance" was not aligned with the terms and conditions of the insurance policy.</p> <p>(4) The premium rate of commercial fire insurance offering jumbo coverage calculated by TLG Insurance was lower than the minimum rate of premium check mechanism approved by FSC.</p> <p>(5) The allowances for bad debts of premium receivables were not reserved according to legitimate period. As a result, TLG Insurance reserved less allowances for bad debts than the required and consequently overstated its asset balance in annual report.</p> <p>&lt;FSC Letter No. 10402527301 dated December 29, 2015&gt;</p>	<p>(1) TLG Insurance has since complied with the price table approved by the regulator; and information systems have been modified accordingly.</p> <p>(2) The premium calculations of non-project group personal injury insurance policy and personal injury insurance policy have since complied with relevant regulation.</p> <p>(3) All departments in TLG Insurance have been reiterated for the applied terms and conditions; the related controls have been set up in the system. (The insurance policy has been terminated.)</p> <p>(4) The working sheet of premium rate calculation has been amended and the checking has been enhanced.</p> <p>(5) The improvement action has been completed. The aging calculation of premium receivables is performed based on effective date of policy to reserve allowances for bad debts. The reserve balance has been reviewed monthly. Related regulation updates have been reviewed constantly and the impacts on related processes will be assessed accordingly.</p>	<p>Completed in February 2016.</p>

Note 1: This case and penalties occurred prior to the date of the merger between CTBC Bank and CTBC Insurance Brokers on November 30, 2015.

Note 2: This case and penalties occurred prior to the date of the share exchange between CTBC Holding and Taiwan Life on October 15, 2015.

Note 3: This case occurred prior to the date of the share exchange between CTBC Holding and Taiwan Life on October 15, 2015.

## 4. CPA information

### (1) Information of Fees to CPA:

Unit: NT\$, in thousands

Name of accounting firm	CPA name	Audit fee	Non-audit fee				Subtotal	Audit period	Note
			Policy design	Business registration	Human Resources	Others			
KPMG	Jeff Chen								Others refer to checklist for capital increase due to capitalization of retained earnings (\$ 50), tax service fee (\$ 100), opinions for corporate bond issuance (\$ 50), evaluation report on use of corporate bond funds (\$ 50), project service fee (\$ 120), opinion on fee distribution for risk integration information system (\$ 15), and document printing fee (\$ 34).
	Leoufong Yang	3,254	0	330	0	419	749	N/A	

### (2) Changes of CPA:

#### 1) Regarding previous CPA

Date of change	Approved by the Board of Directors on March 31, 2015		
Reason and description of change	Internal organizational changes within the CPA firm itself		
Describe the termination of an appointed person or CPA or refusal to accept appointment	Contracting parties	CPA	Appointed person
	Involved person		
	Proactive termination of appointment	N/A	N/A
	No longer accepts (continue) appointment	N/A	N/A
Evaluation report opinions other than unqualified opinion in the past 2 years and reasons	The auditor has expressed a modified unqualified opinion on offshore structured notes case in 2013 and 2014.		
Dissenting opinion with the company	Yes	Accounting principle or practice	
		Disclosure of financial report	
		Audit scope or steps	
		Others	
		None	
		V	
		Explanation: None	
Additional disclosures	None		

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2) Regarding current CPA

Name of accounting firm	KPMG
CPA name	Jeff Chen, Leoufong Yang
Date of appointment	Approved by the Board of Directors on March 31, 2015
Items and results relating to accounting methods for specific transactions or accounting principles, and consultation of potential opinions in financial reports	None
Written opinions of succeeding CPA different from those of previous CPA	None

- 3) Response of previous CPA to Articles 10.5.1 and 10.5.2.3 of the Financial Holding Company Annual Reports Documentation Guidelines: Not applicable due to internal organizational changes within the CPA firm itself.

**(3) Information of the Chairman, President, financial or accounting manager of the company who had worked for the certifying accounting firm or its affiliated enterprise in the past year: None.**

## IV. Capital Overview

### I. Capital and Shares

#### (1) Source of Capital

##### A. Issued Shares

As of 04/29/2016  
Unit: thousand shares; NT\$ thousands

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Other
08/2015	10	18,000,000	180,000,000	16,493,121	164,931,213	A capital increase of NT\$12,358,398 thousands due to capitalization of retained earnings of Year 2014	Note 1
10/2015	10	23,000,000	230,000,000	18,112,781	181,127,806	A capital increase of NT\$16,196,593 thousands due to swap of shares with Taiwan Life	Note 2
01/2016	10	23,000,000	230,000,000	18,054,781	180,547,806	A capital decrease of NT\$580,000 thousands due to redeem in full CTBC Holding's preferred shares A	Note 3

Note 1 : 2015.07.17- Approved under Letter No. Jin-Guan-Cheng-Fa-1040025978.

Note 2 : 2015.08.27- Approved under Letter No. Jin-Guan-Pao-Shou-10400944720.

Note 3 : 2015.12.31- Approved under Letter No. Jin-Guan-Yin-Kung-10400289300.

##### B. Type of Stock

As of 04/29/2016  
Unit: thousand shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	18,054,781 (Note)	4,945,219	23,000,000	Listed Shares

Note : Issued shares include treasury stock 27,168 thousand shares.

## (2) Shareholders Composition of Common Stocks

As of 04/29/2016  
Unit: share

Status of Shareholders	Government Agencies	Financial Institution	Other Institutional Investors	Foreign Institutional Investors and Foreigners	Individuals	Treasury Stock	Total
Number of Shareholders	9	92	901	1,590	426,787	1	429,380
Shareholding (shares)	6,663,363	2,367,954,589	3,258,883,114	6,746,079,867	5,648,031,629	27,168,003	18,054,780,565
Percentage	0.04%	13.12%	18.05%	37.36%	31.28%	0.15%	100.00%

## (3) Common Shares

(The par value for each share is NT\$10)  
As of 04/29/2016

Class of Shareholding (Unit : Share)			Number of Shareholders	Shareholding (Shares)	Percentage
1	~	999	142,171	30,893,315	0.17%
1,000	~	10,000	201,828	753,141,520	4.17%
10,001	~	20,000	39,108	564,816,219	3.13%
20,001	~	30,000	15,057	370,049,876	2.05%
30,001	~	50,000	12,893	501,433,242	2.78%
50,001	~	100,000	9,808	685,655,685	3.80%
100,001	~	200,000	4,523	623,317,078	3.45%
200,001	~	400,000	2,042	565,643,626	3.13%
400,001	~	600,000	629	308,698,577	1.71%
600,001	~	800,000	265	182,864,287	1.01%
800,001	~	1,000,000	152	136,800,087	0.76%
1,000,001	~	1,200,000	121	132,572,505	0.73%
1,200,001	~	1,400,000	79	102,076,249	0.57%
1,400,001	~	1,600,000	74	110,195,998	0.61%
1,600,001	~	1,800,000	43	72,699,731	0.40%
1,800,001	~	2,000,000	42	79,813,282	0.44%
2,000,001UP			545	12,834,109,288	71.09%
Total			429,380	18,054,780,565	100.00%

**(4) Major Shareholders**(The par value for each share is NT\$10)  
As of 04/29/2016

Holding Shares	Shareholding (shares)	Percentage
Yi Kao Investment Co., Ltd.	517,833,865	2.87%
Mega International Commercial Bank Co., Ltd. Acting as Custodian for the Investment Account of Morgan Stanley Formosa Holdings (Cayman) Limited	469,685,607	2.60%
Nan Shan Life Insurance Co., Ltd.	427,162,981	2.37%
Jeffrey L.S. Koo	386,860,891	2.14%
Government of Singapore	351,121,659	1.94%
Cathay Life Insurance Co., Ltd.	343,472,534	1.90%
Chuan Wei Investment Co., Ltd.	290,588,282	1.61%
Long Bon International Co., Ltd.	282,974,849	1.57%
Bank of Taiwan Co., Ltd.	277,437,432	1.54%
CTBC Bank Trust Account for CTBC Holding Employee Welfare Savings Committee	266,045,545	1.47%

**(5) Market Price, Net Worth, Earnings, and Dividends per share**

Items	Year		2014	2015	01/01/2016-04/29/2016
Market Price per Share (Note 1)	Highest Market Price	Before Adjustment	22.15	24.80	17.20
		After Adjustment	19.76	22.94	-
	Lowest Market Price	Before Adjustment	17.95	16.05	14.50
		After Adjustment	16.01	16.05	-
	Average Market Price	Before Adjustment	20.14	20.44	15.94
		After Adjustment	17.97	18.91	-
Net Worth per Share	Before Distribution		15.03	15.39	15.87(Note6)
	After Distribution		13.16	Note2	Not applicable
Earnings per Share	Weighted-average Shares (thousand shares)		16,494,471	16,817,519	18,027,613(Note6)
	Earnings Per Share (Note 1)	Before Adjustment	2.58	2.10	0.36(Note6)
		After Adjustment	2.39	Note 2	Not applicable

Items		Year	2014	2015	01/01/2016- 04/29/2016
Dividends per Share	Cash Dividends (Note 1)	Before Adjustment	0.81	(Note2)	-
		After Adjustment	0.75	(Note2)	-
	Stock Dividends	Dividends from Retained Earnings	0.81	(Note2)	-
		Dividends from Capital Surplus	-	(Note2)	-
		Accumulated Undistributed Dividends	-	-	-
	Return on Investment	Price / Earnings Ratio (Note 3)	7.52	(Note2)	-
Price / Dividend Ratio (Note 4)		23.96	(Note2)	-	
Cash Dividend Yield Rate (Note 5)		4.17%	(Note2)	-	

Note 1: Calculation has been retroactively adjusted for the capital increase by earnings.

Note 2: Haven't been approved by the 2016 Annual General Shareholders' Meeting, hence non-disclosure.

Note 3: Price / Earnings Ratio = Average Market Price (After Adjustment) / Earnings per Share (After Adjustment)

Note 4: Price / Dividend Ratio = Average Market Price (After Adjustment) / Cash Dividends per Share (After Adjustment)

Note 5: Cash Dividend Yield Rate = Cash Dividends per Share (After Adjustment) / Average Market Price (After Adjustment)

Note 6: The financial data as of Mar. 31, 2016 has not been reviewed by CPA.

## (6) Dividend Policy and Earnings Distribution

Dividend policy and status of execution

### 1) Dividend policy:

In order to a continue growth and to increase profitability as well as to be in line with the provisions of laws, the Company adopts a residual dividend policy.

The fiscal year-end earnings of the Company shall be applied to these uses in the following order: payments of taxes, adjustments per financial and accounting principle, make up of deficit, legal reserve, special reserve by law or reversal, and preferred stock dividends. The remainder shall be applied to the bonus of employees (0.05% of the remainder) and directors (1% of the remainder). After the above-mentioned applications, combined with the beginning retained earnings, 30% to 100% of the balance can be distributed for dividends and bonuses for the shareholders proposed by the Boards of Directors and approved by a shareholders' meeting.

The Board of Directors shall be authorized to establish a procedure for the distribution of bonus to employees. The employees of the subsidiaries, defined by the Company Act, may entitle the bonus when the bonus is paid in stock shares of the Company and the Board of Directors shall be authorized to establish the pertaining procedure.

The earnings distribution is based on cash and stock dividend according to the business plan. However, the cash dividend shall not be less than 10% of the total distributable dividends. The above mentioned cash dividend may be adjusted, for needs of operations, investments, acquisition, and by the amendment of laws, but no less than 1% of the total dividends. The adjustment, if any, shall be proposed by the Board of Directors and approved by a shareholders' meeting. The Company may retain the earnings that are less than NT\$0.1 per share of cash dividend.

According to the Company Act amended in May 2015, employee bonuses and director compensation program is not part of the distribution of profits. The Board of Directors approved amendments of dividend policy in the articles of incorporation in August 2015 and March 2016 that are now pending before shareholders' meeting.

2) Dividend distributions proposed at the most recent shareholders' meeting.

The Board has approved the earnings appropriation proposal for Year 2015. The proposed resolution of dividend distribution approved by the Board is as follows:

- A. It is proposed that total NT\$29,024,456 thousand from retained earnings of Year 2015 will be distributed in cash and in stock according to the record shown in the shareholder book on the distribution record date (Record Date). The dividends are NT\$0.81 per share in cash and NT\$0.8 per share in stock, total common stock dividends NT\$1.61 per share.
- B. In the event of capital raising or reduction, repurchase of the company's shares, or transfer, conversion or cancellation thereof, ESOP conversion into common shares at the request of employees, or disposal of shares by shareholders, which affects the number of outstanding shares on Record Date, the Board shall be authorized to handle relevant matters.

**(7) Impact to 2016 business performance and EPS resulting from the proposal of stock dividend distribution made in the recent shareholders' meeting:**

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

**(8) Information relating to compensation of employees, directors, and supervisors:**

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

Due to the Company Act was amended in May, 2015 that employee and director compensation do not belong to earning distribution, the Company specifically set 0.05% and no more than 0.7% of the Company's pretax income before deduction of employees, directors, and supervisors compensation at the end of the accounting period as employee compensation and as directors and supervisors compensation in the Articles of Incorporation. The above-mentioned amendment was approved by the Board of Directors in August 2015 and March 2016 that are now pending before shareholders' meeting.

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

Due to the Company Act was amended in May, 2015 that employee and director compensation do not belong to earning distribution, the Company amended that estimation of employee, director, and supervisor compensation in 2015 is recognized as current-period expenses based on the Company's pretax income before deduction of employees, directors, and supervisors compensation at the end of the accounting period multiplied by the percentage set by the Company's articles of incorporation. The above-mentioned amendment was approved by the Board of Directors in August 2015 and March 2016 that are now pending before shareholders' meeting. Differences between the actual amount as resolved by the Board of Directors and the original estimates will be accounted for as changes in accounting estimates and recognized as next year's profit or loss.

- 3) Information on any approval by the board of directors of distribution of compensation:
- A. Cash compensation of employee is NT\$17,829 thousand and cash compensation of directors is NT\$249,604 thousand.
  - B. It is proposed that there will be no employee compensation distributed in the form of stock and the percentage of employee stock compensation over stock dividend distributed from earnings is 0%.
  - C. The discrepancy:
    - a. Accrued expense for employee and director compensation are NT\$18,066 thousand and NT\$252,919 thousand respectively. The discrepancy between the actual distribution amount and the accrued expenses for employee and directors compensation are NT\$237 thousand and NT\$3,315 thousand, respectively.
    - b. Reason: The discrepancy is due to the following reason:  
The monthly closing number of pretax income used to estimate accrued expense is different from the audit one.
    - c. Treatment: The difference would be treated as change in accounting estimates of year 2016.
- 4) The actual distribution of employee, director, and supervisor compensation for year 2014 (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated:

Year 2014				
	Distributed with the resolution from the Annual General Shareholders' Meeting	Recognized expense	Difference (Note 1)	Explanation
I. Distribution status :				The difference is due to the following reasons : 1. The number of special reserve used to estimate accrued expense is different from the final one provided to the auditor. 2. The monthly closing number of net income before tax, employee bonus and remuneration to directors used to estimate accrued expense is different from the audit one.
A. Employee bonus distributed in the form of cash				
	NT\$12,496 thousand	NT\$10,697 thousand	NT\$1,799 thousand	
B. Employee bonus distributed in the form of stock				
(1) shares	-	-	-	
(2) amount	-	-	-	
(3) stock price	-	-	-	
C. Compensation to Directors and Supervisors				
	NT\$249,929 thousand	NT\$213,950 thousand	NT\$ 35,979 thousand	

Note 1: The difference would be treated as change in accounting estimates and recognized as profit or loss of year 2015.

## (9) Buyback of Treasury Stock

As of 04/29/2016

Treasury stocks: Batch Order	Ist Batch
Purpose of buy-back	Acquired due to some shareholders contested CTBC Holding acquired Taiwan Life.
Timeframe of buy-back	08/2015
Price range	NT\$21.45 per share
Class, quantity of shares bought back	Common Stock 27,168 thousand shares
Value of shares bought-back	NT\$582,754 thousand
Shares sold/transferred	-
Accumulated number of company shares held	27,168 thousand shares
Percentage of total company shares held (%)	0.15%

## 2. Bonds, Preferred Shares, Global Depository Receipts, Employee Stock Option and New Restricted Employee Shares

### (1) Corporate Bonds

As of 04/29/2016  
Unit: NT\$ thousands

Corporate Bond Type	CTBC Holding 2012-I Subordinated Unsecured Corporate Bond	CTBC Holding 2015-I Senior Unsecured Corporate Bond
Issue date	February 20, 2012	August 3, 2015
Denomination	NT\$10,000	NT\$1,000
Issuing and transaction location	Republic of China Market (TPEX listed)	Republic of China Market (TPEX listed)
Issue price	Issue by denomination	Issue by denomination
Total price	NT\$12,000,000 Tranche A:NT\$9,600,000 Tranche B:NT\$2,400,000	NT\$15,000,000 Tranche A:NT\$3,200,000 Tranche B:NT\$6,300,000 Tranche C:NT\$5,500,000
Coupon rate	The issue coupon rate of Tranche A is fixed rate at 1.66% per annum. The issue coupon rate of Tranche B is fixed rate at 1.80% per annum.	The issue coupon rate of Tranche A is fixed rate at 1.15% per annum. The issue coupon rate of Tranche B is fixed rate at 1.35% per annum. The issue coupon rate of Tranche C is fixed rate at 1.65% per annum.
Tenor	Tranche A: 7 years Maturity: February 20, 2019 Tranche B: 10 years Maturity: February 20, 2022	Tranche A: 3 years Maturity: August 3, 2018 Tranche B: 5 years Maturity: August 3, 2020 Tranche B: 7 years Maturity: August 3, 2022
Subordinated/ Senior Ranking	Subordinated	Senior
Guarantee agency	N/A	N/A
Consignee	Mega International Commercial Bank	Mega International Commercial Bank
Underwriting institution	N/A	N/A
Certified lawyer	HSIENDAI LAW OFFICE : Kuo Hui Chi	TRUE HONESTY INTERNATIONAL LAW OFFICES : Kuo Hui Chi
CPA	KPMG: Chen Fu Wei 、 Yang Leou-Fong	KPMG: Chen Chun Kuang 、 Yang Leou-Fong
Repayment method	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding principal	NT\$12,000,000	NT\$15,000,000
Terms of redemption or advance repayment	None	None

Corporate Bond Type	CTBC Holding 2012-I Subordinated Unsecured Corporate Bond	CTBC Holding 2015-I Senior Unsecured Corporate Bond
Restrictive clause	If the payment of interest or the repayment of principal for the bond causes the financial holding company's group capital adequacy ratio to fall below the minimum requirement, the payment of interest or the repayment of principal shall be temporarily suspended. Interest or the repayment of principal (interests may be accumulated, interests on interest and the repayment of principal rollovers to be calculated at coupon rates) may be paid only when the aforementioned ratio meets the minimum requirement.	Target investors are restricted to professional investors as defined in Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds.
Whether included as eligible capital	Yes	No
Name of credit rating agency, rating date, rating of corporate bonds	Rating agency: Fitch Australia Pty Ltd, Taiwan Branch Rating date: September 25, 2015 Credit rating: A+(tw)(rating of bond)	Rating agency: Fitch Australia Pty Ltd, Taiwan Branch Rating date: September 25, 2015 Credit rating: AA+(tw) (rating of issuer)
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	None
	Issuance and conversion (exchange or subscription) method	None
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity	None	None
Transfer agent	None	None

**Convertible Bonds: None**

**Exchangeable Bonds: None**

**Shelf Registration for Issuing Bonds: None**

**Corporate Bonds with Warrants: None**

**Private placement corporate bonds in the last three years: None**

## (2) Preferred Shares: None

## (3) Global Depository Receipts

As of 04/29/2016

Item	Issue date	January 11, 2005
Issuance and listing	Issuance: Europe, Asia and America Listing: Unlisted	
Total amount	Based on the conversion price of ECB and the GDR unit converted	
Unit issuing price	Based on 20 times the conversion price of ECB	
Units issued	Based on the GDR unit converted	
Source of securities represented	New common shares issued by the Company	
Amount of securities represented	GDR represent a total of 9,561,980 common shares of the company.	
Rights and obligations of GDR holders	<p>Subject to the relevant laws and regulations of the R.O.C. and the Deposit Agreement, major rights and obligations of GDR holders as follows:</p> <ol style="list-style-type: none"> <li>1. Voting Right GDR holders cannot directly exercise their voting right, but still have the right to give instructions to the Depositary for the exercise of any voting rights, subject to the provisions of the Deposit Agreement.</li> <li>2. Withdrawals of Common Shares A holder may request the Depositary to withdraw from the depository receipt facility created by the Deposit Agreement the common shares represented by such Holder's GDRs and either transfer such common shares to such Holder or, on the Holder's behalf, arrange for the sale or cause to be sold such common shares. Upon receipt of any proceeds from any such sale, the Depositary shall, subject to any restrictions imposed by ROC law and regulations, convert or cause to be converted any such proceeds into U.S. dollars and distribute any such proceeds to the Holders entitled thereto after deduction or payment of any fees, expenses, taxes or governmental charges incurred in connection with such sale.</li> <li>3. Distributions on Deposited Securities Subject to the provisions of the Deposit Agreement, to the extent practicable, GDR holders have the same right of dividend distribution with common stock shareholders. In any given year, if the company distribute stock dividend, depository bank will issue new shares or represent GDR holders to sell stock dividend and the proceeds of the sale will be given to GDR holders according to original GDR units' apportionment.</li> <li>4. Pre-emptive rights Subject to the provisions of the Deposit Agreement, to the extent practicable, GDR holder has the same pre-emptive right with common shares holder in the event of capital increases for cash. Depositary provides the right to GDR holders, or represents them to sell the right. Upon receipt of any proceeds from any such sale, the Depositary shall, subject to any restrictions imposed by ROC law and regulations, distribute any such proceeds to the Holders.</li> </ol>	
Trustee	N/A	
Depository bank	JPMorgan Chase Bank	
Custodian bank	JPMorgan Chase Bank, N.A., Taipei Branch	

Item	Issue date	January 11, 2005	
Outstanding balance		There were 478,099 GDR units outstanding as of 04/29/2016, which represented 9,561,980 ordinary shares of the company.	
Treatment of expenses incurred at issuance and thereafter		Except as otherwise provided herein, generally issuing expenses are paid by the Company.	
Important conventions about depository and escrow agreement		Based on the relevant laws and regulations of the R.O.C., the GDR holders have the rights and responsibilities that are stipulated in the Deposit Agreement.	
Market price per unit	2015	Highest	Note
		Lowest	Note
		Average	Note
	Current year to 04/29/2016	Highest	Note
		Lowest	Note
		Average	Note

Note : There is no reference market price for GDR due to unlisted on any stock exchange.

#### (4) Issuance of Employee Stock Option Plan: None.

#### (5) Issuance of New Restricted Employee Shares: None.

#### (6) Information of Other Financial Institutions Acquired or Transferred:

##### 1) Acquisition or transfer of financial institutions in 2015 up to April 29, 2016:

CTBC Holding was permitted by the Board of Directors in May 12, 2015 to acquire 100% of the shares of Taiwan Life through share conversion, exchanging 1 ordinary share of Taiwan Life with 1.44 ordinary shares of CTBC Holding (hereafter referred to as the "share exchange ratio"). Because CTBC Holding obtained the approval of the Board of Directors on July 21, 2015, to organize cash dividend and capital increase using earnings, the share exchange ratio was adjusted to 1.6129 using the formula listed in the share conversion contract between both parties. The share conversion was completed on October 15, 2015. The price adequacy opinion of this share conversion was produced by Ernst & Young Taiwan, which provided the following evaluation: "The reasonable range of stock exchange ratio based on the evaluation record date (December 31, 2014) as evaluated by Ernst & Young Taiwan is approximately 1.10~1.56 of CTBC Holding's ordinary shares in exchange for each ordinary share of Taiwan Life. For this transaction, Ernst & Young Taiwan considers that CTBC Holding's use of 1.44 of its ordinary shares in exchange for every ordinary share of Taiwan Life falls within the range as evaluated above. Therefore, this stock exchange ratio is reasonable. CTBC Holding passed the resolution of the Stockholders' meeting on June 29, 2015 to issue ordinary shares at a cash dividend of NT\$0.81 per share and at a stock dividend of NT\$0.81 per share, distributing a total of NT\$1.62 per share. The Board of Directors of CTBC Holding passed a resolution on July 21, 2015, stipulating August 14, 2015 as the record date for capital increase and cash dividend distribution. Following the consideration for the distribution of stock dividend, the reasonable range of stock exchange ratio is approximately 1.23-1.75 of CTBC Holding's ordinary shares

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in exchange for each ordinary share of Taiwan Life. According to the share conversion contract, CTBC Holding's use of 1.6129 of its ordinary shares in exchange for every ordinary share of Taiwan Life falls within the range as evaluated above. Therefore, this stock exchange ratio is reasonable."

- 2) Merger or acquisition of financial institutions in the last five years:
  - A. CTBC Holding was approved by the Board of Directors on March 28, 2011 to acquire U.S. company Metlife at a purchase price of US\$180 million. The auditing firm responsible for producing the price adequacy opinion was PwC Taiwan, which provided the following evaluation: "Necessary review and evaluation analysis conducted by PwC Taiwan on the data source, evaluation method, assumptions, conclusion of the valuation, and other key considerations adopted for advising the purchase price of the said transaction by using the relevant evaluation data provided by the financial advisor revealed that the adoption is in line with the valuation methods used for the insurance sector in practice. PwC Taiwan considered that the range of purchase price advised by the aforementioned financial advisor serves as a reasonable reference for predicting the purchase price of the said transaction."
  - B. CTBC Holding was approved by the Board of Directors on August 30, 2012 to acquire 98.6% stake in Trustwell Securities Investment Trust Co at a purchase price of NT\$466 million. In addition, CTBC Holding also received the approval of the Board of Directors on March 27, 2013 to purchase the remaining 1.4% share from minority interests of Trustwell Securities Investment Trust at the same price per share. The price adequacy opinion of this acquisition was produced by PwC Taiwan, which provided the following evaluation: "PwC Taiwan conducted necessary review on the business and financial information and transaction background of Trustwell provided by CTBC Holding, using July 13, 2012 as the evaluation record date. Net asset value and market analysis were adopted as the valuation method to analyze the fair value of the equity controlled by Trustwell, using the results as the basis for evaluating the reasonability of the purchase price. According to the review and evaluation analysis, the purchase price of the acquisition fell in the range of fair value of the equity as analyzed by PwC. Therefore, PwC considers that CTBC Holding's acquisition of 98.6% stake in Trustwell at a cash price value of approximately NT\$466 million is reasonable."
  - C. CTBC Holding's subsidiary, CTBC Bank, was approved by the Board of Directors on October 31, 2013 to sign a share purchase contract with the major shareholders of Tokyo Star Bank to purchase 98.16% stake in Tokyo Star Bank at JPY 52 billion. The acquisition of The Tokyo Star Bank was approved on December 20, 2013 at CTBC Holding's extraordinary shareholder meeting. In addition, CTBC Bank received the approval of the Board of Directors on December 26, 2013, to purchase the remaining 1.84% share from minority interests of The Tokyo Star Bank at the same price per share, for a total of approximately JPY 970 million. In Total, CTBC Bank acquired 100% of the shares of The Tokyo Star Bank at a purchase price of approximately JPY 52.97 billion (about NT\$15.89 billion). The price adequacy opinion of this acquisition was produced by PwC Taiwan, which provided the following evaluation: "Necessary review and analysis conducted by PwC Taiwan on the evaluation method, assumptions, conclusion of the valuation, and other key factors adopted for evaluating the purchase price and share value of the potential acquisition of The Tokyo Star Bank by using relevant evaluation data. Moreover, various latent risks that may influence the transaction price were

evaluated and analyzed. Based on the aforementioned review analysis results, PwC considers that the JPY 52 billion estimated by CTBC Holding to purchase The Tokyo Star Bank is reasonable."

- D. Approved by the Board of Directors on July 31, 2013, CTBC Life handled the operation matters, assets, and liabilities of Manulife Taiwan and completed acquisition on January 1, 2014. The transaction price was based on the overall value of Manulife (NT\$720 million); excluding the reserved asset to the value of NT\$840 million, Manulife required to pay CTBC Life a value of NT\$120 million. In addition, the changes in the designated net value between the evaluation record date and the settlement date were used the basis for price adjustment. The price adequacy opinion of this acquisition was produced by PwC Taiwan, which provided the following evaluation: "Necessary review and evaluation analysis conducted by PwC Taiwan on the data source, evaluation method, assumptions, conclusion of the valuation, and other key considerations adopted for determining the purchase price and the embedded value referenced for the potential transaction by using relevant evaluation data. Moreover, valuation method used in the insurance sector in practice was employed to evaluate the purchase price of the potential transaction. PwC considers that having the seller pay NT\$122 million based on the evaluation record date and the conclusion drawn for the aforementioned review, and considering the adjusted net value as a reference for estimating the purchase price of the potential transaction is reasonable."

- 3) Fundamental information of any financial institutions that the Board of Directors had resolved to merge or acquire through new share issuance in 2015 up to April 29, 2016:

To solidify its presence in Asia, CTBC Bank was approved by the Board of Directors on May 26, 2015 to acquire 100% of the share of China CITIC Bank International at RMB 2.353 billion. This acquisition took effect following the approval of the competent authorities in the two straits.

To expand its business, the Board of Directors on March 29, 2016 to sign a memorandum of understanding with LH Financial Group Public Company Limited (LHFG) to acquire 7.545 billion shares private equity issued by LHFG at a transaction price of THB 16.6 billion. Following this transaction, CTBC Bank will hold 35.6% of LHFG's shares. After the MOU for this transaction is signed, a due diligence will be conducted, after which both parties will sign an official contract, and the transaction is deemed completed after approval from relevant competent authorities is obtained.

To extend its presence in Asia, CTBC Bank and Taiwan Life jointly acquired 100% stake in The Royal Bank of Scotland Berhad as approved by the Board of Directors on April 15, 2016 at a purchase price of MYR 739.9 million (equivalent to US\$ 189.7 million). Both parties signed the Implementation Agreement. It is expected that CTBC Bank will hold 51% of the shares, and Taiwan Life will hold 49% of the share. This transaction is awaiting approval from the competent authorities of both parties.

### Basic Information of Other Financial Institutions Acquired or Transferred

Name of financial institution	CITIC Bank International (China) Limited Note 1	LH Financial Group Public Company Limited Note 2	The Royal Bank of Scotland Berhad Note 3	
Address of financial institution	Units 601-602, 6F and Units 1101-1103, 11F, China Resources Building, No. 5001, Shennan East Road, Luo Hu District, Shenzhen City	Head Office: 1 Q.House Lumpini Building, 5th Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120	Level 9 Menara Maxis Kuala Lumpur City Centre Kuala Lumpur 50088 Malaysia	
Legal Representative	Hsiao-Wei Chang	Chairman: Anant Asavabhokhin	CEO: Andrew Sill	
Paid-in capital	RMB 1 billion	THB 13.639 billion	MYR 343 million	
Primary scope of business	Deposits and loans	Deposits and loans	Deposits and loans	
Key Products	Deposits and loans	Deposits and loans	Deposits and loans	
Financial information for the most recent year	Total assets	RMB 12,621 million	THB 199,667 million	MYR 4,482 million
	Total liabilities	RMB 11,176 million	THB 181,716 million	MYR 3,703 million
	Total shareholders' equity	RMB 1,445 million	THB 17,951 million	MYR 779 million
	Operating income	RMB 317 million	Note 5	MYR 72 million
	Operating margin	Note 4	Note 5	Note 4
	Operating income (loss)	RMB 195 million	THB 3,143 million	Note 6
	Current profit and loss	RMB 143 million	THB 1,652 million	MYR 35 million
	Earnings per share	1.43	0.1211	10.19

Note 1: Financial information for the most recent year was the financial statement for December 31, 2014.

Note 2: Financial information for the most recent year was the financial statement for December 31, 2015.

Note 3: Financial information for the most recent year was the financial statement for September 30, 2015.

Note 4: Banking industries were subjected to local financial report regulations and therefore no operating margin is categorized.

Note 5: Banking industries were subjected to local financial report regulations and therefore no operating margin and operating revenue were categorized.

Note 6: Operating income (loss) was expressed in terms of pre-tax profit and loss including bad debt expenses.

### 3. Implementation of the Capital Utilization Plans:

(1) For the period as of the quarter preceding the date of printing of the annual report, public issue or private placement of securities have not been completed: **None.**

(2) To such issues and placements that were completed in most recent three years but have not yet fully yielded the planned benefits: **None.**

# V. Operational Highlights

## I. Business Activities

### (1) CTBC Financial Holding Co., Ltd.

#### 1) Business Activities

CTBC Holding is a financial holding company; it is entitled to invest in banking, bills financing, credit card, trust, insurance, securities, futures, venture investment, securities investment trust, foreign financial institution, and other finance-related activities approved by the authority.

#### 2) Primary Subsidiaries

CTBC Bank, Taiwan Life, CTBC Securities, CTBC Venture Capital, CTBC AMC, CTBC Investments, CTBC Security, and Taiwan Lottery.

#### 3) Revenue Breakdown

Unit: NT\$ million

Revenue Source	Amount	%
Investment Income Under Equity Method	36,531	99.67
Other Revenue	120	0.33
Total	36,651	100.00

### (2) CTBC Bank Co., Ltd.

#### 1) Business Activities

##### A. Institutional Banking

##### a. Commercial Banking

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

##### b. Capital Markets

Providing tailored solutions to meet clients' financial requirements. These services include syndication lending, structured finance, and financial advisory services, etc. Offering wide-ranged foreign exchange and derivative products to fulfill clients' hedging or financing needs, and specializing in structured product design and proprietary trading as well.

##### B. Retail Banking

##### a. Wealth management

Providing target customer groups with financial planning, asset allocation planning and advisory services, as well as acquisition of a variety of financial products.

##### b. Secured Lending

Providing individuals with a variety of residential mortgage services (including home mortgages, refinancing, installment loans, policy-based loans, and financial planning mortgages) and offering repurchase agreements to targeted corporate customers.

### C. Payment Services

#### a. Credit card and payment services

(a). Credit Cards: Providing issuing and acquiring services for credit cards, stored value cards, and debit cards.

(b). New payment method: Developing e-wallet, third-party payment service provider (PSP), fee payment, and cross-border transaction platform services.

#### b. Unsecured Lending

Extending various unsecured personal loans (including unsecured term loans and revolving loans).

### D. Japan business

#### a. Japan institutional service

Providing customers with comprehensive, specialized, and cross-border financial services, including loans, cash management, trade financing, and international trade services; providing tailored solutions to meet clients' financial requirements. These services include syndication lending, hedging transaction, and structured finance.

#### b. Japan retail service

Providing personal current and time deposits, loans, and domestic and foreign currency exchange, and offering banking services to target customers, including financial planning and purchasing of funds and insurance financial products.

## 2) Revenue Breakdown

Unit: NT\$ million

Revenue Source	Amount	%
Institutional Banking	29,069	31.44
Retail Banking (Note 2)	38,117	41.23
Japan business	13,612	14.72
Other businesses	11,652	12.61
Total	92,450	100.00

Note 1: Bank consolidated basis.

Note 2: Including payment and insurance broker services.

## 3) New financial products and services in future project development

### A. Institutional Banking

a. Refine automated trading platform and maintain a diversity of innovative services.

b. Continue to develop new financial trading products and services, and offer innovative services that focus on commercial banking products such as cash management, trade financing, and institutional trusts.

c. Enhance offshore PB investment products and financial platform.

d. Optimize SME product combinations and service efficiency.

- B. Retail Banking
  - a. Wealth Management
    - (a). Continue to refine various investment market research and portfolio management platform and improve financial advisory service models to fulfill customers' advisory needs.
    - (b). Develop integrated household planning service and strengthen high net worth customer management.
    - (c). Develop innovative and customized products and services to fulfill different customer.
  - b. Secured Lending
    - (a). Determine customer lending demands to provide a variety of loan services that meet customer needs.
    - (b). Capitalize on the geographical advantage of bank branches and build a friendly professional operational platform for SMEs.
  - c. E-banking
    - (a). Continue to refine online/mobile banking platform development, respond to policy implementations, and increase online service functions.
    - (b). Integrate the advantages of recycle ATM, which is a multifunctional ATM placed in convenient stores, to fulfill customers' need to make deposits, transfers, and transactions, thereby increasing customer accessibility.
- C. Payment Services
  - a. Credit card and payment services
    - (a). Support policy implementations and new technological applications and incorporate digital procedures and intelligent services in credit card value chain to elevate customer satisfaction.
    - (b). Form alliances with payment companies, rapidly introduce different payment methods, and provide integrated cash flow services to nurture a long-term interactive relationship.
    - (c). Develop e-commerce banking and cross-border services through strategic alliances.
  - b. Unsecured Lending
    - Continue to develop new products, marketing practices, sales channels, and simplified document application procedures according to changes in purchasing behavior, ways of living, and technological development.
- D. Japan business
  - a. Japan institutional service
    - Establish cross-border financial products and services in response to the continual growth of Japan overseas investment operations; concurrently, strengthen the link between Japan business and overseas branches to meet customers' demand for cross-border business expansion.
  - b. Japan retail service
    - (a). Continue to diversify product varieties for target groups and refine financial advisory services to fulfill customer requirements.
    - (b). Continue to refine Internet/mobile banking platform and elevate customer accessibility.

### (3) Taiwan Life Insurance Co. Ltd.

#### 1) Business Activities

Taiwan Life provides life insurance products. Its products are primarily marketed through banking, insurance broker, sales personnel and direct means. Insurance applications are required to undergo approval procedures before they are underwritten to insurers.

#### 2) Revenue Breakdown

Unit: NT\$ million

Revenue Source	Amount	%
Life insurance	167,205	87.32
Health insurance	11,199	5.85
Accident insurance	1,509	0.79
Annuity insurance	11,575	6.04
Total	191,488	100.00

Note: The table provides the sum of the amounts for CTBC Life and Taiwan Life in 2015.

#### 3) New financial products and services in future project development

- A. Optimizing and developing innovative insurance products so that the products can more closely meet customer needs; creating company value.
- B. Constantly developing and refining multi-channel customer service platform including expanding the range of network and mobile device services.

### (4) CTBC Securities Co., Ltd.

#### 1) Business Activities

##### A. Underwriting

The services mainly involve IPO and M&A counseling for TSEC, GTSM, and Emerging Stock Market listed companies and prospects. The company assists them in raising capital, which in turn provides liquidity to the capital market and accelerates economic development.

##### B. Financial consultation services

The company assists local and foreign customers in executing mergers, acquisitions, and sourcing financiers, and promotes its expertise as a cross-border financial consultant.

##### C. Securities brokerage

This service mainly involves executing consigned trade orders of TSEC, GTSM and Emerging Stock Market listed securities, and offering of margin trading services, in addition to money lending in connection with securities business.

##### D. Re-consignment services

This service involves executing investors' trade orders for securities listed in U.S. and Hong Kong markets.

## E. Futures brokerage

This service involves accepting investors' trade orders for futures and options.

## F. Proprietary trading

Business activities include securities trading in stock exchange market and over-the-counter, development and underwriting of conditional bond trading services, exchange of convertible/exchangeable corporate bonds, operation of futures and options in domestic and foreign futures exchange, and other proprietary-related business approved by competent authorities.

## G. Options issuance

Issuance and hedging of call (put) options and callable bull/bear contracts and other authority-approved derivative transactions.

## H. E-Commerce

Planning and designing of e-platform services and manage customer groups that prefer digital sales channel.

## 2) Revenue Breakdown

Unit: NT\$ million

Revenue Source	Amount	%
Brokerage	455	36.49
Futures	54	4.33
Proprietary	568	45.55
Underwriting	170	13.63
Total	1,247	100.00

#### (5) CTBC Venture Capital Co., Ltd.

- 1) Business Activities: Seek long-term holdings in companies yet to list on the TSEC or GreTai Securities Market.
- 2) Revenue Breakdown  
Total investment of NT\$ 3.128 billion; a summary of the company's portfolio, classified by industry is provided below:

Unit: NT\$ million

Revenue Source	Amount	%
Information Technology-Software and Hardware	677	21.64
Culture and Creativity industry	381	12.18
Consumer industry	240	7.67
Biotech Industry	537	17.17
Green energy-saving industry	115	3.68
Conventional and other industries	1,178	37.66
Total	3,128	100.00

#### (6) CTBC Asset Management Co., Ltd.

- 1) Business Activities
  - A. Acquisition of debts from financial institutions.
  - B. Sale of debts owned by financial institutions.
  - C. Management of debts owned by financial institutions.
  - D. Evaluation of debts.
  - E. Provision of advances for urban renewal projects.
  - F. Acceptance of consignment from CTBC affiliates to rent, sell, or manage and maintain real estates and implementation of urban renewal projects.
  - G. Investment in financial leasing businesses in China.

## 2) Revenue Breakdown

CTBC AMC is involved in acquiring non-performing loans from local financial institutions, whereas its 100%-owned Hong Kong subsidiary - CTBC International Co., Limited (founded in April 2012), primarily invests in Chinese leasing businesses. CTBC AMC currently has a 100%-owned subsidiary named CTBC Leasing in China.

Unit: NT\$ million

Revenue Source	Amount	%
Gain on disposal of non-performing assets	19	6.31
Interest revenue	533	177.08
Other gains/losses	(251)	(83.39)
Total	301	100.00

**(7) CTBC Investments Co., Ltd.**

## 1) Business Activities

The company's main services include securities investment trust, discretionary investment, foreign agency services, and other business activities approved by the authority. By the end of December 2015, the company had \$50.6 billion of assets under management. In future, the company will continue focusing on the design and offering of fixed income products, and market them primarily through custodian banks and channels within the financial holding group.

## 2) Revenue Breakdown

Unit: NT\$ million

Revenue Source	Amount	%
Management fee income	148	98.54
Commission income	2	1.46
Total	150	100.00

**(8) CTBC Security Co., Ltd.**

## 1) Business Activities

## A. Stationed security

## a. Banking security services

b. Security services at office buildings, business premises, and community residences.

## B. Provides consultative services on anti-theft, fire safety, and disaster prevention issues.

## 2) Revenue Breakdown

Unit: NT\$ million

Revenue Source	Amount	%
Stationed security at office buildings and communities	55	26.07
Banking security services	156	73.93
Total	211	100.00

## (9) Taiwan Lottery Corporation

### 1) Business Activities

Taiwan Lottery is mainly involved in the issuance, sale, marketing, redemption and management of lottery for CTBC Bank.

### 2) Revenue Breakdown

Unit: NT\$ million

Revenue Source	Amount	%
Lottery service income	2,134	100.00

## 2. Human Resources

YEAR		2015.12.31		2014.12.31	
CTBC Financial Holding Co., Ltd					
Number of Employees		26		30	
Average Age (Years Old)		41.2		39.5	
Average Tenure of Employment (Years)		2.8		2.72	
		Employee Count	Percentage	Employee Count	Percentage
Education	Graduate School or Higher	19	73.1%	21	70.0%
	University and College	7	26.9%	9	30.0%
CTBC Bank Co., Ltd					
Number of Employees		10,708		10,248	
Average Age (Years Old)		37.8		37.41	
Average Tenure of Employment (Years)		9.2		8.99	
		Employee Count	Percentage	Employee Count	Percentage
Education	Graduate School or Higher	2,326	21.7%	2,149	20.97%
	University and College	7,441	69.5%	7,221	70.46%
	Senior High School	881	8.2%	801	7.82%
	Below Senior High School	60	0.6%	77	0.75%
CTBC Securities Co., Ltd					
Number of Employees		470		461	
Average Age (Years Old)		38.9		38.66	
Average Tenure of Employment (Years)		6.6		6.62	
		Employee Count	Percentage	Employee Count	Percentage
Education	Graduate School or Higher	101	21.5%	104	22.56%
	University and College	330	70.2%	318	68.98%
	Senior High School	37	7.9%	39	8.46%
	Below Senior High School	2	0.4%	0	0%
CTBC Insurance Brokers Co., Ltd.					
Number of Employees		Note I		238	
Average Age (Years Old)		-		39.71	
Average Tenure of Employment (Years)		-		4.15	
		Employee Count	Percentage	Employee Count	Percentage
Education	Graduate School or Higher	-	-	10	4.20%
	University and College	-	-	149	62.61%
	Below Senior High School	-	-	79	33.19%

YEAR		2015.12.31		2014.12.31	
CTBC Security Co., Ltd.					
Number of Employees		343		322	
Average Age (Years Old)		38.85		38.7	
Average Tenure of Employment (Years)		6.51		6.6	
		Employee Count	Percentage	Employee Count	Percentage
Education	Graduate School or Higher	1	0.29%	2	0.62%
	University and College	164	47.82%	149	46.27%
	Senior High School	176	51.31%	169	52.49%
	Below Senior High School	2	0.58%	2	0.62%
Taiwan Lottery Corporation.					
Number of Employees		195		184	
Average Age (Years Old)		37.9		37.78	
Average Tenure of Employment (Years)		6.5		6.07	
		Employee Count	Percentage	Employee Count	Percentage
Education	Graduate School or Higher	29	14.9%	25	13.59%
	University and College	157	80.5%	150	81.52%
	Senior High School	9	4.6%	9	4.89%
CTBC Life Insurance Co., Ltd.					
Number of Employees		3,431		2,674	
Average Age (Years Old)		39.13		39.63	
Average Tenure of Employment (Years)		3.17		3.42	
		Employee Count	Percentage	Employee Count	Percentage
Education	Graduate School or Higher	237	6.9%	202	7.48%
	University and College	2,160	62.96%	1,741	65.14%
	Senior High School	1,024	29.85%	719	26.93%
	Below Senior High School	10	0.29%	12	0.45%
CTBC Venture Capital Co., Ltd.					
Number of Employees		28		26	
Average Age (Years Old)		39.5		37.96	
Average Tenure of Employment (Years)		2.5		2	
		Employee Count	Percentage	Employee Count	Percentage
Education	Graduate School or Higher	23	82.1%	22	84.62%
	University and College	5	17.9%	4	15.38%
	Senior High School	0	0%	0	0%

YEAR		2015.12.31		2014.12.31	
CTBC Asset Management Co., Ltd.					
Number of Employees		Note2		Note2	
Average Age (Years Old)		-		-	
Average Tenure of Employment (Years)		-		-	
Education		Employee Count	Percentage	Employee Count	Percentage
University and College		-	-	-	-
CTBC Securities Investment Trust Co., Ltd					
Number of Employees		81		67	
Average Age (Years Old)		38.5		38.88	
Average Tenure of Employment (Years)		2.3		3.08	
Education		Employee Count	Percentage	Employee Count	Percentage
Graduate School or Higher		30	37.0%	27	40.3%
University and College		49	60.5%	40	59.7%
Senior High School		2	2.5%	0	0%
TaiwanLife Insurance Co., Ltd.					
Number of Employees		7,364		Note3	
Average Age (Years Old)		41.9		-	
Average Tenure of Employment (Years)		6.14		-	
Education		Employee Count	Percentage	Employee Count	Percentage
Graduate School or Higher		377	5.12%	-	-
University and College		4,121	55.96%	-	-
Senior High School		2,694	36.58%	-	-
Below Senior High School		172	2.34%	-	-

Note1: CTBC Insurance Brokers merged with CTBC Bank as of November 30, 2015.

Note2: CTBC AMC employees were included in the number of CTBC Bank employees.

Note3: Taiwan Life formally became 100% shareholding subsidiary of CTBC Holding on October 15, 2015, and CTBC Life and Taiwan Life merged on January 1, 2016, making Taiwan Life a surviving company.

### 3. Corporate Social Responsibility

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

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

### **(1) Corporate governance**

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

### **(2) Client relations**

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

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

### **(3) Employee care**

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

### **(4) Environmental protection**

Before the Paris Agreement in 2015, CTBC had already taken the initiative to reduce its carbon emissions. With the help of the Taiwan Green Productivity Foundation, CTBC became certified to ISO 50001 for energy management in July 2012. In December of the same year, CTBC became the first financial institution in Taiwan to earn SGS Taiwan certification. Resources were compiled in 2015 in preparation for our energy management plan which aims to lower our electricity use by 6% (780,000 kWh) and reduce CO<sub>2</sub> emissions by 407.16 tons (equivalent to afforestation of an area 1.05 times the size of Daan Park) over the next three years. Our efforts between 2012 and 2015 have already surpassed our original goals over two-fold.

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

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

### **(5) Social participation**

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

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

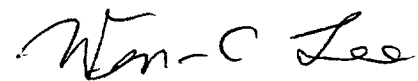
## VI. Financial Information

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### I. The Audit Committee's Report

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

CTBC Financial Holding Co., Ltd.  
Audit Committee Convener



Wen-Chih Lee  
Taipei, Taiwan, R.O.C  
May 20, 2016

## 2. Independent Auditors' Report

The Board of Directors  
CTBC Financial Holding Co., Ltd.

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

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

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

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

The logo for KPMG, consisting of the letters 'KPMG' in a stylized, handwritten font.

Taipei, Taiwan, R.O.C.

March 29, 2016

### Notice to Readers

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

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

## CTBC FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

### 3. CONSOLIDATED BALANCE SHEETS

December 31, 2015 and 2014

ASSETS	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
Cash and cash equivalents (Note 4 and 6(A))	\$ 114,274,285	2	133,647,130	4
Due from Central Bank and call loans to banks (Note 6(B) and 8)	402,006,003	9	274,292,402	8
Financial assets measured at fair value through profit or loss (Note 4, 6(C) and (V))	156,618,285	3	118,298,731	3
Available-for-sale financial assets — net (Note 4, 6(D) and (V), 8 and 9(A))	658,449,447	14	683,051,006	19
Derivative financial assets — hedging — net (Note 4 and 6(E))	107,526	-	1,499,486	-
Securities purchased under reverse repurchase agreements (Note 4 and 6(F))	12,429,243	-	3,835,902	-
Receivables — net (Note 4, 6(G) and (J), 7 and 8)	167,982,197	4	189,440,011	6
Current income tax assets (Note 4)	2,225,770	-	1,689,188	-
Assets held for sale — net (Note 4 and 6(H))	-	-	6,323,343	-
Loans — net (Note 4, 6(I) and (J), and 7)	2,080,161,690	46	1,838,176,291	50
Reinsurance assets — net (Note 4 and 6(K))	3,613,292	-	306,946	-
Held-to-maturity financial assets — net (Note 4, 6(L), (M) and (V), and 8)	224,773,310	5	110,975,819	3
Investments under equity method—net (Note 4 and 6(N))	16,320,924	-	2,073,119	-
Other financial assets — net (Note 4, 6(J), (O) and (AP), and 8)	573,190,852	13	185,574,704	5
Investment property — net (Note 4 and 6(P))	23,977,131	1	6,552,700	-
Premises and equipment — net (Note 4 and 6(Q))	64,494,739	1	43,379,476	1
Intangible assets — net (Note 4, 6(R) and 12(N))	23,284,911	1	16,992,508	-
Deferred income tax assets (Note 4 and 6(AG))	11,033,621	-	9,526,337	-
Other assets — net (Note 4, 6(S) and 8)	61,283,528	1	29,044,965	1
<b>TOTAL ASSETS</b>	<b>\$ 4,596,226,754</b>	<b>100</b>	<b>3,654,680,064</b>	<b>100</b>

(Expressed In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
Liabilities:				
Deposits from Central Bank and other banks (Note 6(T))	\$ 45,634,274	1	49,934,428	1
Due to Central Bank and other banks (Note 6(U))	27,925,966	1	59,135,084	2
Financial liabilities measured at fair value through profit or loss (Note 4 and 6(C))	133,194,426	3	95,292,577	3
Derivative financial liabilities — hedging (Note 4 and 6(E))	441,428	-	916,322	-
Securities sold under repurchase agreements (Note 4, 6(V) and 7)	58,259,113	1	65,002,821	2
Commercial paper payable — net (Note 6(W) and 7)	11,693,753	-	7,115,881	-
Payables (Note 6(X) and 7)	69,748,378	2	81,989,932	3
Current income tax liabilities (Note 4)	3,635,535	-	4,467,017	-
Deposits and remittances (Note 6(Y) and 7)	2,699,802,159	60	2,410,679,548	66
Bonds payable (Note 6(C), (E) and (AA))	109,220,573	2	110,457,298	3
Preferred stock liabilities (Note 4 and 6(Z))	2,030,000	-	-	-
Provisions (Note 4, 6(AB), (AD) and (AF))	940,212,902	20	329,775,602	9
Other financial liabilities (Note 4, 6(AC) and (AP))	204,158,705	4	199,905,462	5
Deferred income tax liabilities (Note 4 and 6(AG))	2,196,953	-	1,784,842	-
Other liabilities (Note 6(AD))	10,478,343	-	8,783,852	-
Total liabilities	4,318,632,508	94	3,425,240,666	94
Stockholders' equity - parent company:				
Capital stock:				
Common stock (Note 6(AI))	180,547,806	4	152,572,815	4
Capital surplus (Note 6(AI))	36,654,760	1	23,845,351	1
Retained earnings:				
Legal reserve	14,180,457	-	10,236,758	-
Special reserve	19,692,303	-	9,191,902	-
Undistributed earnings (Note 6(AJ))	34,941,972	1	39,238,646	1
Other equity interest (Note 6(AI))	(7,927,403)	-	(5,732,712)	-
Treasury stock (Note 4 and 6(AI))	(582,754)	-	-	-
Non-controlling interest	87,105	-	86,638	-
Total equity	277,594,246	6	229,439,398	6
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 4,596,226,754</b>	<b>100</b>	<b>3,654,680,064</b>	<b>100</b>

## CTBC FINANCIAL HOLDING CO., LTD.AND SUBSIDIARIES

### 4. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For The Year Ended December 31, 2015 And 2014

	For the year ended December 31					
	2015		2014		Change %	
	Amount	%	Change	%		
Interest income (Note 6(AM))	\$ 80,541,643	37	67,442,151	33	19	
Less: Interest expenses (Note 6(AM))	(21,389,532)	(10)	(20,880,860)	(10)	2	
Net interest income (Note 6(AM))	59,152,111	27	46,561,291	23	27	
Non-Interest income						
Service fee and commission income (Note 6(AN))	25,551,640	12	22,484,813	11	14	
Net insurance income (Note 6(AO))	112,736,151	52	105,653,900	52	7	
Gains on financial assets or liabilities measured at fair value through profit or loss (Note 6(AP))	5,720,557	3	8,922,345	4	(36)	
Gains on investment properties	56,469	-	4,708	-	1,099	
Realized gains on available-for-sale financial assets (Note 6(AI))	5,503,314	3	5,262,394	3	5	
Realized gains on held-to-maturity financial assets	409	-	67,073	-	(99)	
Foreign exchange gains(losses)	1,079,439	3	(897,655)	-	220	
Impairment loss(Note 6(O))	(902,178)	-	(66,099)	-	1,265	
Proportionate share of gains (losses) from associates or joint ventures under equity method (Note 6(N))	74,167	1	(11,428)	-	749	
Gains on disposal of property — assets as held for sale (Note 13(A))	10,229,800	5	-	-	-	
Losses on retirement of assets	(3,071,131)	(1)	-	-	-	
Other net non-interest income	2,141,179	1	1,128,226	1	90	
Gain from a bargain purchase (Note 12(N) and (O))	-	-	15,017,119	7	(100)	
Public-welfare lottery payment	(2,700,000)	(1)	(2,700,000)	(1)	-	
Net Revenue	215,571,927	102	201,426,687	100	7	
Provisions for bad debt expenses and guarantee reserve (Note 6(J))	(1,504,991)	1	(3,644,750)	(2)	(59)	
Net changes in insurance liability reserve (Note 6(AR))	(117,725,465)	(55)	(104,063,750)	(52)	13	
Operating expenses:						
Employee benefits expenses (Note 6(AS))	(29,293,524)	(14)	(26,826,683)	(13)	9	
Depreciation and amortization expenses (Note 6(AT))	(3,138,400)	(1)	(2,191,849)	(1)	43	
Other general and administrative expenses (Note 6(AV))	(22,859,226)	(11)	(19,538,441)	(10)	17	
Total operating expenses	(55,291,150)	(26)	(48,556,973)	(24)	14	
Net Income Before Tax from Continuing Operations	41,050,321	20	45,161,214	22	(9)	
Income tax expenses (Note 6(AG))	(5,648,279)	(3)	(5,717,634)	(3)	(1)	
Net Income	35,402,042	17	39,443,580	19	(10)	

(Expressed In Thousands of New Taiwan Dollars)

	For the year ended December 31				
	2015 Amount	%	2014 Change %	%	Change %
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement losses related to defined benefit plans	(636,502)	-	(304,687)	-	(109)
Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	1,150,729	1	464,012	-	148
Proportionate share of other comprehensive income from associates or joint ventures under the equity method-items that will not be reclassified to profit or loss	(2,119)	-	-	-	-
Income tax related to items that will not be reclassified to profit or loss	106,941	-	57,810	-	85
Subtotal	619,049	1	217,135	-	185
Items that are or may be reclassified subsequently to profit or loss					
Exchange differences of overseas subsidiaries' financial reports translation	1,942,611	1	495,747	-	292
Unrealized valuation losses on available-for-sale financial assets	(6,427,914)	(3)	2,388,355	1	(369)
Proportionate share of other comprehensive income from associates or joint ventures under the equity method-items that are or may be reclassified to profit or loss	112,130	-	45,772	-	145
Income tax related to items that are or may be reclassified to profit or loss	1,022,080	-	(407,325)	-	351
Subtotal	(3,351,093)	(2)	2,522,549	1	(233)
Other comprehensive income (net amount after tax)	(2,732,044)	(1)	2,739,684	1	(200)
Total Comprehensive Income	\$ 32,669,998	16	42,183,264	20	(23)
Net Income Attributable to:					
Parent company	\$ 35,397,576	17	39,437,007	19	(10)
Non-controlling interest	4,466	-	6,573	-	(32)
	\$ 35,402,042	17	39,443,580	19	
Comprehensive Income Attributable to:					
Parent company	\$ 32,669,531	16	42,173,277	20	(23)
Non-controlling interest	467	-	9,987	-	(95)
	\$ 32,669,998	16	42,183,264	20	
Earnings per share (unit: NT Dollars) (Note 6(AL))	\$ 2.10		2.39		

## CTBC FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

### 5. CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For The Year Ended December 31, 2015 And 2014

	<u>Capital stock</u>		<u>Retained earnings</u>		
	<u>Common stock</u>	<u>Capital surplus</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Undistributed earnings</u>
Balance—January 1, 2014	\$ 147,129,560	23,845,094	8,408,223	3,818,035	18,285,348
Net income	-	-	-	-	39,437,007
Other comprehensive income	-	-	-	-	(247,682)
Total comprehensive income	-	-	-	-	39,189,325
Appropriation and distribution of retained earnings (Note):					
Legal reserve appropriated	-	-	1,828,535	-	(1,828,535)
Special reserve appropriated	-	-	-	5,373,867	(5,373,867)
Cash dividends-common stock	-	-	-	-	(5,590,370)
Stock dividends-common stock	5,443,255	-	-	-	(5,443,255)
Changes in other capital surplus	-	257	-	-	-
Changes in non-controlling interests	-	-	-	-	-
Balance—December 31, 2014	152,572,815	23,845,351	10,236,758	9,191,902	39,238,646
Net income	-	-	-	-	35,397,576
Other comprehensive income	-	-	-	-	(533,354)
Total comprehensive income	-	-	-	-	34,864,222
Appropriation and distribution of retained earnings:					
Legal reserve appropriated	-	-	3,943,699	-	(3,943,699)
Special reserve appropriated	-	-	-	13,484,353	(13,484,353)
Cash dividends-common stock	-	-	-	-	(12,358,398)
Stock dividends-common stock	12,358,398	-	-	-	(12,358,398)
Reversal of special reserve	-	-	-	(2,983,952)	2,983,952
Changes in other capital surplus	-	3,803	-	-	-
Shares issued for pursuant to acquisitions	15,616,593	12,805,606	-	-	-
Repurchase of treasury stock	-	-	-	-	-
Balance—December 31, 2015	\$ 180,547,806	36,654,760	14,180,457	19,692,303	34,941,972

(Expressed In Thousands of New Taiwan Dollars)

<b>Stockholders' Equity - Parent company</b>							
<b>Other equity interest</b>							
Exchange differences of overseas subsidiaries' financial reports translation	Unrealized (losses) gains on available-for-sale financial assets	Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	Others	Treasury stock	Stockholders' equity-parent company	Non-controlling interest	Total equity
(4,075,590)	(4,636,589)	-	(4,485)	-	192,769,596	76,733	192,846,329
-	-	-	-	-	39,437,007	6,573	39,443,580
611,829	1,905,267	464,012	2,844	-	2,736,270	3,414	2,739,684
611,829	1,905,267	464,012	2,844	-	42,173,277	9,987	42,183,264
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	(5,590,370)	-	(5,590,370)
-	-	-	-	-	-	-	-
-	-	-	-	-	257	-	257
-	-	-	-	-	-	(82)	(82)
(3,463,761)	(2,731,322)	464,012	(1,641)	-	229,352,760	86,638	229,439,398
-	-	-	-	-	35,397,576	4,466	35,402,042
1,849,712	(5,196,773)	1,150,729	1,641	-	(2,728,045)	(3,999)	(2,732,044)
1,849,712	(5,196,773)	1,150,729	1,641	-	32,669,531	467	32,669,998
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	(12,358,398)	-	(12,358,398)
-	-	-	-	-	-	-	-
-	-	-	-	-	3,803	-	3,803
-	-	-	-	-	28,422,199	-	28,422,199
-	-	-	-	(582,754)	(582,754)	-	(582,754)
(1,614,049)	(7,928,095)	1,614,741	-	(582,754)	277,507,141	87,105	277,594,246

## CTBC FINANCIAL HOLDING CO., LTD.AND SUBSIDIARIES

### 6. CONSOLIDATED STATEMENTS OF CASH FLOWS

For The Year Ended December 31, 2015 And 2014

	For the year ended December 31	
	2015	2014
Cash Flows from Operating Activities:		
Net Income Before Tax	\$ 41,050,321	45,161,214
Adjustments:		
Income and expense items with no effect on cash flows		
Depreciation expenses	2,072,277	1,421,105
Amortization expenses	1,090,866	776,744
Provisions for bad debt expenses	1,504,991	3,644,750
Net losses (gains) on financial assets or liabilities measured at fair value through profit or loss	177,618	(3,420,682)
Interest expenses	21,389,532	20,880,860
Interest income	(80,541,643)	(67,442,151)
Dividends income	(1,533,922)	(992,951)
Net change in insurance liabilities	117,725,465	104,063,750
Net changes in guarantee reserve	(17,879)	(5,645)
Net changes in other provisions	(11,070)	(57,543)
Proportionate share of (gains) losses from associates or joint ventures under the equity method	(74,167)	11,428
Losses on disposal and retirement of premises and equipment	2,352,331	17,169
Gains on disposal of investments under cost method	(55,618)	(25,241)
Losses on disposal and retirement of intangible assets	-	573
Gain on disposal of assets held for sale	(10,229,800)	-
Impairment losses on financial assets	891,486	29,176
Impairment loss of non-financial assets	10,692	36,923
Losses on disposal of foreclosed properties	314	1,673
Gain from a bargain purchase	-	(15,017,119)
Unrealized foreign exchange losses on insurance liabilities	5,312,407	3,766,252
Other adjustments	889,320	1,007,021
Subtotal of income and expense items with no effect on cash flows	60,953,200	48,696,092
Changes in Operating Assets and Liabilities:		
Net Changes in Operating Assets:		
(Increase) decrease in due from Central Bank and call loans to banks	(30,476,885)	1,253,450
Increase in financial assets measured at fair value through profit or loss	(37,908,736)	(4,592,857)
Decrease (Increase) in available-for-sale financial assets	86,898,280	(40,038,236)
Decrease (increase) in hedging derivative financial assets	1,391,960	(589,373)
Decrease (increase) in receivables	28,969,713	(12,431,895)
Increase in loans	(197,501,520)	(103,851,387)
Decrease in reinsurance assets	336,148	396,608
Increase in held-to-maturity financial assets	(83,548,717)	(31,662,655)
Increase in other financial assets	(67,565,848)	(102,886,566)
Net Changes in Operating Assets	(299,405,605)	(294,402,911)

(Expressed In Thousands of New Taiwan Dollars)

	<b>For the year ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Net Changes in Operating Liabilities:		
(Decrease) increase in deposits from Central Bank and other banks	(4,300,154)	924,870
Increase in financial liabilities measured at fair value through profit or loss	25,657,999	32,023,755
(Decrease) increase in hedging derivative financial liabilities	(474,894)	661,210
(Decrease) increase in payables	(10,921,553)	6,252,387
Increase in deposits and remittances	289,122,611	188,304,785
Increase in employee benefits reserve	531,896	179,325
Increase in liability reserve	295,881	422,987
(Decrease) increase in other financial liabilities	(17,002,787)	7,049,269
Net Changes in Operating Liabilities	<u>282,908,999</u>	<u>235,818,588</u>
Net Changes in Operating Assets and Liabilities	<u>(16,496,606)</u>	<u>(58,584,323)</u>
Sum of Adjustments	<u>44,456,594</u>	<u>(9,888,231)</u>
Cash Provided by Operating Activities	85,506,915	35,272,983
Interest received	80,474,299	65,479,205
Dividends received	1,602,234	1,045,605
Interest paid	(26,159,302)	(21,571,490)
Income tax paid	(6,643,535)	(4,414,928)
Net Cash Provided by Operating Activities	<u>134,780,611</u>	<u>75,811,375</u>

## CTBC FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

### 6 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

For The Year Ended December 31, 2015 And 2014

(Expressed In Thousands of New Taiwan Dollars)

	<b>For the year ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of financial assets carried at cost	\$ (2,372,716)	(3,075,629)
Disposal of financial assets carried at cost	78,856	20,353
Proceeds from capital reduction of financial assets carried at cost	463,495	139,383
Purchase of financial assets under equity method	(13,560,677)	-
Disposal of financial assets under equity method	232,833	-
Disposal of assets held for sale	13,640,153	-
Purchase of premises and equipment	(9,621,328)	(8,549,899)
Disposal of premises and equipment	1,155,348	49,059
Purchase of intangible assets	(1,139,290)	(1,522,618)
Disposal of intangible assets	68,094	716
Disposal of foreclosed properties	12,141	7,071
Net cash received by other general assumption companies	23,568,934	54,711,077
Purchase of investment properties	(2,339,681)	(150,018)
Decrease in receivables	813,854	514,655
Increase in other assets	(19,597,592)	(13,519,662)
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(8,597,576)</b>	<b>28,,624,488</b>
<b>Cash Flows from Financing Activities:</b>		
(Decrease) increase in due to Central Bank and other banks	(33,548,167)	1,651,714
Increase in commercial paper payable	4,577,872	6,915,896
Issuance of financial debentures	32,000,000	35,000,000
Repayments of financial debentures	(34,157,420)	(5,996,990)
(Decrease) increase in securities sold under repurchase agreements	(6,743,708)	207,273
Increase in financial liabilities designated as at fair value through profit or loss, upon initial recognition	10,057,737	32,764,694
(Decrease) increase in payables	(475,647)	928,291
Decrease in other liabilities	(68,350)	(4,707,110)
Cash dividends issuance	(12,358,398)	(5,590,370)
Cost of repurchased treasury stock	(582,754)	-
Changes in non-controlling interests	-	(82)
Changes in capital surplus	3,803	257
<b>Net Cash (Used in) Provided by Financing Activities</b>	<b>(41,295,032)</b>	<b>61,173,573</b>
Effect of exchange rate changes on cash and cash equivalents	1,569,209	(1,703,364)
<b>Net Increase in Cash and Cash Equivalents</b>	<b>86,457,212</b>	<b>163,906,072</b>
Cash and Cash Equivalents, at the Beginning of the Period	363,814,849	199,908,777
Cash and Cash Equivalents, at the End of the Period	<b>\$ 450,272,061</b>	<b>363,814,849</b>
<b>Components of cash and cash equivalents:</b>		
Cash and cash equivalents recognized in balance sheet	\$ 114,274,285	133,647,130
Due from the Central Bank and call loans to banks which meet IAS 7 definition of cash and cash equivalents	323,568,533	226,331,817
Securities purchased under reverse repurchase agreements which meet IAS 7 definition of cash and cash equivalents	12,429,243	3,835,902
Cash and Cash Equivalents, at the End of the Period	<b>\$ 450,272,061</b>	<b>363,814,849</b>

# VII. Review and Analysis of Financial Conditions, Financial Performance and Risk Management

## I. Financial Conditions

Unit: NT\$, in thousands

	Difference			
	2014	2015	Amount	%
Cash and cash equivalents	645,732	1,855,174	1,209,442	187.30%
Financial assets	5,923,343	2,542,377	(3,380,966)	(57.08%)
Receivables	2,770	70,877	68,107	2,458.74%
Investments under equity method	241,124,120	312,623,735	71,499,615	29.65%
Other assets	394,023	276,632	(117,391)	(29.79%)
Total Assets	248,089,988	317,368,795	69,278,807	27.92%
Payables	773,046	981,156	208,110	26.92%
Preferred stock liabilities	-	2,030,000	2,030,000	100.00%
Financial liabilities	12,002,070	27,004,406	15,002,336	125.00%
Other liabilities	5,962,112	9,846,092	3,883,980	65.14%
Total Liabilities	18,737,228	39,861,654	21,124,426	112.74%
Capital stock	152,572,815	180,547,806	27,974,991	18.34%
Capital surplus	23,845,351	36,654,760	12,809,409	53.72%
Retained earnings (Accumulated deficits)	58,667,306	68,814,732	10,147,426	17.30%
Other equity interest	(5,732,712)	(7,927,403)	(2,194,691)	38.28%
Treasury stock	-	(582,754)	(582,754)	(100.00%)
Total Equity	229,352,760	277,507,141	48,154,381	21.00%

Explanation: Analysis of difference exceeding \$100 million and deviation over 20%.

- Increase in cash and cash equivalents is mainly due to increase of approximately \$1.7 billion in demand deposits and reduction of approximately \$500 million in time deposits.
- Decrease in financial assets is mainly due to reduction of approximately \$4.5 billion in commercial paper issued for available-for-sale financial assets and increase in approximately \$1.2 billion in securities purchased under reverse repurchase agreements.
- Increase in investments under equity method is mainly due to increase in the investment income recognized from subsidiaries and increase in equity investment from merging with Taiwan Life.
- Decrease in other assets is mainly due to reduction in tax refund receivable.
- Increase in payables is mainly due to increase in bonds interest payable and compensation of directors.
- Increase in preferred stock liabilities is mainly due to addition of preferred stock liabilities.
- Increase in financial liabilities is mainly due to issuance of 104-1 corporate bonds.
- Increase in other liabilities is mainly due to increase in commercial paper payable.
- Increase in capital surplus is mainly due to increase in additional paid-in capital of common stock.
- Decrease in other equity interest is mainly due to increase in unrealized losses on available-for-sale financial assets.
- Increase in treasury stock is mainly due to buyback of treasury stock.

## 2. Financial Performance

Unit: NT\$, in thousands

	2014	2015	Change amount	%
Proportionate share of gains from associates or joint ventures under equity method	40,042,179	36,530,933	(3,511,246)	(8.77%)
Other income	226,598	119,772	(106,826)	(47.14%)
Operating expenses	(839,290)	(873,592)	(34,302)	4.09%
Other expenses and losses	(223,251)	(390,412)	(167,161)	74.88%
Net income before tax	39,206,236	35,386,701	(3,819,535)	(9.74%)
Net income after tax	39,437,007	35,397,576	(4,039,431)	(10.24%)

Explanation: Analysis of difference exceeding \$100 million and deviation over 20%.

1. Decrease in other income is mainly due to shortage of operating expenses and decrease in revenues exempted from business tax.
2. Increase in other expenses and losses is mainly due to increase in interest expenses from corporate bonds and commercial paper payable.

## 3. Cash flows

### (1) Cash flow analysis for 2016

Unit: NT\$, in thousands

Cash balance at beginning of period	Annual net cash flow from operating activities	Annual cash outflow	Cash surplus (deficit) + -	Remedial measures for cash deficit	
				Investment plan	Financial plan
1,855,174	7,619,716	(5,126,273)	4,348,617	None	None

Analysis of cash flow change in 2016:

Operating activities: NT\$7,619,716 thousand net cash generated by operating activities: mainly from operating profits and increased investment in securities.

Investing activities: NT\$13,778,210 thousand cash generated by investing activities: mainly from increase in equity-method investment and fixed asset investment.

Financing activities: NT\$8,651,937 thousand cash generated by financing activities: mainly from increase in capital gain, distribution of common stocks cash dividend and reduction due to Central Bank and other banks.

Liquidity contingency plan and liquidity analysis: None.

## 4. 2015 Effect of Major Capital Spending on Financial Position and Business Operation: None.

## **5. 2015 Investment Policy, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year**

### **(1) Reinvestment policy in 2015**

CTBC Holding's reinvestment policy is based on Articles 36 and 37 of the Financial Holding Company Act within the regulations of competent authority and involves evaluating expected return on each investment and cross-selling benefits and strategic values of CTBC Holding subsidiaries to create stable return for shareholders.

### **(2) Main causes for profits in 2015**

CTBC Holding's profits in 2015 primarily originate from its subsidiary CTBC Bank. This subsidiary generated a pre-tax net profit totaling NT\$39.8 billion in 2015, which accounted for 97% of the consolidated pre-tax net profit.

Please refer to Section V. Business Overview/3. Market and Business Overview for details on the main causes for profits and losses of CTBC Holding subsidiaries and their improvement plans.

### **(3) 2016 Investment plans**

Continue to evaluate merger and acquisition between CTBC Group and financial institutions with significant synergies that can complement the services of CTBC Group to increase the market share of CTBC Group, thereby building CTBC into a regional bank representative of Asia.

## VIII. Special Disclosure

### I. Affiliated Enterprises Information

#### (1) Consolidated Financial Statement of Affiliated enterprises

For the year 2015, CTBC Holding that should be included in the consolidated financial statement of affiliates as provided by the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as what should be included in the consolidated financial statements of parent and subsidiary companies as provided in IFRS No. 10. The Company shall not be required to prepare separate consolidated financial statements of affiliates.

#### (2) Consolidated Operation Report of Affiliated enterprises

- 1) Affiliate organization chart: Please refer to III. Corporate Governance Report.
- 2) Operation Overview of Affiliated enterprises

Unit: NT\$, in thousands  
Baseline date: December 31, 2015

Company name	Paid-in capital	Total assets	Total liabilities	Total equity	Operating income	Operating (loss) income (Note 6)	Net income and losses (after tax)	Earnings per share (after tax); NT dollar
CTBC Bank Co., Ltd.	105,729,279	2,681,950,097	2,448,539,171	233,410,926	Note5	78,126,772	34,240,268	3.24
CTBC Life Insurance Co., Ltd. (Note 11)	12,275,961	500,227,842	474,344,551	25,883,291	143,014,258	2,129,231	1,959,345	1.60
Taiwan Life Insurance Co., Ltd. (Note 11)	15,456,892	546,763,170	522,723,131	24,040,039	68,965,212	(1,386,479)	(1,762,388)	(1.68)
CTBC Securities Co., Ltd.	6,027,140	20,118,519	12,666,677	7,451,842	1,246,656	226,672	240,959	0.43
CTBC Venture Capital Co., Ltd.	4,000,000	4,946,716	32,983	4,913,733	314,106	87,501	115,239	0.29
CTBC Asset Management Co., Ltd.	5,358,820	5,450,269	19,058	5,431,211	19,326	11,600	(113,126)	(0.21)

Company name	Paid-in capital	Total assets	Total liabilities	Total equity	Operating income	Operating (loss) income (Note 6)	Net income and losses (after tax)	Earnings per share (after tax); NT dollar
CTBC Investments Co., Ltd.	425,000	594,134	32,890	561,244	149,856	(50,050)	(40,602)	(1.31)
CTBC Security Co., Ltd.	47,695	115,352	67,742	47,610	210,799	5,736	4,757	1.00
Taiwan Lottery Co., Ltd.	500,000	1,820,367	294,430	1,525,937	2,133,845	1,045,674	877,445	17.55
CTBC Capital International Co., Limited (Note 8)	USD 2,060 Exchange rate on reporting date 33.066 TWD 68,116	64,061	176	63,885	0	(168)	(168)	(0.08)
CTBC Venture Capital Investment Management (Shanghai) Co., Ltd. (Note 8)	USD 2,000 Exchange rate on reporting date 33.066 TWD 66,132	44,550	3,557	40,993	0	(10,146)	(9,455)	N/A
CTBC International Co., Limited (Note 7)	USD 70,000 Exchange rate on reporting date 33.066 TWD 2,314,620	2,212,051	176	2,211,875	343	43	43	0.0006
CTBC Leasing Co., Ltd. (Note 7)	RMB 433,802 Exchange rate on reporting date 5.031 TWD 2,182,458	7,800,192	6,289,903	1,510,289	677,326	(239,059)	(177,187)	N/A

Company name	Paid-in capital	Total assets	Total liabilities	Total equity	Operating income	Operating (loss) income (Note 6)	Net income and losses (after tax)	Earnings per share (after tax); NT dollar
CTBC Capital Corp. (Note 1)	USD 6.43028 Exchange rate on reporting date 33.066 TWD 213	93,615,383	71,606,059	22,009,324	Note 5	2,394,669	470,838	73,222
CTBC Bank Corp. (USA) (Note 1, 2)	USD 771.108 Exchange rate on reporting date 33.066 TWD 25,497	93,615,383	80,060,242	13,555,141	Note 5	2,385,688	472,570	172,568
CTBC Bank Corp. (Canada) (Note 1)	CAD 28,000 Exchange rate on reporting date 23.833 TWD 667,324	9,647,573	8,587,342	1,060,231	Note 5	221,083	38,791	16.78
CTBC Bank (Philippines) Corp. (Note 1)	PHP 2,479,687 Exchange rate on reporting date 0.7049 TWD 1,747,931	21,642,258	16,766,116	4,876,142	Note 5	1,437,679	198,490	0.80
PT Bank CTBC Indonesia (Note 1)	IDR 150,000,000 Exchange rate on reporting date 0.0023982 TWD 359,730	30,950,662	24,802,404	6,148,258	Note 5	1,456,079	346,750	231,167

Company name	Paid-in capital	Total assets	Total liabilities	Total equity	Operating income	Operating (loss) income (Note 6)	Net income and losses (after tax)	Earnings per share (after tax); NT dollar
The Tokyo Star Bank, Ltd. (Note 1)	JPY 26,000,000 Exchange rate on reporting date 0.2747 TWD 7,142,200	757,493,328	723,732,604	33,760,724	Note 5	13,440,119	3,555,999	5,080
TSB Capital, Ltd. (Note 1, 3, 10)	JPY 500,000 Exchange rate on reporting date 0.2747 TWD 137,350	2,934,150	87,902	2,846,248	(147,297)	538,993	(119,165)	(61.54)
TSB Servicer, Ltd. (Note 1,3)	JPY 500,000 Exchange rate on reporting date 0.2747 TWD 137,350	489,035	10,943	478,092	30,237	152,114	19,260	48,150
Tokyo Star Business Finance, Ltd. (Note 1, 3, 10)	JPY 125,000 Exchange rate on reporting date 0.2747 TWD 34,338	933,336	858,288	75,048	18,257	91,077	20,669	4,133
CTBC (Mauritius) Holding Co., Ltd. (Note 4)	USD 11,113 Exchange rate on reporting date 33.066 TWD 367,462	40,746	1,249	39,497	5,149	5,045	5,072	0.46
CTBC Securities Investment Service Co., Ltd. (Note 4)	20,000	22,916	2,080	20,836	10,689	922	837	0.42

Company name	Paid-in capital	Total assets	Total liabilities	Total equity	Operating income	Operating (loss) income (Note 6)	Net income and losses (after tax)	Earnings per share (after tax); NT dollar
CTBC Asia Limited (Note 4)	HKD 86,679 Exchange rate on reporting date 4.266 TWD 369,773	55,381	15,297	40,084	26,781	4,063	5,149	0.06
TLG Insurance Co., Ltd. (Note 9)	1,800,000	3,558,310	2,827,884	730,426	1,223,606	(170,866)	(152,612)	(0.85)
TLG Capital Co., Ltd. (Note 9)	485,015	4,735,673	4,042,447	693,226	2,340,383	10,095	37,990	0.78

Note 1: The company's net income and losses are already reflected in CTBC Bank.

Note 2: The company's net income and losses are already reflected in CTBC Capital.

Note 3: The company's net income and losses are already reflected in The Tokyo Star Bank.

Note 4: The company's net income and losses are already reflected in CTBC Securities.

Note 5: Banking industry is subjected to the Regulations Governing the Preparation of Financial Reports by Public Banks and, therefore, operating income was not categorized.

Note 6: Bank subsidiaries are expressed in terms of net revenue.

Note 7: The company's net income and losses are already reflected in CTBC AMC.

Note 8: The company's net income and losses are already reflected in CTBC Capital.

Note 9: The company's net income and losses are already reflected in Taiwan Life.

Note 10: TSB Capital, Ltd (TSBC) and Tokyo Star Business Finance, Ltd (TSBF) had merged on February 1, 2016. TSBC is a surviving company and rename to TSBF.

Note 11: CTBC Life merged with Taiwan Life on January 1 2016, Taiwan Life is a surviving company.

Note 12: GCB Finance (HK) Limited has been liquidated on October 17 2015.

## 3) Profiles of affiliated enterprises

Unit: NT\$, in thousands  
Baseline date: December 31, 2015

Company name	Date of Establishment	Address	Paid-in capital	Main business scope
CTBC Bank Co., Ltd.	1966.3.14	No. 166, 168, 170, 186, and 188, Jingmao 2nd Rd., Taipei City	105,729,279	Commercial banking and financing business
CTBC Life Insurance Co., Ltd. (Note 1)	2003.8.1	8F., No. 188, Jingmao 2nd Rd., Taipei City	12,275,961	Life insurance business
Taiwan Life Insurance Co., Ltd. (Note 1)	1950.6.21	8F., No. 188, Jingmao 2nd Rd., Taipei City	15,456,892	Life insurance business
CTBC Securities Co., Ltd.	1989.7.5	3F., No. 168, Jingmao 2nd Rd., Taipei City	6,027,140	Securities and futures business
CTBC Venture Capital Co., Ltd.	2003.3.11	21F., No. 168, Jingmao 2nd Rd., Taipei City	4,000,000	Venture capital investment
CTBC Asset Management Co., Ltd.	2003.5.20	21F., No. 168, Jingmao 2nd Rd., Taipei City	5,358,820	Asset management business
CTBC Investments Co., Ltd.	1998.3.3	12F., No. 188, Jingmao 2nd Rd., Taipei City	425,000	Investment trust and business
CTBC Security Co., Ltd.	1995.2.15	2-2F., No. 560, Section 4, Zhongxiao East Road, Taipei City	47,695	Security business
Taiwan Lottery Co., Ltd	2006.7.10	15F., No. 188, Jingmao 2nd Rd., Taipei City	500,000	Public welfare lottery distributor and agency
CTBC Capital International Co., Limited	2012.4.30	Room 511, 5F., Tower 1, Silvercord Centre, No. 30 Canton Rd., Tsim Sha Tsui, HongKong	USD 2,060 Exchange rate on reporting date 33.066 TWD 68,116	Investment business

Company name	Date of Establishment	Address	Paid-in capital	Main business scope
CTBC Venture Capital Investment Management (Shanghai) Co., Ltd.	2012.11.22	Room 1202, 12F, Wenguang Building, No. 1386 Hongqiao Rd., Changning Dist., Shanghai, China	USD 2,000 Exchange rate on reporting date 33.066 TWD 66,132,	Venture capital investment
CTBC International Co., Limited	2012.4.24	Room 511, 5F, Tower 1, Silvercord Centre, No. 30 Canton Rd., Tsim Sha Tsui, HongKong	USD 70,000 Exchange rate on reporting date 33.066 TWD 2,314,620	General investment business
CTBC Leasing Co., Ltd.	2012.7.3	Room 1202, 12F, Wenguang Building, No. 1386 Hongqiao Rd., Changning Dist., Shanghai, China	RMB 433,802 Exchange rate on reporting date 5.031 TWD 2,182,458	Financing leasing
CTBC Capital Corp.	1989.2.27	801 S. Figueroa St., Suite 2300, Los Angeles, CA 90017	USD 6.43028 Exchange rate on reporting date 33.066 TWD 213	Investment business
CTBC Bank Corp. (USA)	1995.2.27	801 S. Figueroa St., Suite 2300, Los Angeles, CA 90017	USD 771.108 Exchange rate on reporting date 33.066 TWD 25,497	Commercial banking and financing business
CTBC Bank Corp. (Canada)	1998.11.12	1518 West Broadway, Vancouver B.C., Canada, V6J1W8	CAD 28,000 Exchange rate on reporting date 23.833 TWD 667,324	Commercial banking and financing business
CTBC Bank (Philippines) Corp.	1995.9.7	16th to 19th Floors, Fort Legend Towers, 31st St. Corner 3rd Avenue, Bonifacio Global City, Taguig City, Philippines 1634	PHP 2,479,687 Exchange rate on reporting date 0.7049 TWD 1,747,931	Commercial bank deposit and loan services
PT Bank CTBC Indonesia	1996.10.15	Tamara Center, 15th-17th Fl, Jl Jenderal Sudirman Kev. 24 Jakarta 12920 Indonesia	IDR 150,000,000 Exchange rate on reporting date 0.0023982 TWD 359,730	Commercial banking and financing business
The Tokyo Star Bank, Ltd.	2001.6.11	2-3-5 Akasaka, Minato-Ku, Tokyo, 107-8480, Japan	JPY 26,000,000 Exchange rate on reporting date 0.2747 TWD 7,142,200	Commercial banking and financing business

Company name	Date of Establishment	Address	Paid-in capital	Main business scope
TSB Capital, Ltd. (Note 2)	1979.12.1	2-7-1, Nishi-Shinjuku, Shinjuku, Tokyo	JPY 500,000 Exchange rate on reporting date 0.2747 TWD 137,350	Financing and assurance business
TSB Servicer, Ltd.	1997.1.17	2-2-17, Akasaka, Minato, Tokyo	JPY 500,000 Exchange rate on reporting date 0.2747 TWD 137,350	Debt management business
Tokyo Star Business Finance, Ltd. (Note 2)	2010.9.10	2-2-17, Akasaka, Minato, Tokyo	JPY 125,000 Exchange rate on reporting date 0.2747 TWD 34,338	Financing business
CTBC(Mauritius) Holding Co., Ltd	2002.12.19	3rd Floor, Raffles Tower, 19 Cybercity, Ebene, Republic of Mauritius	USD 11,113 Exchange rate on reporting date 33.066 TWD 367,462	Holding company
CTBC Securities Investment Service Co., Ltd.	2015.5.21	14F, No. 188, Jingmao 2nd Rd., Taipei City	20,000	Securities investment Co., Ltd
CTBC Asia Limited	2003.4.4	Room 2809, 28F, Phase 2 International Finance Centre, No. 8 Finance St., Central, Hong Kong	HKD 86,679 Exchange rate on reporting date 4.266 TWD 369,773	Securities related business
TLG Insurance Co., Ltd.	2006.5.8	18F-1, No. 17, Xuchang St., Taipei City	1,800,000	Property insurance
TLG Capital Co., Ltd.	2003.8.1	17F, No. 17, Xuchang St., Taipei City	485,015	Installment payments business, financial leasing and account receivable factoring business

Note 1: CTBC Life merged with Taiwan Life on January 1, 2016, Taiwan Life is a surviving company.

Note 2: TSB Capital, Ltd (TSBC) and Tokyo Star Business Finance, Ltd (TSBF) had merged on February 1, 2016, TSBC is a surviving company and was renamed to TSBF.

Note 3: GCB Finance (HK) Limited has been liquidated on October 17, 2015.

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**(3)Affiliation Reports: CTBC Holding is not an affiliate of other company as defined in the Company Act and therefore did not compile an affiliation report.**

**2. CTBC Holding Private Placement of Securities in 2015 up to April 29, 2016: None.**

**3. The Shares in the Company Held or Disposed by Subsidiaries in 2015 up to April 29, 2016: None.**

**4. Other necessary supplements: Information on CTBC Holding Code of Ethical Conduct is published on the company website [http://www.ctbcholding.com/ir\\_index.html](http://www.ctbcholding.com/ir_index.html)**

