Industrial Bank of Taiwan and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2015 and 2014 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The Bank and its subsidiaries required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2015 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

INDUSTRIAL BANK OF TAIWAN

March 25, 2016

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Industrial Bank of Taiwan

We have audited the accompanying consolidated balance sheets of Industrial Bank of Taiwan (the "Bank") and its subsidiaries (collectively, referred to as the "Group") as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Industrial Bank of Taiwan and its subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years ended December 31, 2015 and 2014, in conformity with the Criteria Governing the Preparation of Financial Reports by Public Banks, Criteria Governing the Preparation of Financial Reports by Public Bills Finance Firms, Criteria Governing the Preparation of Financial Reports by Securities Firms, Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

March 25, 2016

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015		2014 (Audited after Restated)	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 6 and 46)	$ 7,850,486	2	$ 8,481,873	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	9,028,597	2	18,711,447	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 46)	159,501,055	33	138,404,925	32
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Note 9)	4,100,000	1	1,750,739	1
RECEIVABLES, NET (Notes 10 and 12)	19,936,931	4	16,292,701	4
CURRENT TAX ASSETS	207,351	-	208,147	-
DISCOUNTS AND LOANS, NET (Notes 11, 12 and 46)	146,443,247	30	131,025,730	31
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 13 and 46)	115,841,981	24	95,063,691	22
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 14 and 46)	9,849,587	2	4,884,679	1
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Note 16)	170,642	-	268,834	-
RESTRICTED ASSETS (Notes 17 and 46)	450,649	-	465,909	-
OTHER FINANCIAL ASSETS (Note 18)	1,837,635	-	2,746,204	1
PROPERTIES, NET (Note 19)	3,017,250	1	2,943,946	1
INVESTMENT PROPERTIES (Note 20)	8,157	-	8,283	-
INTANGIBLE ASSETS, NET (Note 21)	1,408,773	-	1,283,828	-
DEFERRED TAX ASSETS (Note 42)	554,623	-	539,317	-
OTHER ASSETS (Notes 22 and 47)	5,779,178	1	4,983,247	1
TOTAL	$ 485,986,142	100	$ 428,063,500	100
LIABILITIES AND EQUITY				
LIABILITIES				
Due to the central bank and other banks (Note 23)	$ 47,840,792	10	$ 43,586,167	10
Financial liabilities at fair value through profit or loss (Note 8)	6,277,074	1	5,795,508	1
Securities sold under agreement to repurchase (Note 24)	171,238,096	35	136,519,486	32
Accounts payable (Note 25)	4,489,083	1	2,857,519	1
Current tax liabilities	55,409	-	85,506	-
Deposits (Notes 26 and 45)	172,776,282	36	156,516,082	37
Bank debentures (Note 27)	14,950,000	3	14,980,000	3
Other financial liabilities (Note 28)	18,317,578	4	19,457,077	5
Provisions (Notes 12, 29 and 30)	1,741,005	-	1,672,612	-
Deferred tax liabilities (Note 42)	230,434	-	156,281	-
Other liabilities (Notes 31 and 47)	1,789,099	-	1,454,596	-
Total liabilities	439,704,852	90	383,080,834	89
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Capital stock	23,905,063	5	23,905,063	6
Capital surplus	1,773	-	-	-
Retained earnings				
Legal reserve	1,880,726	1	1,351,779	-
Special reserve	1,178,307	-	899,153	-
Unappropriated earnings	1,700,341	-	1,753,003	1
Total retained earnings	4,759,374	1	4,003,935	1
Other equity	1,030,616	-	812,883	-
Treasury stock	(18,693)	-	(50,620)	-
Total equity attributable to owners of the bank	29,678,133	6	28,671,261	7
NON-CONTROLLING INTERESTS	16,603,157	4	16,311,405	4
Total equity (Note 32)	46,281,290	10	44,982,666	11
TOTAL	$ 485,986,142	100	$ 428,063,500	100

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

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
NET INTEREST					
Interest revenues (Note 33)	$ 6,368,437	84	$ 5,564,810	80	14
Interest expenses (Notes 33 and 45)	(2,915,107)	(38)	(2,859,696)	(41)	2
Net interest	3,453,330	46	2,705,114	39	28
NET REVENUES OTHER THAN INTEREST					
Commissions and fee revenues, net (Notes 34 and 45)	1,694,943	22	1,453,343	21	17
Gain on financial assets and liabilities at fair value through profit or loss (Note 35)	1,807,277	24	1,735,457	25	4
Realized income from available-for-sale financial assets (Note 36)	426,905	6	338,146	5	26
Realized income from held-to-maturity financial assets (Note 37)	-	-	402	-	(100)
Foreign exchange gain (loss), net (Note 35)	95,924	1	758,429	11	(87)
Loss from asset impairment (Note 38)	(141,028)	(2)	(219,111)	(3)	(36)
Investment income (loss) recognized under equity method (Note 16)	1,515	-	13,303	-	(89)
Realized income from financial assets carried at cost (Note 18)	64,518	1	37,963	1	70
Consulting revenue	31,504	-	32,712	-	(4)
Other non-interest net gains (Note 45)	144,716	2	65,884	1	120
Net revenues other than interest	4,126,274	54	4,216,528	61	(2)
TOTAL NET REVENUES	7,579,604	100	6,921,642	100	10
PROVISIONS (Note 12)	(401,890)	(5)	(270,359)	(4)	49
OPERATING EXPENSES					
Personnel expenses (Notes 30, 39 and 45)	2,102,288	28	1,911,264	27	10
Depreciation and amortization (Note 40)	193,366	2	181,589	3	6
Others (Notes 41 and 45)	1,269,123	17	1,180,551	17	8
Total operating expenses	3,564,777	47	3,273,404	47	9

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INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INCOME BEFORE INCOME TAX	$ 3,612,937	48	$ 3,377,879	49	7
INCOME TAX EXPENSE (Note 42)	692,187	9	624,196	9	11
CONSOLIDATED NET INCOME	2,920,750	39	2,753,683	40	6
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	(26,931)	(1)	(8,290)	-	225
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	205,608	3	309,798	4	(34)
Unrealized gain (loss) on available-for-sale financial assets	290,695	4	459,074	7	(37)
Share of the other comprehensive income of associates and joint ventures (Note 16)	(24,815)	-	23,464	-	(206)
Income tax relating to the components of other comprehensive income (Note 42)	(28,060)	(1)	(66,448)	(1)	(58)
Other comprehensive income (loss) for the year, net of income tax	416,497	5	717,598	10	(42)
TOTAL COMPREHENSIVE INCOME	$ 3,337,247	44	$ 3,471,281	50	(4)
NET PROFIT ATTRIBUTABLE TO:					
Owners of the Bank	$ 1,726,066	23	$ 1,768,580	26	(2)
Non-controlling interests	1,194,684	16	985,103	14	21
	$ 2,920,750	39	$ 2,753,683	40	6

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INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 1,928,227	25	$ 2,417,364	35	(20)
Non-controlling interests	1,409,020	19	1,053,917	15	34
	$ 3,337,247	44	$ 3,471,281	50	(4)
EARNINGS PER SHARE (Note 43)					
Basic	$0.72		$0.74		

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank												
	Capital Stock (Note 32)			Retained Earnings (Note 32)				Other Equity (Note 32)				Non-controlling	
	Shares (Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Shares (Note 32)	Owner of the Bank	Interests (Note 32)	Total Equity
BALANCE AT JANUARY 1, 2014	2,390,506	$ 23,905,063	$ -	$ 1,125,327	$ 847,328	$ 754,839	$ 2,727,494	$ (9,412)	$ 169,548	$ (50,620)	$ 26,742,073	$ 16,153,633	$ 42,895,706
Effect of retrospective application and retrospective restatement	-	-	-	-	-	(10,573)	(10,573)	-	-	-	(10,573)	(14)	(10,587)
BALANCE AT JANUARY 1, 2014 AS RESTATED	2,390,506	23,905,063	-	1,125,327	847,328	744,266	2,716,921	(9,412)	169,548	(50,620)	26,731,500	16,153,619	42,885,119
Appropriation of 2013 earnings													
Legal reserve	-	-	-	226,452	-	(226,452)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	51,840	(51,840)	-	-	-	-	-	-	-
Cash dividends distributed by the Bank	-	-	-	-	-	(476,546)	(476,546)	-	-	-	(476,546)	-	(476,546)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(673,385)	(673,385)
Actual disposal of interest in subsidiaries	-	-	-	-	(15)	(831)	(846)	-	(211)	-	(1,057)	(10,175)	(11,232)
Net income for the year ended December 31, 2014	-	-	-	-	-	1,768,580	1,768,580	-	-	-	1,768,580	985,103	2,753,683
Other comprehensive income for the year ended December 31, 2014	-	-	-	-	-	(4,174)	(4,174)	257,254	395,704	-	648,784	68,814	717,598
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	1,764,406	1,764,406	257,254	395,704	-	2,417,364	1,053,917	3,471,281
Capital reduction for cash received by non-controlling interest of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(212,571)	(212,571)
BALANCE AT DECEMBER 31, 2014	2,390,506	23,905,063	-	1,351,779	899,153	1,753,003	4,003,935	247,842	565,041	(50,620)	28,671,261	16,311,405	44,982,666
Appropriation of 2014 earnings													
Legal reserve	-	-	-	528,947	-	(528,947)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	279,154	(279,154)	-	-	-	-	-	-	-
Cash dividends distributed by the Bank	-	-	-	-	-	(955,055)	(955,055)	-	-	-	(955,055)	-	(955,055)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(692,625)	(692,625)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(334,628)	(334,628)
Net income for the for the year ended December 31, 2015	-	-	-	-	-	1,726,066	1,726,066	-	-	-	1,726,066	1,194,684	2,920,750
Other comprehensive income for the year ended December 31, 2015	-	-	-	-	-	(15,572)	(15,572)	158,198	59,535	-	202,161	214,336	416,497
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	1,710,494	1,710,494	158,198	59,535	-	1,928,227	1,409,020	3,337,247
Capital reduction for cash received by non-controlling interest of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(90,015)	(90,015)
Transmission of treasury stock	-	-	1,773	-	-	-	-	-	-	31,927	33,700	-	33,700
BALANCE AT DECEMBER 31, 2015	2,390,506	$ 23,905,063	$ 1,773	$ 1,880,726	$ 1,178,307	$ 1,700,341	$ 4,759,374	$ 406,040	$ 624,576	$ (18,693)	$ 29,678,133	$ 16,603,157	$ 46,281,290

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

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 3,612,937	$ 3,377,879
Adjustments for:		
Depreciation expenses	152,643	145,504
Amortization expenses	40,723	36,085
Recognition of provisions	401,890	270,359
Net gain on disposal of financial assets at fair value through profit or loss	(1,807,277)	(1,735,457)
Interest revenues	(6,368,437)	(5,564,810)
Interest expenses	2,915,107	2,859,696
Dividend income	(101,673)	(56,636)
Realized gain on the transactions with associates and joint ventures	(1,515)	(13,303)
Gain on disposal of properties	(702)	(964)
Loss on disposal of intangible assets	-	1,681
Impairment loss recognized on financial assets	141,028	219,111
Gain on disposal of investments	(389,750)	(319,875)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(403,669)	538,936
Financial assets at fair value through profit or loss	(18,985,969)	8,344,118
Receivables	(2,811,619)	(3,920,905)
Discounts and loans	(15,553,740)	(13,455,227)
Due to the Central Bank and other banks	4,254,625	(1,404,203)
Financial liabilities at fair value through profit or loss	481,566	3,395,586
Accounts payable	1,705,520	(648,393)
Deposits	16,260,200	35,634,376
Provisions	32,948	149,823
Cash generated from (used in) operations	(16,425,164)	27,853,381
Interest received	5,058,668	5,442,936
Interest paid	(2,989,063)	(2,759,322)
Dividends received	124,036	104,290
Income tax paid	(787,738)	(709,130)
Net cash generated from (used in) operating activities	(15,019,261)	29,932,155
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets designated as at fair value through profit or loss	(2,527,818)	(3,298,522)
Proceeds on sale of financial assets designated as at fair value through profit or loss	2,263,977	4,590,368
Purchase of available-for-sale financial assets	(168,080,165)	(112,425,303)
Proceeds on sale available-for-sale financial assets	148,866,811	106,329,421
Purchase of held-to-maturity financial assets	(5,350,000)	(4,499,462)
Received principal of held-to-maturity financial assets	382,800	1,943,270
Purchase of financial assets measured at cost	(45,927)	(706,846)
Proceeds on sale of financial assets carried at cost	68,034	157,356

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INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015	2014
Received principal of financial assets carried at cost	$ 83,027	$ 64,102
Other dividend received	2,656	2,308
Received principal of investments under equity method	44,937	160,056
Payments for properties	(325,696)	(317,326)
Proceeds from disposal of properties	5,008	7,355
Increase in refundable deposits	(726,094)	(1,549,457)
Payments for intangible assets	(30,735)	(31,873)
Decrease in other financial assets	210,932	50,223
Decrease (increase) in other assets	94,426	(219,795)
Net cash used in investing activities	(25,063,827)	(9,744,125)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,310,854	4,042,225
Increase (decrease) in commercial paper	(1,814,665)	1,274,873
Proceeds from issue bank debentures	1,000,000	4,400,000
Repayments of bank debenture	(1,030,000)	(900,000)
Proceeds from (repayments of) long-term borrowings	876,156	(3,824,947)
Increase (decrease) in securities sold under agreement to repurchase	34,718,610	(16,032,821)
Payments for buy-back of ordinary shares	33,700	-
Capital reduction for cash received by non-controlling interest of subsidiaries	(90,015)	(212,571)
Partial disposal of interests in subsidiaries	-	19,140
Increase (decrease) in other financial liabilities	(1,511,843)	6,526,930
Dividends paid to ownership of the Bank	(955,055)	(476,546)
Dividends paid to non-controlling interest	(692,625)	(673,385)
Increase in other liabilities	312,286	167,031
Net cash generated from (used in) financing activities	32,157,403	(5,690,071)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(442,960)	(795,544)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,368,645)	13,702,415
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	26,330,782	12,628,367
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 17,962,137	$ 26,330,782

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INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2015 and 2014:

	December 31	
	2015	**2014**
Cash and cash equivalents in consolidated balance sheets	$ 7,850,486	$ 8,481,873
Due from the Central Bank and call loans to banks that meet the definition of cash and cash equivalents in IAS 7	6,011,651	16,098,170
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	4,100,000	1,750,739
Cash and cash equivalents in consolidated statements of cash flow	$ 17,962,137	$ 26,330,782

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

1. GENERAL INFORMATION

Industrial Bank of Taiwan (the "Bank") was incorporated on March 2, 1998. The Bank's operations include the following: (a) accepting deposits from insurance companies, nonprofit organizations and corporations; (b) issuing bank debentures; (c) providing loans to enterprises; (d) investing in and underwriting the offering of securities; (e) investing in manufacturing companies; (f) domestic remittances and guarantee provision; (g) dealing in government bonds; (h) authenticating stocks and bonds owned by clients; (i) financial consulting to government institutions, enterprises, and nonprofit organizations; (j) factoring; (k) dealing in derivative financial instruments; (l) providing foreign exchange for client's imports or exports; overseas remittances, foreign currency deposits, foreign currency loans and guarantees; (m) trust business under the Trust Business Law and regulation; and (n) other operations authorized by the central authorities.

As of December 31, 2015, the Bank had five main departments - corporate banking, equity investment, treasury, securities trading and merchant banking. It also had four domestic branches and Hong Kong branch. The representative office in Tianjin was established in March 2012.

To coordinate with the government's financial liberation policy and to increase efficiency of operation, the Bank's board of directors approved to change and has applied for the change of registration in accordance with Article 58 of the Banking Act of the Republic of China and Direction for Reviewing of Transferring to Commercial Bank on August 14, 2015, and the name of the bank will be changed into "o-bank". The Financial Supervisory Commission accepted the application on December 17, 2015, and required the Bank to submit its proposed adjustment plan to comply with the Banking Act of the Republic of China. The adjustment plan should be completed in 2 years, but it could be extended for another 2 years, if needed.

The Bank's shares have been listed on the Emerging stock market of the GreTai Securities Market since August 2004. The consolidated financial statements are presented in the Bank's functional currency, New Taiwan dollars.

As of December 31, 2015 and 2014, the numbers of employees of the Group were 1,266 and 1,189, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank's board of directors and authorized for issue on March 25, 2016.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version would not have any material impact on the Group’s accounting policies:

1) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive, for example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

2) Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendments to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

The Group retrospectively applied the above amendments starting in 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (loss) on available-for-sale financial assets, and share of the other comprehensive income (except the share of the remeasurements of the defined benefit plans) of associates/joint ventures accounted for using the equity method. However, the application of the above amendments will not have any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

3) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminates the “corridor approach” permitted under current IAS 19 and accelerates the recognition of past service costs. The revision requires all remeasurements of the defined benefit plans to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a "net interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

On initial application of the revised IAS 19 in 2015, the changes in cumulative employee benefit costs as of December 31, 2013 resulting from the retrospective application are adjusted to net defined benefit liabilities, deferred tax assets and retained earnings. In addition, in preparing the consolidated financial statements for the year ended December 31, 2015, the Group elected not to present 2014 comparative information about the sensitivity of the defined benefit obligation. The impact of the initial application of the revised IAS 19 is detailed as follows:

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
Impact on assets, liabilities and equity			
December 31, 2014			
Deferred tax assets	$ 539,315	$ 2	$ 539,317
Net defined benefit liabilities	$ 202,620	$ 9,325	$ 211,945
Retained earnings	$ 4,013,257	$ (9,322)	$ 4,003,935
Non-controlling interests	$ 16,311,406	(1)	$ 16,311,405
		$ (9,323)	
January 1, 2014			
Prepaid pension	$ 7,696	$ (308)	$ 7,388
Net defined benefit liabilities	$ 197,941	$ 10,316	$ 208,257
Deferred tax liabilities	$ 81,576	(37)	$ 81,539
		$ 10,279	
Retained earnings	$ 2,727,494	$ (10,573)	$ 2,716,921
Non-controlling interests	$ 16,153,633	(14)	$ 16,153,619
		$ (10,587)	

(Continued)

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
Impact on total comprehensive income for the year ended December 31, 2014			
Employee benefit expense	$ (1,913,366)	$ 2,102	$ (1,911,264)
Income tax expense	$ (624,161)	(35)	$ (624,196)
Total effect on net profit for the year	$ 2,751,616	2,067	$ 2,753,683
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plans	$ (7,487)	(803)	$ (8,290)
Total effect on total comprehensive income for the year	$ 3,470,017	$ 1,264	$ 3,471,281
Impact on net profit attributable to:			
Owners of the Company	$ 1,766,526	$ 2,054	$ 1,768,580
Non-controlling interests	985,090	13	985,103
	$ 2,751,616	$ 2,067	$ 2,753,683
Impact on total comprehensive income attributable to:			
Owners of the Company	$ 2,416,113	$ 1,251	$ 2,417,364
Non-controlling interests	1,053,904	13	1,053,917
	$ 3,470,017	$ 1,264	$ 3,471,281

(Concluded)

b. New IFRSs in issue but not yet endorsed by the FSC

On March 10, 2016, the FSC announced the scope of the 2016 version of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" and those with undetermined effective date. In addition, the FSC announced that the Group should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations. The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 "Financial Instruments"	January 1, 2018 (Note 4)

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2018
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies, except for the following:

<u>IFRS 9 "Financial Instruments"</u>

1) Recognition and measurement of financial assets

   With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

   For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

   a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

   b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

   Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

2) The impairment of financial assets

   IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

   For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

Except for the above impact, as of the date of the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Criteria Governing the Preparation of Financial Reports by Public Banks, Criteria Governing the Preparation of Financial Reports by Public Bills Finance Firms, Criteria Governing the Preparation of Financial Reports by Securities Firms, Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants, and IFRSs as endorsed by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Since the operating cycle in the banking industry cannot be clearly identified, accounts included in the consolidation financial statements of the Group were not classified as current or noncurrent. Nevertheless, accounts were properly categorized according to the nature of each account and sequenced by their liquidity. Please refer to Note 50 for the maturity analysis of assets and liabilities.

Basis of Consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank (i.e. its subsidiaries, including special purpose entities). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Bank. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Non-controlling interests shall be presented in the consolidated balance sheets within equity, separately from the equity of the owners of the Group.

Refer to Note 15 and Table 5 for the list, main business and ownership of subsidiaries.

Foreign Currencies

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising are recognized in other comprehensive income and accumulated in equity (attributed to the owners of the Bank and non-controlling interests as appropriate).

Investment in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the operating and financial policy decision of an entity; it is not control over policy decisions.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when a group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

<u>Financial assets</u>

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a. Measurement category

   Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets, and loans and receivables.

   1) Financial assets at fair value through profit or loss

      Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

      A financial asset is classified as held for trading if:

      a) It has been acquired principally for the purpose of selling it in the near term; or

      b) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

      c) It is a derivative that is not designated and effective as a hedging instrument.

      A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

      a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

      b) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

      c) The contract contains one or more embedded derivatives so that, the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

      Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

Investments in equity instruments under financial assets at fair value through profit or loss that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets cannot be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

2) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, or designates as available for sale, or meet the definition of loans and receivables. Foreign corporate bonds and debenture bonds, above specific credit ratings and the Group has positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Foreign corporate and bank debentures that the Group has positive intent and ability to hold to maturity are classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value, changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss that previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets cannot be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in profit or loss or other comprehensive income on financial assets.

4) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including loans, trade receivables, cash and cash equivalent and overdue receivables) are measured at amortized cost using the effective interest method, less any impairment. However, in accordance with "Regulations Governing the Preparation of Financial Reports by Public Banks", "Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies", "Regulations Governing the Preparation of Financial Reports by Securities Firms" and "Regulations Governing the Preparation of Financial Reports by Securities Issuers", if the effect of discounting is not who can be the amount of the original measure.

b. Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as loans and receivables are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Assessment for impairment of discounts and loans and receivables, other receivables and overdue loans to the Group is described in the paragraph about allowance for credit losses.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment loss are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

When there is objective evidence that financial assets carried at cost when an impairment loss has occurred, the amount of the loss is recognized in "Impairment losses on assets". Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loan and receivables, where the carrying amount is reduced through the use of an allowance account. When loan and receivable are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the bad debt are recognized in profit or loss.

c. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Equity instruments

Debt and equity instruments issued by the Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

a. Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method, less any impairment (see above for the definition of effective interest method):

- Financial liabilities at fair value through profit or loss

  Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

  A financial liability is classified as held for trading if:

  a) It has been acquired principally for the purpose of repurchasing it in the near term; or

  b) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

  c) It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition when doing so results in more relevant information and if:

a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

b) The financial liability forms part of the Group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

c) In addition, if a contract contains one or more embedded derivatives, the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included/not included in the other gains and losses line item. Fair value is determined in the manner described in Note 49.

b. Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

Nonperforming Loans

Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" and "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt" issued by the authority, loans and other credits (including the accrued interests) that remained unpaid as they fall due are transferred to nonperforming loans, if the transfer is approved by the board of directors.

Nonperforming loans transferred from loans are recognized as discounts and loans, and those transferred from other credits are recognized as other financial assets.

Allowance for Credit Losses and Reserve for Losses on Guarantees

Loans and receivables are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- Accounts receivable becoming overdue; or
- It is becoming probable that the debtor will enter bankruptcy or financial re-organization.

Loans and receivables that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Group's past experience in the collection of payments, an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on loans and receivables.

The amount of the impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the loans and receivables' original effective interest rate.

The carrying amount of the loans and receivables is reduced through the use of an allowance account. When loans and receivables are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the bad debts account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

According to the Rules mentioned above, the classification of loan assets, which divided the loan assets into: Normal credits, credits under observation, credits that are likely to be received in full, credits that will be difficult to receive in full, and credits that will not be received in full. The minimum allowance for credit losses and reserve for losses on guarantees for the aforementioned classes should be 1%, 2%, 10%, 50% and 100% of outstanding credits, respectively. Rule No. 10300329440 issued by FSC, stipulated the minimum the allowance for mortgage and improvement loans should be 1.5% by the end of 2016.

Credits deemed uncollectible are eligible to be written off upon approval by the Board of Directors.

Repurchase and Resell Transactions

Securities purchased under agreement to resell and securities sold under agreements to repurchase are generally treated as collateralized financing transactions. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognized as interest income or interest expense over the life of each agreement.

Property and Equipment

Property and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Freehold land is not depreciated.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Assets

a. Intangible assets acquired separately

   Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

b. Derecognition of intangible assets

   An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, which are measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Group assets are allocated to the individual cash-generating units on a reasonable and consistent basis of the Group assets are allocated to the smallest group of cash-generating units on a reasonable and consistent allocation basis.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions Liabilities and Contingencies

A loss is recognized when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. If loss is possible but cannot be reasonably estimated, the circumstances that might give rise to the loss should be disclosed in the notes to the financial statements.

Employee Benefits

a. Short-term employee benefits

   Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

   Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

   Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

   Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

   Income tax payable (or tax refund receivable) is calculated based on the relevant tax laws applicable jurisdiction.

   According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

   Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Interest and Service Revenue Recognition

Interest revenue on loans is recorded by the accrual method. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by the Bank that are classified as nonperforming loans. The interest revenue on those loans/credits is recognized upon collection. Due to the storm and billing agreements that extend interest income, in accordance with the provisions of the Ministry of Finance, upon collection recognized as interest income.

Revenue from brokerage is recognized when the earnings process has been completed.

Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

b. The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

Margin Loans and Stock Loans

The "receivable amount for margin loans" is the margin loan extended to the customers to buy securities. The securities bought by the customers are calculated and changed interest at intervals by the TWSE, Taiwan Securities Association and Governing Securities Finance Enterprises jointly agreed, and held as pledges on the loan provided.

The Group refinances customer loans from securities finance companies, and the related amount is recorded as "loan from refinanced margins" and is covered by the underlying securities bought by customers.

Customer Margin Account and Future Trader's in Equity

Trading margins and premiums, and the related settlement differences, collected from future traders in accordance with applicable requirements by an FCM conducting futures brokerage business, are debited as "customer margin accounts" and credited as "future trader's equity". Any amount to be recovered by an FCM for a debit balance in futures trader's equity as recognized as futures trading margins receivable customer margin accounts and future trader's equity are not offset except belonging to the same future traders.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a. Income tax

The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such reversal takes place.

b. Estimated impairment of loans and receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Fair value of derivatives and other financial instruments

As described in Note 49. The Group's management uses its judgment in selecting an appropriate valuation technique for financial instruments that do not have quoted market price in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions were based on quoted market rates adjusted for specific features of the instruments. Other financial instruments were valued using a discounted cash flow analysis that includes assumptions based on quoted market prices or rates (if available). The Group's management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

The management of the Group considered the evaluation techniques used measured the fair value of financial instrument properly.

d. Recognition and measurement of defined benefit plans

Net defined benefit liabilities and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

e. Control over subsidiaries

Note 15 describes that Company CBF is a subsidiary of the Group although the Group only owns less than 50% ownership interest in CBF. After considering the Group's absolute size of holding in CBF and the relative size of and dispersion of the shareholdings owned by the other shareholders, the management concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of CBF and therefore the Group has control over CBF.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	**2014**
Cash on hand and petty cash	$ 50,000	$ 50,371
Checking for clearing	54,084	44,734
Due from banks	7,746,402	8,386,768
	$ 7,850,486	$ 8,481,873

Cash and cash equivalents as of December 31, 2015 and 2014 as shown in the consolidated statement of cash flows can be reconciled to the related items in the balance sheets as follows; please refer to the consolidated statement of cash flows for the reconciliation information as of December 31, 2015 and 2014.

Refer to Note 46 for information relating to due from banks pledged.

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS

	December 31	
	2015	2014
Call loans	$ 6,011,651	$ 16,098,170
Reserves for deposits - Type A	13,036	65,862
Reserves for deposits - Type B	2,941,627	2,539,069
Others	62,283	8,346
	$ 9,028,597	$ 18,711,447

Under a directive issued by the Central Bank, deposit reserves are determined monthly at prescribed rates on average balances of customers' deposits. Type B deposit reserves are subject to withdrawal restrictions.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2015	2014
Financial assets designated as at fair value through profit or loss		
Convertible bond - domestic	$ 15,544,556	$ 11,596,624
Convertible bond - overseas	402,019	1,030,264
Convertible bank debentures	-	95,834
	15,946,575	12,722,722
Financial assets held for trading		
Derivative financial instruments		
Foreign exchange swap contracts	2,012,031	2,514,487
Forward contracts	400,786	186,656
Premium paid on foreign currency option contracts	3,543,611	2,886,104
Interest rate swap contracts	75,738	39,156
Underwriting fixed rate commercial paper contracts	-	28,869
Futures trading margin	6,066	15,022
Assets swap contracts	272,806	274,623
	6,311,038	5,944,917
Non-derivative financial assets		
Short-term instruments	100,750,259	82,956,851
Negotiable certificate of deposit	34,071,451	32,012,439
Securities - dealing	822,685	3,243,455
Securities - underwriting	205,663	305,862
Securities - hedge position	-	246,677
Stocks and beneficiary certificates	400,568	678,729
Government bonds	699,685	249,781

(Continued)

	December 31	
	2015	2014
Corporate bonds	$ 293,071	$ 43,492
When-issued bonds	60	-
	137,243,442	119,737,286
	$ 159,501,055	$ 138,404,925

Financial liabilities designated as at fair value through profit or loss

	December 31	
	2015	2014
Financial liabilities held for trading		
Derivative financial instruments		
Foreign exchange swap contracts	$ 1,150,862	$ 1,976,038
Forward contracts	751,233	394,228
Interest rate swap contracts	156,529	77,916
Premium received on option contracts	3,566,741	2,913,279
Assets swap contracts	181	1,572
Commercial paper contracts	4,337	15,207
Put futures options contracts	-	341
Stock warrants issued	-	944,202
Stock warrants - repurchase	-	(894,704)
	5,629,883	5,428,079
Non-derivative financial liabilities		
Securities borrowed payable	146,299	217,783
When - issued bond	500,892	149,646
	$ 6,277,074	$ 5,795,508

(Concluded)

The Group engages in derivative transactions, including forward contracts, currency swap contracts and foreign currency option contracts, mainly for accommodating customers' needs and managing the exposure positions. As the engagement in interest rate swap contracts and cross-currency swap contracts, its purpose is to hedge risk of cash flow and risk of market value caused by the change of interest rates or exchange rates. The Group's strategy is to hedge most of the market risk exposures using hedging instruments with market value changes that have a highly negative correlation with the changes in the market of the exposures being hedged.

The contract amounts (or notional amounts) of outstanding derivative transactions as of December 31, 2015 and 2014 were follows:

	December 31	
	2015	2014
Interest rate swap contracts	$ 26,698,988	$ 17,901,237
Foreign exchange swap contracts	116,949,345	133,534,784
Forward contracts	27,387,306	25,514,173
Assets swap contracts	13,213,000	10,709,000
Foreign currency options		
Call	124,349,002	203,809,119
Put	124,349,002	204,015,286
Purchase commitments	3,650,000	3,950,000

As of December 31, 2015 and 2014, financial instruments at fair value through profit and loss in the amount of $85,524,161 thousand and $65,641,392 thousand were under agreement to repurchase.

Refer to Note 46 for information relating to financial instruments at fair value through profit or loss pledged as security.

9. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

The Group purchased under resale agreements and bond investments are all government bonds. As of December 31, 2015 and 2014, bonds purchased were under agreements to resell in the amount of $4,102,372 thousand and $1,751,873 thousand, respectively. As of December 31, 2015 and 2014, bonds purchased under agreements to resell were sold under agreement to repurchase in the amount of $3,700,000 thousand and $1,177,000 thousand, respectively.

10. RECEIVABLES, NET

	December 31	
	2015	**2014**
Lease payment receivable	$ 9,994,860	$ 9,822,322
Margin loans receivable	1,536,135	1,966,973
Investment receivable	460,546	610,053
Interest receivable	1,708,342	1,332,530
Factoring	3,500,330	2,237,377
Acceptances	396,083	243,635
Investment receivable - execution of customer orders	329,190	455,670
Spot exchange transactions receivable	177,506	19,136
Account receivable	2,300,715	492,182
Others	623,152	228,048
	21,026,859	17,407,926
Less: Allowance for possible losses	403,591	324,994
Unrealized interest revenue	686,337	790,231
	$ 19,936,931	$ 16,292,701

Rental equipment is held as collateral for the lease payment receivables. The Group is not allowed to sell or re-pledge the collateral if the lessee has no arrears.

Please refer to Note 50 for impairment loss analysis of receivables.

11. DISCOUNTS AND LOANS, NET

	December 31	
	2015	**2014**
Short-term	$ 49,167,808	$ 33,633,898
Medium-term	93,726,464	89,582,922
Long-term	4,017,832	6,936,954
Export bill negotiated	1,409,010	2,699,482
Accounts receivables financing	244,522	289,911
Overdue loans	357,901	397,384
	148,923,537	133,540,551
Less: Allowance for credit losses	2,480,290	2,514,821
	$ 146,443,247	$ 131,025,730

As of December 31, 2015 and 2014, the unrecognized interest revenue on the above loans amounted to $884 thousand and $3,172 thousand for the years ended December 31, 2015 and 2014. For the years ended December 31, 2015 and 2014, the Bank wrote off credits only upon completing the required legal procedures.

Please refer to Note 46 for the information relating to discounts and loans assets pledged and refer to Note 50 for impairment loss analysis of discounts and loans.

12. ALLOWANCE FOR CREDIT LOSSES

The movements of allowance for credit losses and reserve for losses on guarantees liabilities for the years ended December 31, 2015 and 2014 are summarized as follows:

	For the Year Ended December 31, 2015			
	Receivables	Discounts and Loans	Reserve for Losses on Guarantees	Total
Balance at January 1, 2015	$ 324,994	$ 2,514,821	$ 1,460,667	$ 4,300,482
Allowance for bad debts (Note)	459,524	144,420	22,233	626,177
Write-offs	(378,426)	(204,323)	-	(582,749)
Effects of exchange rate changes	(2,501)	25,372	1,295	24,166
Balance at December 31, 2015	$ 403,591	$ 2,480,290	$ 1,484,195	$ 4,368,076

	For the Year Ended December 31, 2014			
	Receivables	Discounts and Loans	Reserve for Losses on Guarantees	Total
Balance at January 1, 2014	$ 165,980	$ 2,307,610	$ 1,288,458	$ 3,762,048
Allowance for bad debts (Note)	275,317	219,170	170,574	665,061
Write-offs	(141,450)	(54,601)	-	(196,051)
Effects of exchange rate changes	25,147	42,642	1,635	69,424
Balance at December 31, 2014	$ 324,994	$ 2,514,821	$ 1,460,667	$ 4,300,482

Note: Allowance for bad debts does not include the recovery from written-off credits. As of December 31, 2015 and 2014, recovery from written-off credits amounted to $224,287 thousand and $394,702 thousand, respectively.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2015	2014
Domestic government bonds	$ 43,487,457	$ 31,383,124
Bank debentures	18,771,055	11,623,269
Corporate bonds	48,630,726	44,802,087
Stock and beneficiary securities	1,393,411	2,311,212
Beneficiary certificates of securitization	-	24,269
Overseas government bonds	854,167	1,120,372

(Continued)

	December 31	
	2015	2014
American mortgage backed securities	$ 2,705,165	$ 2,827,410
Negotiable certificate of deposit	-	971,948
	$ 115,841,981	$ 95,063,691

(Concluded)

As of December 31, 2015 and 2014, available-for-sale financial assets are sold under agreement to repurchase in the amount of $77,728,293 thousand and $69,635,367 thousand, respectively.

Refer to Note 46 for information relating to available-for-sale financial assets pledged as security.

14. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2015	2014
Domestic investments		
Convertible bonds	$ -	$ 385,208
Government bonds	499,587	499,471
Negotiable certificate of deposit	9,350,000	4,000,000
	$ 9,849,587	$ 4,884,679

As of December 31, 2015 and 2014, convertible corporate bonds in the amounts of $0 and $382,800 thousand, part of the convertible corporate bonds are as the object of transaction signed asset swap contract with counterparty at the time of transaction.

The information on overseas bank debentures, government bond and negotiable certificate of deposit was as follows:

December 31, 2015

Investment Principal (In Thousands of New Taiwan Dollars)		Interest Rate	Effective Interest Rate	Average Maturity Date
Government bond	$ 500,000	1.125%	1.130%	4 years
Negotiable certificate of deposit	$ 9,350,000	0.611%-0.811%	0.611%-0.811%	1 year

December 31, 2014

Investment Principal (In Thousands of New Taiwan Dollars)		Interest Rate	Effective Interest Rate	Average Maturity Date
Convertible bonds	$ 382,800	1.550%-1.800%	0.998%-1.016%	1 year
Government bond	$ 500,000	1.125%	1.130%	5 years
Negotiable certificate of deposit	$ 4,000,000	0.800%-0.811%	0.800%-0.810%	2 years

As of December 31, 2014, held-to-maturity financial assets in the par value amounts of $120,000 thousand were sold.

Refer to Note 46 for information relating to held-to-maturity financial assets pledged as security.

15. SUBSIDIARIES

a. Subsidiary included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership December 31 2015	% of Ownership December 31 2014	Remark
The Bank	IBTS	Securities underwriting, dealing and brokerage of securities	94.80	94.80	Founded in 1961
	Boston Venture	Venture capital	-	50.00	Founded in 2003 (dissolved in December 2015)
	IBTM	Securities investment trust	100.00	100.00	Founded in 2000
	TFITT	Information system development, analysis and design	-	-	Founded in 1998 (decided to dissolve in July 2014)
	IBTH	Holding company	100.00	100.00	Founded in 2006 in California
	CBF	Bonds underwriting, dealing and brokerage of securities	28.37	28.37	Founded in 1978
	IBT Leasing	Leasing	100.00	100.00	Founded in 2011
	IBT VII Venture Capital Co., Ltd.	Venture capital	100.00	100.00	Founded in 2014
IBTS	IBTS Consulting	Investment and management consulting	100.00	100.00	Founded in 1998
	IBTSH	Holding company	100.00	100.00	Founded in 2003 in British Virgin Islands
IBTSH	IBTS HK	Securities and investment	100.00	100.00	Founded in 2003 in Hong Kong
	IBTS Asia	Securities and investment	100.00	100.00	Founded in 2004 in Hong Kong
IBTS HK	Boston Venture	Venture capital	-	5.00	Founded in 2003 (dissolved in December 2015)
IBTH	EverTrust Bank	Banking	91.78	91.78	Founded in 1995 in California
IBTM	IBTM U.S.A. (Note)	Securities investment trust	-	99.00	Founded in 2001 (dissolved in August 2015)
	IBT Fortune (Note)	Securities and investment	-	100.00	Founded in 2001 (dissolved in May 2015)
IBT Leasing	IBT International Leasing Corp.	Leasing	100.00	100.00	Founded in 2011 in Mainland China
	IBT Tianjin International Leasing Corp.	Leasing	39.00	39.00	Founded in 2013 in Mainland China
IBT VII Venture Capital Co., Ltd.	IBT Tianjin International Leasing Corp.	Leasing	61.00	61.00	Founded in 2013 in Mainland China

Note: IBT Management U.S.A. Corp. and IBT Fortune Limited are immaterial subsidiaries; thus, their financial statements have not been audited. Nevertheless, the management of the Group considered that the financial statements to have not significant influence on the consolidated results even if audited.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests December 31 2015	Proportion of Ownership and Voting Rights Held by Non-controlling Interests December 31 2014
CBF	Taipei	71.63%	71.63%

The summarized financial information below represents amounts before intragroup eliminations.

	December 31 2015	December 31 2014
CBF		
Equity attributable to:		
Owners	$ 6,350,451	$ 6,089,939
Non-controlling interests	16,034,886	15,377,092
	$ 22,385,337	$ 21,467,031

	For the Year Ended December 31	
	2015	2014
Revenue	$ 143,095	$ 42,555
Net profit from continuing operations	$ 1,609,696	$ 1,385,343
Net profit from discontinued operations		
Profit for the period		
Other comprehensive income for the period	275,541	73,434
Total comprehensive income for the period	$ 1,885,237	$ 1,458,777
Profit attributable to:		
Owners	$ 456,651	$ 393,005
Non-controlling interests of CBF	1,153,045	992,338
	$ 1,609,696	$ 1,385,343
Total comprehensive income attributable to:		
Owners	$ 534,819	$ 413,837
Non-controlling interests of CBF	1,350,418	1,044,940
	$ 1,885,237	$ 1,458,777
Net cash inflow (outflow) from:		
Operating activities	$ 2,472,837	$ 2,842,498
Investing activities	(274,127)	1,595
Financing activities	(2,196,931)	(2,920,072)
Net cash inflow (outflow)	$ 1,779	$ (75,979)
Dividends paid to non-controlling interest CBF	$ 692,625	$ 673,385

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associates

	December 31			
	2015		2014	
	Amount	%	Amount	%
IBT II Venture Capital Co., Ltd.	$ 170,642	39.58	$ 240,716	39.58
Tai Jia International, Inc.	-	-	28,118	49.00
	$ 170,642		$ 268,834	

The Tai Jia International, Inc. has been dissolved in June 2015.

The Group’s share of profit and other comprehensive income of associates for the years ended December 31, 2015 and 2014 were based on the associates’ financial statements audited by the accountants for the same period.

	For the Year Ended December 31	
	2015	2014
The Group's share of:		
Profit from continuing operations	$ 1,515	$ 13,303
Other comprehensive income	(24,815)	23,464
Total comprehensive income for the year	$ (23,300)	$ 36,767

17. RESTRICTED ASSETS

	December 31	
	2015	2014
Pledged time deposits	$ 347,774	$ 351,940
Compensation accounts	102,875	113,969
	$ 450,649	$ 465,909

The assets are collaterals of loans and commercial paper issued and collateral of claims for provisional seizure.

18. OTHER FINANCIAL ASSETS, NET

	December 31	
	2015	2014
Financial assets measured at cost		
Domestic stocks	$ 1,007,556	$ 1,718,059
Foreign stocks	822,143	809,596
	1,829,699	2,527,655
Time deposits with original maturity more than 3 months	7,936	145,613
Others	-	72,936
	$ 1,837,635	$ 2,746,204

Because the fair value of financial assets measured at cost could not be reliably measured, the Group did not evaluate the fair value on the balance sheet date. The Group disposed of certain financial assets measured at cost with carrying amounts of $71,437 thousand and $142,538 thousand during the years ended December 31, 2015 and 2014, respectively, recognizing disposal loss of $3,403 thousand and disposal gain of $14,818 thousand, respectively.

19. PROPERTY AND EQUIPMENT, NET

	December 31	
	2015	2014
Carrying amounts of each class of		
Land	$ 819,239	$ 819,239
Buildings	1,501,367	1,547,094
Machinery and computer equipment	180,673	116,219

(Continued)

	December 31	
	2015	2014
Transportation equipment	$ 49,657	$ 44,818
Office and other equipment	52,870	54,826
Lease improvement	157,809	132,676
Construction in progress and prepayments for equipment	255,635	229,074
	$ 3,017,250	$ 2,943,946

(Concluded)

The movements of property and equipment for the years ended December 31, 2015 and 2014 are summarized as follows:

	Freehold Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Lease Improvement	Construction in Progress and Prepayments for Equipment	Total
Cost								
Balance at January 1, 2015	$ 833,107	$ 1,910,626	$ 484,899	$ 87,640	$ 219,004	$ 288,618	$ 229,074	$ 4,052,968
Additions	-	494	40,032	21,894	12,403	66,297	184,576	325,696
Disposals and scrapped	-	-	(10,967)	(9,402)	(6,170)	(45,965)	(295)	(72,799)
Reclassification	-	-	69,236	-	(3,735)	(13,340)	(157,859)	(105,698)
Effect of foreign currency exchange differences	-	-	762	193	1,479	4,311	139	6,884
Balance at December 31, 2015	$ 833,107	$ 1,911,120	$ 583,962	$ 100,325	$ 222,981	$ 299,921	$ 255,635	$ 4,207,051
Accumulated depreciation								
Balance at January 1, 2015	$ 13,868	$ 363,532	$ 368,680	$ 42,822	$ 164,178	$ 155,942	$ -	$ 1,109,022
Disposals	-	-	(10,063)	(7,314)	(6,096)	(45,020)	-	(68,493)
Depreciation expense	-	46,221	42,751	15,105	12,091	36,349	-	152,517
Reclassification	-	-	899	-	(899)	(7,422)	-	(7,422)
Effect of foreign currency exchange differences	-	-	1,022	55	837	2,263	-	4,177
Balance at December 31, 2015	$ 13,868	$ 409,753	$ 403,289	$ 50,668	$ 170,111	$ 142,112	$ -	$ 1,189,801
Carrying amounts								
Balance at December 31, 2015	$ 819,239	$ 1,501,367	$ 180,673	$ 49,657	$ 52,870	$ 157,809	$ 255,635	$ 3,017,250
Cost								
Balance at January 1, 2014	$ 848,222	$ 1,916,968	$ 463,402	$ 94,049	$ 189,674	$ 215,512	$ 79,501	$ 3,807,328
Additions	-	4,066	39,181	15,966	10,303	29,372	218,438	317,326
Disposals and scrapped	-	-	(18,156)	(23,152)	(3,899)	(18,457)	-	(63,664)
Reclassification	(15,115)	(10,408)	(2,426)	-	22,288	57,048	(68,865)	(17,478)
Effect of foreign currency exchange differences	-	-	2,898	777	2,064	6,998	-	12,737
Remove from consolidated entity	-	-	-	-	(1,426)	(1,855)	-	(3,281)
Balance at December 31, 2014	$ 833,107	$ 1,910,626	$ 484,899	$ 87,640	$ 219,004	$ 288,618	$ 229,074	$ 4,052,968
Accumulated depreciation								
Balance at January 1, 2014	$ 25,506	$ 322,769	$ 344,601	$ 47,149	$ 156,261	$ 129,981	$ -	$ 1,026,267
Disposals	-	-	(16,948)	(18,597)	(3,620)	(18,108)	-	(57,273)
Depreciation expense	-	46,333	38,931	13,972	11,419	34,817	-	145,472
Reclassification	(11,638)	(5,570)	(125)	-	125	7,435	-	(9,773)
Effect of foreign currency exchange differences	-	-	2,221	298	1,414	3,672	-	7,605
Remove from consolidated entity	-	-	-	-	(1,421)	(1,855)	-	(3,276)
Balance at December 31, 2014	$ 13,868	$ 363,532	$ 368,680	$ 42,822	$ 164,178	$ 155,942	$ -	$ 1,109,022
Carrying amounts								
Balance at December 31, 2014	$ 819,239	$ 1,547,094	$ 116,219	$ 44,818	$ 54,826	$ 132,676	$ 229,074	$ 2,943,946

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	25-60 years
Machinery and computer equipment	3-25 years
Transportation equipment	3-5 years
Office and other equipment	3-8 years
Lease improvement	3-8 years

20. INVESTMENT REAL - ESTATE

	December 31	
	2015	2014
Lease asses	$ 8,157	$ 8,283

	For the Year Ended December 31	
	2015	2014
Cost		
Balance at January 1	$ 25,523	$ -
Additions	-	25,523
Balance at December 31	$ 25,523	$ 25,523
Accumulated depreciation		
Balance at January 1	$ 17,240	$ -
Reclassification	-	17,208
Depreciation expense	126	32
Balance at December 31	$ 17,366	$ 17,240

The Group transferred the leasing land and building from freehold land and buildings to investment properties in October 2014 that were depreciated on a straight-line basis over 60 years.

As of December 31, 2015 and 2014, the fair value of the investment properties was $10,200 thousand and $8,640 thousand, which was referred to the Ministry of Interior's Information Platform of Real Estate.

21. INTANGIBLE ASSETS

	December 31	
	2015	2014
Computer software	$ 143,498	$ 66,112
Goodwill	1,254,078	1,203,350
Others	11,197	14,366
	$ 1,408,773	$ 1,283,828

The movements of intangible assets for the years ended December 31, 2015 and 2014 are summarized as follows:

	Computer Software	Goodwill	Others	Total
Cost				
Balance at January 1, 2015	$ 473,586	$ 1,203,350	$ 91,661	$ 1,768,597
Additions	30,735	-	-	30,735
Disposals	(6,470)	-	-	(6,470)

(Continued)

	Computer Software	Goodwill	Others	Total
Reclassification	$ 82,157	$ -	$ -	$ 82,157
Effect of foreign currency exchange differences	1,639	50,728	3,894	56,261
Balance at December 31, 2015	$ 581,647	$ 1,254,078	$ 95,555	$ 1,931,280
Accumulated amortization and impairment loss				
Balance at January 1, 2015	$ 407,474	$ -	$ 77,295	$ 484,769
Amortization	36,107	-	3,648	39,755
Disposals	(6,470)	-	-	(6,470)
Effect of foreign currency exchange differences	1,038	-	3,415	4,453
Balance at December 31, 2015	$ 438,149	$ -	$ 84,358	$ 522,507
Carrying amounts				
Balance at December 31, 2015	$ 143,498	$ 1,254,078	$ 11,197	$ 1,408,773
Cost				
Balance at January 1, 2014	$ 430,382	$ 1,136,816	$ 88,205	$ 1,655,403
Additions	31,873	-	-	31,873
Disposals	(820)	-	(1,681)	(2,501)
Reclassification	9,772	-	-	9,772
Effect of foreign currency exchange differences	2,379	66,534	5,137	74,050
Balance at December 31, 2014	$ 473,586	$ 1,203,350	$ 91,661	$ 1,768,597
Accumulated amortization and impairment loss				
Balance at January 1, 2014	$ 377,562	$ -	$ 67,308	$ 444,870
Amortization	29,478	-	5,760	35,238
Disposals	(820)	-	-	(820)
Effect of foreign currency exchange differences	1,254	-	4,227	5,481
Balance at December 31, 2014	$ 407,474	$ -	$ 77,295	$ 484,769
Carrying amounts				
Balance at December 31, 2014	$ 66,112	$ 1,203,350	$ 14,366	$ 1,283,828

(Concluded)

The goodwill was recognized from IBT Holding Corp.’s purchase of 91.78% share of Ever Trust Bank on March 30, 2007.

The intangible assets - others are amortized on a straight-line basis over 6-13 years.

22. OTHER ASSETS

	December 31	
	2015	2014
Refundable deposits	$ 4,941,343	$ 4,327,844
Life insurance cash surrender value	387,943	367,569
Settlement payments	188,136	104,036
Prepayment	42,438	33,210
Others	219,318	150,588
	$ 5,779,178	$ 4,983,247

23. DUE TO THE CENTRAL BANK OF CHINA AND OTHER BANKS

	December 31	
	2015	2014
Due to other banks	$ 47,179,472	$ 42,951,807
Call loans from Central Bank	661,320	634,360
	$ 47,840,792	$ 43,586,167

24. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	December 31	
	2015	2014
Transactions instruments	$ 84,424,475	$ 62,630,385
Government bonds	33,515,224	24,739,292
Corporate bonds	42,270,726	41,275,301
Bank debentures	11,027,671	7,874,508
	$ 171,238,096	$ 136,519,486
Date of agreement to repurchase	July 2016	February - July 2015
Amount of agreement to repurchase	$ 171,313,676	$ 137,110,757

25. PAYABLES

	December 31	
	2015	2014
Payable on securities sales	$ 136,555	$ 55,618
Settlement accounts payable - execution of customer orders	437,530	548,312
Payable on bonds sales	782,045	16,098
Deposits payable for securities financing	161,181	232,565

(Continued)

	December 31	
	2015	2014
Acceptances	$ 396,083	$ 243,635
Accrued interest	401,947	417,428
Accrued expenses	788,082	746,698
Replacement of receipts payable	219,291	119,559
Factoring	666,462	270,828
Others	499,907	206,778
	$ 4,489,083	$ 2,857,519

(Concluded)

26. DEPOSITS AND REMITTANCES

	December 31	
	2015	2014
Deposits		
Checking	$ 5,124,395	$ 1,978,974
Demand	27,845,323	22,087,187
Time	139,805,187	132,449,126
Remittances	1,377	795
	$ 172,776,282	$ 156,516,082

27. BANK DEBENTURES

	December 31	
	2015	2014
Subordinate debenture bonds issued in 2009, fixed 3.20% interest rate; maturity: December 28, 2016; interest paid annually and repay maturity	$ 500,000	$ 500,000
Subordinate debenture bonds issued in 2010; fixed 3.00% interest rate; maturity: April 12, 2017; interest paid annually and repay the principal at maturity	800,000	800,000
Subordinate debenture bonds issued in 2010; fixed 2.75% in first 5 years and 3.45% in 6th to 10th years; maturity: July 7, 2020, interest paid annually and repay the principal at maturity	-	1,030,000
Subordinate debenture bonds issued in 2011; fixed 2.30% interest rate; maturity: August 26, 2018; interest paid annually and repay the principal at maturity	950,000	950,000
Subordinate debenture bonds issued in 2011; fixed 2.30% interest rate; maturity: October 28, 2018; interest paid annually and repay the principal at maturity	3,350,000	3,350,000
Subordinate debenture bonds issued in 2012; fixed 1.85% interest rate; maturity: August 17, 2019; interest paid annually and repay the principal at maturity	1,650,000	1,650,000
Subordinate debenture bonds issued in 2013; fixed 1.95% interest rate; maturity: May 30, 2020; interest paid annually and repay the principal at maturity	2,300,000	2,300,000

(Continued)

	December 31	
	2015	2014
Subordinate debenture bonds issued in 2014; fixed 1.95% interest rate; maturity: March 27, 2021; interest paid annually and repay the principal at maturity	$ 1,300,000	$ 1,300,000
Subordinate debenture bonds issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate debenture bonds issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repay the principal at maturity	600,000	600,000
Subordinate debenture bonds issued in 2014; fixed 2.2% interest rate; maturity: May 5, 2022; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repay the principal at maturity	1,000,000	-
	$ 14,950,000	$ 14,980,000

(Concluded)

28. OTHER FINANCIAL LIABILITIES

	December 31	
	2015	2014
Bank loans	$ 12,692,630	$ 10,505,619
Commercial paper	314,981	2,129,646
Funds obtained from the government - intended for specific types of loans	5,021,807	6,480,076
Others	288,160	341,736
	$ 18,317,578	$ 19,457,077

a. Bank loans

	December 31	
	2015	2014
Short-term secured loans	$ 3,656,455	$ 2,210,335
Short-term credit loans	6,877,964	6,691,728
Long-term secured loans	600,429	677,275
Long-term credit loans	1,557,782	926,281
	$ 12,692,630	$ 10,505,619
Interest rate interval		
New Taiwan dollars	1.35%-1.89%	1.38%-1.80%
U.S. dollars	0.66%-3.59%	0.50%-2.80%
Renminbi	4.70%-6.66%	6.60%-6.765%

b. Commercial paper

	December 31	
	2015	2014
Commercial paper	$ 315,000	$ 2,130,000
Less: Unamortized discount	(19)	(354)
	$ 314,981	$ 2,129,646
Interest rate interval	0.608%-1.48%	0.958%-1.60%

29. PROVISIONS

	December 31	
	2015	2014
Provisions for employee benefits	$ 256,810	$ 211,945
Reserve for losses on guarantees	1,484,195	1,460,667
	$ 1,741,005	$ 1,672,612

30. RETIREMENT BENEFITS PLANS

a. Defined contribution plans

The Bank and domestic subsidiaries of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Based on the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiary in ROC overseas are members of a state-managed retirement benefit plan operated by the government of overseas. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognized in profit or loss for the years ended December 31, 2015 and 2014 was $58,551 thousand and $55,307 thousand, respectively, represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

b. Defined benefit plans

The Group adopted the defined benefit plan under the Labor Standard Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the twelve months before retirement. The Group contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy. Because of secondment from the subsidiaries, the Bank received $188 and $188 thousand, which recognized in deduction of retirement expense, for 2015 and 2014, respectively.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2015	2014
Present value of defined benefit obligation	$ 597,934	$ 558,937
Fair value of plan assets	(341,124)	(346,992)
Net defined benefit liability (asset)	$ 256,810	$ 211,945

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2014	$ 557,605	$ (348,591)	$ 209,014
Service cost			
Current service cost	9,813	-	9,813
Net interest expense (income)	9,252	(6,232)	3,020
Recognized in profit or loss	19,065	(6,232)	12,833
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(505)	(505)
Actuarial loss - changes in demographic assumptions	3,586	-	3,586
Actuarial loss - changes in financial assumptions	5,406	-	5,406
Actuarial loss - experience adjustments	254	(451)	(197)
Recognized in other comprehensive income	9,246	(956)	8,290
Contributions from the employer	-	(7,841)	(7,841)
Contributions from plan participants	(16,628)	16,628	-
Benefits paid	(10,351)	-	(10,351)
Balance at December 31, 2014	$ 558,937	$ (346,992)	$ 211,945
Balance at January 1, 2015	$ 558,937	$ (346,992)	$ 211,945
Service cost			
Current service cost	24,028	-	24,028
Net interest expense (income)	8,556	(6,215)	2,341
Recognized in profit or loss	32,584	(6,215)	26,369
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,606)	(2,606)
Actuarial loss - changes in demographic assumptions	6,725	-	6,725
Actuarial loss - changes in financial assumptions	20,205	-	20,205
Actuarial loss - experience adjustments	2,736	-	2,736
Others	-	(129)	(129)
Recognized in other comprehensive income	29,666	(2,735)	26,931

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Contributions from the employer	$ -	$ (7,460)	$ (7,460)
Contributions from plan participants	(22,278)	22,278	-
Benefits paid	(975)	-	(975)
Balance at December 31, 2015	$ 597,934	$ (341,124)	$ 256,810

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2015	2014
Discount rate(s)	1.25%-1.75%	1.63%-2.125%
Expected rate(s) of salary increase	2.125%-2.50%	2.125%-2.50%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31, 2015
Discount rate(s)	
0.25% increase	$ (13,249)
0.25% decrease	$ 13,771
Expected rate(s) of salary increase	
0.25% increase	$ 13,394
0.25% decrease	$ (12,956)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2015	2014
The expected contributions to the plan for the next year	$ 6,544	$ 7,933
The average duration of the defined benefit obligation	11 years	12 years

31. OTHER LIABILITIES

	December 31	
	2015	2014
Guarantee deposits received	$ 1,418,235	$ 1,147,911
Advance revenue	189,874	148,397
Others	180,990	158,288
	$ 1,789,099	$ 1,454,596

32. EQUITY

a. Capital stock

Common stock

	December 31	
	2015	2014
Numbers of shares authorized (in thousands)	2,601,706	2,601,706
Capital stock authorized	$ 26,017,060	$ 26,017,060
Number of shares issued and fully paid (in thousands)	2,390,506	2,390,506
Shares issued	$ 23,905,063	$ 23,905,063

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

b. Capital surplus

	December 31	
	2015	2014
Arising from treasury share transactions	$ 1,773	$ -

Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

The Bank's Articles of Incorporation provide that the annual net income, less losses of prior years, if any, shall be appropriated as follows:

1) Legal reserve, 30%;

2) Special reserve, if needed; and

3) The remaining is appropriated as follows:

   a) Bonuses to directors and supervisors - 4%;

   b) Employees - 2% to 4%;

   c) The manner of distributing the dividend to stockholders should be determined by the stockholders in their meeting on the basis of operating results.

The dividend distribution should be in accordance with future capital budget plan, the operating policy on capital demand and the financial structure under conservative consideration. Basically, cash dividend is not lower than 20% of the total dividend and the final distribution is determined in the meeting of stockholders.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Company's board of directors on February 24, 2016 and are subject to the resolution of the shareholders in their meeting to be held on June 3, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to 39.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve. When the deduction of other equity was reversed, the reversed part could be distributed in cash.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Bank's capital surplus. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's capital surplus, the excess may be transferred to capital or distributed in cash.

Under the Company Law, legal reserve shall be appropriated until it has reached the Bank's capital surplus. This reserve may be used to offset deficit. When the Company has no loss and the legal reserve has exceeded 15% of the Bank's capital surplus, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Bank.

The appropriations of earnings for 2014 and 2013 had been approved in shareholders' meetings on June 2, 2015 and June 6, 2014, respectively. The appropriations and dividends per share were as follows:

	2014		**2013**	
	Appropriation of Earnings	**Dividend Per Share (NT$)**	**Appropriation of Earnings**	**Dividend Per Share (NT$)**
Legal reserve	$ 528,947		$ 226,452	
Special reserve	279,154		51,840	
Cash dividend - common stock	955,055	$0.40	476,546	$0.20

Bonuses to employees and remuneration to directors and supervisors for 2015 proposed in the shareholders' meetings on March 25, 2016 were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 510,102	
Special reserve	(5,014)	
Cash dividend - common stock	1,195,253	$0.50

Bonus to employees and remuneration to directors and supervisors will be approved in shareholders' meeting on June 3, 2016.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2015	2014
Balance at January 1	$ 247,842	$ (9,412)
Exchange differences arising on translating the financial statements of foreign operations	189,136	295,585
Income tax related to gains arising on translating the financial statements of foreign operations	(30,938)	(38,331)
Balance at December 31	$ 406,040	$ 247,842

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31	
	2015	2014
Balance at January 1	$ 565,041	$ 169,548
Unrealized gain arising on revaluation of available-for-sale financial assets	188,728	463,580
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(160,257)	(201,076)
Cumulative loss reclassified to profit or loss on impairment of available-for-sale financial assets	58,449	101,286
Actual disposal of interest in subsidiaries	-	(211)
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	(27,385)	31,914
Balance at December 31	$ 624,576	$ 565,041

d. Non-controlling interests

	2015	2014
Balance at January 1	$ 16,311,405	$ 16,153,619
Attribute to non-controlling interests		
Share of profit for the year	1,194,684	985,103
Exchange differences arising on translation of foreign entities	17,270	20,766
Unrealized gains and losses on available-for-sale financial assets	206,042	50,636
Actuarial gains (loss) on defined benefit plans	(8,976)	(2,588)
Disposal of partial interest in CBF (Note 44)	-	20,197
Dissolved of TFITT	-	(30,372)
Subsidiaries dividends paid	(692,625)	(673,385)
Subsidiaries refund capital	(90,015)	(212,571)
Disposal of subsidiaries	(334,628)	-
Ending balance	$ 16,603,157	$ 16,311,405

e. Treasury stock

On June 26, 2013, the Bank's board of directors resolved to buy-back outstanding shares at $5.5-$8 per share from emerging market in order to transfer the shares to employees. The Bank bought back 7,774 thousand shares in the amount of $50,620 thousand. The Bank had transferred 4,905 thousand shares to employees in March 2015. In accordance with IFRS 2 "Share based payment", the Bank recognized employee benefits expense in the amount of $1,864 thousand and capital surplus - stock options in the amount of $1,773 thousand (including related taxes) on grant day, and recognized capital surplus - treasury stock transactions on the settlement day. Under the Securities and Exchange Act, the Bank shall neither pledge treasury stock nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

	Shares Transferred to Employees (In Thousands of Shares)
Number of shares at January 1, 2014	7,774
Decrease during the year	-
Number of shares at December 31, 2014	7,774
Number of shares at January 1, 2015	7,774
Decrease during the year	4,905
Number of shares at December 31, 2015	2,869

33. NET INTEREST

	For the Year Ended December 31	
	2015	2014
Interest revenue		
Discounts and loans	$ 3,578,914	$ 3,186,582
Due from the central bank and call loans to banks	205,267	222,543
Investment in marketable securities	1,427,845	1,184,762
Securities purchased under agreement to resell	11,849	17,146
Installment sales and lease	927,714	716,068
Others	216,848	237,709
	6,368,437	5,564,810
Interest expense		
Deposits	1,236,105	1,118,143
Due to central bank and other banks	239,007	316,244
Bank debentures	317,176	285,934
Securities sold under agreement to repurchase	845,409	897,760
Commercial paper payable	11,504	9,650
Debit loans	260,532	206,865
Others	5,374	25,100
	2,915,107	2,859,696
	$ 3,453,330	$ 2,705,114

34. COMMISSION AND FEE REVENUES, NET

	For the Year Ended December 31	
	2015	2014
Commission and fee revenue		
Guarantee business	$ 530,832	$ 491,646
Loan business	227,111	199,883
Agency income	171,014	201,387
Underwriting business	285,423	185,270
Trust business	28,496	30,897
Lease business	163,104	155,174
Credit examine business	204,997	132,340
Import and export business	38,372	34,634
Factoring business	50,923	34,319
Others	58,670	67,888
	1,758,942	1,533,438
Commission and fee expense		
Others	63,999	80,095
	$ 1,694,943	$ 1,453,343

35. GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT LOSS

	For the Year Ended December 31	
	2015	2014
Realized gain profit or loss		
Stocks	$ 141,571	$ 586,519
Bonds	58,166	(485)
Derivatives	327,156	290,776
Others	218,789	(1,083)
	745,682	875,727
Gains (losses) on valuation		
Stocks	(24,766)	(11,388)
Bonds	(6,536)	(18,985)
Derivatives	(130,639)	(276,976)
Others	11,267	(55,931)
	(150,674)	(363,280)
Interest revenue	1,212,269	1,223,010
	$ 1,807,277	$ 1,735,457

Above the profit and loss were due to price fluctuations arising except for currency exchange and cross-currency swap. The profit and loss of current site for currency exchange and cross-currency swap were due to exchange rate fluctuations recorded as net exchange gains and losses.

36. REALIZED INCOME FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS

	For the Year Ended December 31	
	2015	2014
Net profit on disposal - stocks	$ 338,197	$ 288,613
Net profit on disposal - bonds	42,290	16,042
Net profit on disposal - securitized beneficiary certificates	12,666	-
Dividend revenue	33,752	33,491
	$ 426,905	$ 338,146

37. REALIZED INCOME FROM HELD-TO-MATURITY

	For the Year Ended December 31	
	2015	2014
Bank debentures	$ -	$ 402

38. LOSS FROM ASSET IMPAIRMENT

	For the Year Ended December 31	
	2015	2014
Financial assets carried at cost	$ 82,578	$ 74,446
Available-for-sale financial assets	58,450	144,665
	$ 141,028	$ 219,111

The Group evaluated the value of assets already impaired, then recognized loss from assets impairment.

39. EMPLOYEE BENEFITS EXPENSES

	For the Year Ended December 31	
	2015	2014
Short-term employee benefits		
Salaries and wages	$ 1,228,424	$ 1,091,707
Award expense	485,616	465,685
Labor insurance and national health insurance	104,985	100,124
Others	198,531	185,796
Post-employment benefits		
Pension	84,732	67,952
	$ 2,102,288	$ 1,911,264

To be in compliance with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Company stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates of 1%-2.5% and no higher than 2.5%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the year ended December 31, 2015, the employees' compensation and the remuneration to directors and supervisors were $26,039 thousand and $52,078 thousand, respectively, representing 1.25% and 2.5%, respectively, of the base net profit. The bonus to employees and remuneration to directors and supervisors for the year ended December 31, 2015 have been proposed by the Company's board of directors on March 25, 2016.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The distribution of bonuses to employees and directors had been approved in shareholders' meetings on June 2, 2015 and June 6, 2014, respectively, as follows:

	For the Year Ended December 31			
	2014		2013	
	Cash Dividends	Stock Dividends	Cash Dividends	Stock Dividends
Bonus to employees	$ 20,320	$ -	$ 10,139	$ -
Bonus to directors	40,641	-	20,279	-

There are no differences between the bonus amounts approved by shareholders' meetings and bonus amounts recognized in financial statements in 2015 and 2014.

Information on the bonus to employees, directors and supervisors proposed by the Bank's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

40. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2015	2014
Property and equipment	$ 152,517	$ 145,472
Investment real-estate	126	32
Intangible assets	39,755	35,238
Other assets	968	847
	$ 193,366	$ 181,589

41. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2015	2014
Taxation	$ 268,383	$ 270,761
Rental	158,982	155,149
Management fee	29,951	26,945
Compensation payable to directors and supervisors	101,051	82,320
Computer operating and consulting fees	91,378	87,551
Entertainment	47,573	43,791
Professional services	37,002	45,625
Others	534,803	468,409
	$ 1,269,123	$ 1,180,551

42. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2015	2014
Current tax		
In respect of the current period	$ 608,857	$ 623,754
Income tax on unappropriated earnings	28,110	5,184
In respect of prior periods	(12,045)	(25,909)
	624,922	603,029
Deferred tax		
In respect of the current period	67,265	21,167
Income tax expense recognized in profit or loss	$ 692,187	$ 624,196

The reconciliation of the income based on income before income tax at the statutory rate and income tax expense was as follows:

	For the Year Ended December 31	
	2015	2014
Profit before tax from continuing operations	$ 3,612,937	$ 3,375,879
Income tax expense calculated at the statutory rate	$ 710,791	$ 687,209
Nondeductible expenses in determining taxable income	(45,210)	(2,183)
Tax-exempt income	(107,082)	(98,907)
Deductible investment tax credits	(1,297)	-
Deductible loss carryforwards	(371)	(77,988)
Additional income tax under the Alternative Minimum Tax Act	25,447	44,814
Income tax on unappropriated earnings	28,110	5,184
Unrecognized temporary difference	47,026	74,955
Unrecognized loss carryforwards	40,649	16,370
Overseas tax	6,169	651
Adjustments for prior years' tax	(12,045)	(25,909)
Income tax expense recognized in profit or loss	$ 692,187	$ 624,196

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2015	2014
Deferred tax		
Recognized in other comprehensive income		
Translation of foreign operations	$ (30,140)	$ (51,240)
Fair value remeasurement of available-for-sale financial assets	(303)	(16,737)
Actuarial gains (loss) on defined benefit plans	2,383	1,529
	$ (28,060)	$ (66,448)

c. Deferred tax assets and liabilities

For the year ended December 31, 2015

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference					
FVTPL financial assets	$ 22	$ (22)	$ -	$ -	$ -
Property and equipment	10,407	(2,237)	-	343	8,513
AFS financial assets	8,856	-	(1,527)	377	7,706
Defined benefit plans	12,003	154	2,383	-	14,540
Provisions	344,493	(59,875)	-	32,901	317,519
Doubtful debts	89,171	1,975	-	73	91,219
Asset impairment	9,707	-	-	-	9,707
Other	64,658	37,977	-	2,784	105,419
	$ 539,317	$ (22,028)	$ 856	$ 36,478	$ 554,623

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference					
FVTPL financial assets	$ 7,513	$ 6,457	$ -	$ -	$ 13,970
AFS financial assets	1,224	-	(1,224)	-	-
Associates	96,989	37,955	-	-	134,944
Exchange difference on foreign operations	49,870	-	30,140	-	80,010
Other	685	825	-	-	1,510
	$ 156,281	$ 45,237	$ 28,916	$ -	$ 230,434

For the year ended December 31, 2014

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference					
FVTPL financial assets	$ 1,413	$ (1,391)	$ -	$ -	$ 22
Property and equipment	20,745	(10,892)	-	554	10,407
Exchange difference on foreign operations	6,939	-	(6,939)	-	-
AFS financial assets	24,672	-	(16,544)	728	8,856
Defined benefit plans	10,866	-	1,137	-	12,003
Provisions	305,115	31,347	-	8,031	344,493
Doubtful debts	79,995	9,079	-	97	89,171
Asset impairment	9,707	-	-	-	9,707
Other	49,309	11,885	-	3,464	64,658
	508,761	40,028	(22,346)	12,874	539,317
Investment credits					
Tax losses	30,287	(30,287)	-	-	-
	$ 539,048	$ 9,741	$ (22,346)	$ 12,874	$ 539,317

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference					
FVTPL financial assets	$ 5,732	$ 1,781	$ -	$ -	$ 7,513
AFS financial assets	1,031	-	193	-	1,224
Associates	67,669	29,320	-	-	96,989
Exchange difference on foreign operations	5,569	-	44,301	-	49,870
Defined benefit plans	900	(203)	(392)	(305)	-
Other	675	10	-	-	685
	$ 81,576	$ 30,908	$ 44,102	$ (305)	$ 156,281

d. Integrated income tax

	December 31	
	2015	2014
Imputation credit accounts	$ 5,229	$ 47,604

The creditable ratio for distribution of earnings of 2015 and 2014 was 0.31% (estimated), 6.84%, respectively.

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident shareholders of the Company was calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to shareholders of the Company was based on the balance of the Imputation Credit Accounts (ICA) as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2015 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

The Bank did not have undistributed earnings earned before 1997 (including 1997).

e. Income tax assessments income tax returns of the Group through 2012 had been assessed by the Taipei National Tax Administrative, except the CBF for 2010 had not been assessed by the Taipei National Tax Administration.

43. EARNINGS PER SHARE

Earnings used in calculating earnings per share and weighted average number of ordinary shares as follows:

	Amount (Numerator)	Shares (Denominator) (Thousands)	Earnings Per Share (Dollars)
Year ended December 31, 2015			
Basic earnings per share			
Net profit attributable to owner of the Bank	$ 1,726,066	2,386,981	$ 0.72
Year ended December 31, 2014			
Basic earnings per share			
Net profit attributable to owner of the Bank	$ 1,768,580	2,382,732	$ 0.74

44. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On June 2014, the Group disposed of 0.13% of its interest in TFITT Limited, reducing its interest from 28.5% to 28.37%. IBT's ownership of the interest in TFITT is 16.67%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

	CBF
Cash consideration received	$ 19,140
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	(25,479)
Adjustment for other equity:	
Special reserve (attributable to owners of IBT was 15 thousand)	91
Fair value remeasurement of available-for-sale financial asset (attributable to non-controlling interests was $211 thousand)	1,268
Differences arising from equity transaction	$ (4,980)
Differences arising from equity transaction attributable to	
Owners of the Bank	$ (831)
Non-controlling interests	(4,149)
	$ (4,980)

45. RELATED PARTY TRANSACTIONS

a. The related parties and their relationship with the Group are summarized as follows:

Related Party	Relationship with The Bank
IBT II Venture Capital Co., Ltd. (IBT II Venture)	Associates
Tai Chia International Co., Ltd. (dissolved on June 8, 2015)	Associates
IBT Education Foundation (IBTEF)	The Bank is the major donor of the foundation
Taiwan Cement Corporation	The Bank's legal director
Yi Chang Investment Co., Ltd.	The Bank's legal director
Ming Shan Investment Co., Ltd.	The Bank's legal director
Others	The Bank's management and their other relatives

b. The significant transactions and balances with the related parties are summarized as follows:

1) Deposits

	Ending Balance	Interest Expense	Rate (%)
For the year ended December 31, 2015			
Associates	$ 50,631	$ 291	0.05-1.42
Others	1,288,341	7,203	0.00-6.70
	$ 1,338,972	$ 7,494	
For the year ended December 31, 2014			
Associates	$ 45,453	$ 1,089	0.05-1.42
Others	926,596	5,664	0.00-6.92
	$ 972,049	$ 6,753	

2) Directors acting as the guarantor of the loan balance

	Ending Balance	Rate (%)
December 31, 2015	$ 855,000	1.59
December 31, 2014	$ 950,000	1.69

3) Service fee income

	For the Year Ended December 31	
	2015	2014
Associates	$ 129	$ 219

Service fee income is earned by providing authentication and custody services.

4) Other expense

	For the Year Ended December 31	
	2015	2014
Others	$ 2,680	$ 2,129

Other expenses are donations.

5) Rental income and others

	For the Year Ended December 31	
	2015	2014
Others	$ 552	$ 368

Rental income received by the department is revenue from leasing and management service.

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2015 and 2014 were as follows:

	For the Year Ended December 31	
	2015	2014
Short-term employee benefits		
Salaries and wages	$ 134,920	$ 113,505
Awards	118,694	104,794
Others	108,092	57,792
	361,706	276,091
Post-employment benefits	7,779	7,990
Share based payments	1,479	-
	$ 370,964	$ 284,081

The terms of the transactions with related parties are similar to those for third parties, except for the preferential interest rates given to employees for savings and loans. These rates should be within certain limits.

Under the Banking Law, except for consumer loans and government loans, credits extended by the Bank to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those for third parties.

46. PLEDGED ASSETS

	December 31	
	2015	2014
Due from banks	$ 251,567	$ 510,346
Financial assets at fair value through profit or loss	4,700,314	8,100,000
Discounts and loans	8,784,763	7,751,385
Available-for-sale financial assets	2,595,205	2,141,226

(Continued)

	December 31	
	2015	2014
Held-to-maturity financial assets	$ 4,502,700	$ -
Pledged time deposits	347,774	351,940
Compensation account for payment	102,875	113,969
	$ 21,285,198	$ 18,968,866

(Concluded)

Under the requirement for joining the Central Bank's Real-time Gross Settlement (RTGS) clearing system, the Bank provided certificates of deposits (part of due from banks, financial assets at fair value through profit or loss and held-to-maturity financial assets) as collateral for the day-term overdraft. The pledged amount is adjustable based on overdraft amount, and at the end of the day, the unused part can be used for liquidity reserve. The above available-for-sale financial assets were bond investments and mainly provided as collateral for exchange clearing, interest rate swap contracts, trust compensation, and for EverTrust Bank to issue certificates of deposit in the U.S.A. Besides, the above loans were provided as collateral for EverTrust Bank to apply for credit limits to Federal Home Loan Bank of San Francisco. Restricted assets were provided not merely as collaterals for short-term borrowings, commercial paper issued, contract security deposit and administrative reliefs, but as pledged for the Central Bank bond bidding.

47. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. As of December 31, 2015 and 2014, the Group had commitments as follows:

	December 31	
	2015	2014
Office decorating and contracts of computer software		
Amount of contracts	$ 554,479	$ 601,870
Payments for construction in progress and prepayments for equipment	255,635	229,074

b. The Group as lessee

Due to rental of buildings, the bank and its subsidiaries have been entered into various leasehold contracts with others, respectively. These contracts are gradually expire before the end of May 2025.

As of December 31, 2015 and 2014, refundable deposits paid under operating lease amounted to $29,887 thousand and $22,668 thousand.

The future minimum payment under non-cancellable operating lease summarized as follows:

	December 31, 2015
Up to 1 years	$ 179,364
Over 1 year to 5 years	718,464
Over 5 years	128,370
	$ 1,026,198

c. Regarding the merger in which subsidiary company, IBT Asset Management Co., Ltd. (IBTAM), was merged by Taishin Securities Investment Trust Co., Ltd. (TSIT) on December 18, 2010. According to merger agreement, the Bank and the main stockholder of IBTAM, Chiung-Tzan Chen should inherit the rights, obligations and liabilities of IBTAM. According to the Contract, after 2 years of merger date, the retention of $22,419 is reserved in TSIT, would be fully returned to the Bank, unless the deductions due to loss regarding litigation, non-litigation, settlement or administrative sanctions were determined. As of December 31, 2015, the amount of $17,397 thousand was not yet refunded. The pending issue as follows:

   Another investor filed a civil lawsuit against IBTAM, the manager of IBT Global MBS Fund, and Polaris Securities on July 17, 2009. The investor asked for a compensation of $18,481 thousand from IBTAM and Polaris Securities on March 19, 2010, plus 5% interest from June 11, 2009 to the date of payment of the compensation. The Taipei District Court adjudged that IBTAM is without liability on September 12, 2013. The plaintiff refused to accept the result and appeal the lawsuit to Taipei High Court, the court adjudged that IBTAM is without liability on March 3, 2015. But the plaintiff still do not agree the judgment, and appeals to supreme court.

   As for the litigations and contingencies, IBT considered there is still possibility of loss. Thus, it conservatively evaluated to recognize $18,182 thousand of liabilities.

d. A client, Mr. Huang, took a civil lawsuit against IBTS on May 11, 2015 for alleged encroachment of a former clerk on his stock delivery models, and claimed for compensation in the amount of $1,779 thousand. The lawsuit is in the Court of First Instance, and the preliminary proceedings will be convened on September 30, 2015. According to the investigation, the Group estimates the possibility of losing in the case is very low, but the final result still depends on the Court's judgment.

e. IBTS Asia (HK) Limited (IBTS Asia), subsidiary company of IBTS (second defendant in this case), was sued by a client, Rao, who alleged his partner, Liang (first defendant in this case), violated the cooperative agreement among themselves and sold all of the 650 million shares of Uni-Bio Science Group Limited (the original 650 million shares have been merged into 65 million shares by now) in their joint account opened at IBTS Asia, and IBTS Asia together with its manager, Sih Tu (third defendant in this case), failed to follow the cooperative agreement to monitor the performance of the agreement; therefore, all the three defendants should return the 650 million shares or pay compensation. Neither IBTS Asia nor its employees have signed the cooperative agreement. The plaintiff has submitted pleadings to The High Court of Hong Kong in January 2010. The court held the negotiation meeting with litigant on October 6, 2016, and held trial conference from December 5, 2016 to December 23, 2016. The Group estimates the final possibility of loss is low, but still depends on the jurist's sentence.

48. TRUST BUSINESS UNDER THE TRUST LAW

Trust-related items are shown in the following balance sheet and trust property list:

Balance Sheet of Trust Accounts

	December 31	
	2015	**2014**
Trust assets		
Bank deposits	$ 817,756	$ 2,626,019
Financial asset	874,986	228,378
Real estate	9,021,767	5,350,004
	$ 10,714,509	$ 8,204,401
Trust capital and liability	$ 10,714,509	$ 8,204,401

Income Statements of Trust Accounts

	For the Year Ended December 31	
	2015	**2014**
Trust revenue		
Interest revenue	$ 122,011	$ 102,931
Trust expenses		
Income tax expense	12,201	10,293
	$ 109,810	$ 92,638

The above income accounts are not included in the Bank's income statements.

Trust Property List

	December 31	
	2015	**2014**
Bank deposit	$ 817,756	$ 2,626,019
Stock	874,986	228,378
Land	7,230,954	3,559,191
Real estate, net	1,790,813	1,790,813
	$ 10,714,509	$ 8,204,401

49. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not carried at fair value

1) Financial instruments significant difference between carrying amount and fair value

Except as detailed in the following table, the management consider that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

	December 31			
	2015		**2014**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets				
Held-to-maturity financial assets	$ 9,849,587	$ 9,894,834	$ 4,884,679	$ 4,885,359
Financial liabilities				
Bank debentures	14,950,000	15,033,738	14,980,000	15,075,276

2) The fair value hierarchy

(In Thousands of New Taiwan Dollars)

Item	December 31, 2015 Total	Level 1	Level 2	Level 3
Financial assets				
Held-for-maturity financial assets	$ 9,894,834	$ 509,370	$ 9,385,464	$ -
Financial liabilities				
Bank debentures	15,033,738	15,033,738	-	-

Item	December 31, 2014 Total	Level 1	Level 2	Level 3
Financial assets				
Held-for-maturity financial assets	$ 4,885,359	$ 499,336	$ 4,386,023	$ -
Financial liabilities				
Bank debentures	15,075,276	15,075,276	-	-

Held-to-maturity financial assets and bank debentures. Refer to quoted market prices for fair value. If quoted market prices are not available, the fair value is determined by using a valuation technique.

b. Fair value of financial instruments carried at fair value

1) The fair value hierarchy of the financial instruments as of December 31, 2015 and 2014 were as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2015 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	$ 996,647	$ 924,213	$ 72,434	$ -
Bonds	1,425,025	996,832	328,180	100,013
Bills	100,750,259	204,771	100,545,488	-
Others	34,071,511	-	34,071,511	-
Financial assets designated as fair value through profit or loss	15,946,575	-	2,972,502	12,974,073
Available-for-sale financial assets				
Stocks	1,393,411	1,393,411	-	-
Bonds	114,448,570	2,862,444	111,586,126	-

(Continued)

Item	December 31, 2015 Total	Level 1	Level 2	Level 3
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	$ 647,191	$ 146,299	$ 500,892	$ -
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	6,311,038	6,066	6,032,166	272,806
Liabilities				
Financial liabilities at fair value through profit or loss	5,629,883	-	5,629,883	-

(Concluded)

Item	December 31, 2014 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	$ 1,844,442	$ 1,730,151	$ 114,291	$ -
Bonds	2,923,554	923,648	1,886,102	113,804
Bills	82,956,851	182,981	82,773,870	-
Others	32,012,439	-	32,012,439	-
Financial assets designated as fair value through profit or loss	12,722,722	-	2,656,390	10,066,332
Available-for-sale financial assets				
Stocks	2,335,481	2,335,481	-	-
Bonds	91,756,262	1,518,552	90,237,710	-
Others	971,948	-	971,948	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	367,429	367,429	-	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	5,944,917	15,639	5,664,833	264,445
Liabilities				
Financial liabilities at fair value through profit or loss	5,428,079	49,839	5,376,668	1,572

2) Valuation techniques and assumptions applied for the purpose of measuring the fair values

In a fair deal, the transaction is fully understood and there is willingness to achieve by the two sides, in exchange of assets or settle of liabilities, fair value is the amount settled. Financial instruments at fair value through profit or loss, available-for-sale financial assets and hedging derivative financial assets refer to quoted market prices for fair value. If quoted market prices are not available, then fair value is determined by using a valuation technique.

a) Marking-to-market

This measurement should be used first. Following are the factors that should be considered when using marking-to-market:

i. Ensure the consistency and completeness of market data.

ii. The source of market data should be transparent, easy to access, and should come from independent resources.

iii. Listed securities with high liquidity and representative closing prices should be valued at closing prices.

iv. Unlisted securities which lack tradable closing prices should use quoted middle prices from independent brokers and follow the guidelines required by regulatory authorities.

b) Marking-to-model

The marking-to-model is used if marking-to-market is infeasible. This valuation methodology is based upon the market parameters to derive the value of the positions and incorporate estimates, as well as assumptions consistent with those generally used by other market participants to price financial instruments.

Fair values of forward contracts are estimated based on the forward rates provided by Reuters. Fair values of interest rate swap and cross-currency swap contracts are based on counterparties' quotation. Other derivatives are evaluated by the Kondor$^+$ system.

The fair value of interest exchange and swap contracts are using the Kondor$^+$ information system to capture market data from Reuters for calculating the fair value assessment of individual contracts. The structured and credit-linked instruments use discounted cash flows at the applicable yield curve for the duration to calculate and analyze the fair value. Option trading instruments use option pricing model commonly used in the market (ex: Black-Scholes model) to calculate the fair value.

i. Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities. Active markets are markets with all of the following conditions: (i) the products traded in the market are homogeneous, (ii) willing parties are available anytime in the market, and (iii) price information is available to the public.

ii. Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).

iii. Level 3 - inputs not based on observable market data (unobservable inputs. i.e., option pricing model of historical volatility, due to historical volatility could not represent the overall market participants' volatility expectations of the future).

3) Reconciliation of Level 3 items of financial instruments

For the year ended December 31, 2015

(In Thousands of New Taiwan Dollars)

Name	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed/ Sold	Transfer Out of Level 3	
Financial assets at fair value through profit or loss							
Held-for-trading financial assets	$ 113,804	$ -	$ -	$ -	$ (13,791)	$ -	$ 100,013
Derivative	264,445	8,361	-	-	-	-	272,806
Financial assets designated as fair value through profit or loss	10,066,332	218,813	11,403,200	-	(8,714,272)	-	12,974,073
Financial liabilities at fair value through profit or loss							
Held-for-trading financial liabilities	1,572	(3,287)	7,013	-	(5,298)	-	-

For the year ended December 31, 2014

(In Thousands of New Taiwan Dollars)

Name	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed/ Sold	Transfer Out of Level 3	
Financial assets at fair value through profit or loss							
Held-for-trading financial assets	$ 114,534	$ (730)	$ -	$ -	$ -	$ -	$ 113,804
Derivative	9,481	262,992	10,876	-	(18,904)	-	264,445
Financial assets designated as fair value through profit or loss	8,461,345	(103,132)	11,817,400	-	(10,109,281)	-	10,066,332
Financial liabilities at fair value through profit or loss							
Held-for-trading financial liabilities	-	1,572	-	-	-	-	1,572

4) Transfer between Level 1 and Level 2

The Group has no significant transfers between Level 1 and Level 2 for years ended December 31, 2015 and 2014.

5) Sensitivity to using reasonable alternative in assumption against Level 3 fair value

Although the Group believes that their estimates of fair value are appropriate, their using of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3 of the fair value hierarchy, structural bonds are evaluated by counterparty quotes; no quoted market price of the Bonds and convertible corporate bonds for asset swap are evaluated by the future cash flows discounted model. Its discount rate as the zero coupon yield curve is deduced by using the LIBOR rate yield curve and the dollar yield curve consisting swap rate and considering credit risk premium. A 10% change in either direction of the quotes from respective counterparties would have the following effects:

For the year ended December 31, 2015

(In Thousands of New Taiwan Dollars)

	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets at fair value through profit or loss				
Derivative financial instruments	$ 31	$ (1,388)	$ -	$ -

For the year ended December 31, 2014

(In Thousands of New Taiwan Dollars)

	Effect on Profit and Loss		**Effect on Other Comprehensive Income**	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Financial assets at fair value through profit or loss				
Derivative financial instruments	$ 23	$ (23)	$ -	$ -

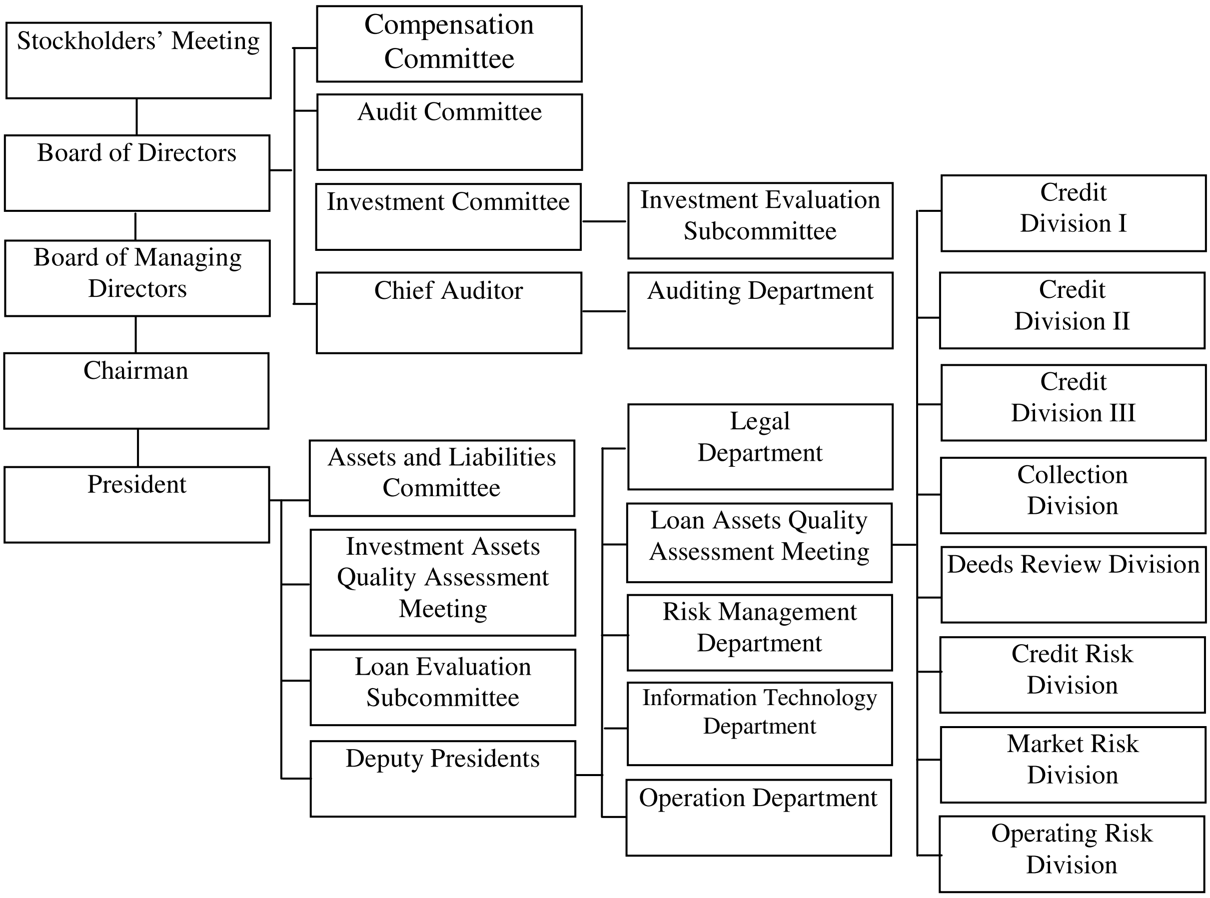
50. FINANCIAL RISK MANAGEMENT

a. Overview

The Group's risk appetite which is an expression of the amount of risk the Group is prepaid to take. The Group continues to engage actively with the regulators and monitors the capital adequacy ratio to meet the Basel III requirements.

b. Risk management framework

Ultimate responsibility for setting the Bank's risk appetite rests with the Board of Directors, Compensation Committee, Audit Committee, Chief Auditor and Investment Committee are reporting to the Board of Directors. Assets and Liabilities Committee, Investment Evaluation Subcommittee, and Loan Evaluation Subcommittee, which are under the President, hold Capital Meeting and Quality Evaluation of Assets Meeting for discussing and considering risk management proposals regularly. Risk Management Department is responsible for establishing a total scheme of risk management and monitoring of execution.



1) Assets and Liabilities Committee: It has responsibility for oversight and review of significant issues, policies relating to management of assets and liabilities, liquidity risk, interest rate sensitivity, market risk and capital adequacy.

2) Loan Evaluation Subcommittee: It reviews the loan cases that should be reviewed by the president or higher authorities.

3) Investment Evaluation Subcommittee: It reviews equity investments which are submitted by the investment department.

4) Loan and investment assets assessment meetings held for various businesses:

    a) Investment assets quality assessment meeting

        i. Examine the quality of investment assets at the Levels 5 to 8, and determine the related strategies and policies.

        ii. Discuss and approve the evaluation methods and results and accounting principles by evaluators of equity investment department.

        iii. Assess the probable loss of investment assets, pass cases of investment loss recognition, and make the proposal to the board for resolution.

        iv. Track the operation of investees in which investment was fully recognized as loss.

    b) Loan assets quality assessment meeting

        i. Examine the quality of loan assets and determine the related strategies and policies.

        ii. Assess the probable loss of loan assets and discuss the adequacy of allowance for credit losses and its recognition.

IBTS's risk management comprises the Board of Directors, risk management committee and risk management department.

1) Board of Directors: It has responsibility for setting risk appetite, including limits of department losses, VaR, and the amount of specific investments.

2) Risk management committee: It has responsibility for approving qualitative and quantitative risk management processes and methods, assets and VaR of configuration and dynamic adjustment, as well as managing authority for extraordinary cases, depending on business needs for first approval.

3) Risk management department: It has responsibility for the effective planning, monitoring and implementing risk management services. It acts within the authority delegated by the Risk Management Committee. Its responsibilities also include the daily risk monitoring, measurement, and evaluation. Various parts of the periodic evaluation of the profit or loss, the amount of license management, the implementation of the internal risk management practices and conditions, periodic/occasional risk management reports, assess risk exposure and risk concentration, stress testing and back testing methods development and implementation checklist for use of financial instruments business pricing model and evaluation system, evaluation and confirmation of price information, as well as quantitative management planning operational risk management systems.

China Bills Finance Corporation's (CBF) board of directors has the ultimate responsibility for risk framework decisions unit and oversees the implementation of the risk management. Business risk management which is headed by the general manager is comprised of Financial Assets and Liabilities Management Committee, Business Committee and the Investment Commission for the joint implementation of market risk, credit risk and operational risk control, and the other set of business and oversight of the audit office, and the business risk control management unit case. To effectively manage the overall risk and risks associated with integration of information, CBF has defined risk assessment methods and has summarized risk positions for the risk management group responsible for implementing the risk management operations.

c. Credit risk

1) Sources and definition of credit risk

Credit risk is the potential loss due to the failure of counterparty to meet its obligation to pay the Bank and its subsidiary in accordance with agreed terms.

2) Strategy/objectives/policies and procedures

a) Credit risk management strategy: The Bank and its subsidiaries are set as the implement the relevant provisions of the principles of credit risk management requirements and establish the Bank its subsidiaries' of credit risk management mechanism to ensure that the credit risk control is within effective but affordable range, and maintain adequate capital, and execute sound management of the Bank and its subsidiaries credit risk, and achieve operational and management objectives.

b) Credit risk management objectives: Through appropriate risk management strategies, policies and procedures, application of the principle of risk diversification, implementation of the Bank and subsidiaries' credit risk management, to minimized potential financial losses and pursue optimal reward.

Sound risk management systems and control processes, and strengthened information integration, analysis and early warning validation, make credit management and monitoring to ensure compliance with laws and regulations, the Group's standards, and serve to maintain high credit standards and asset quality.

c) Credit risk management policy: The Bank and its subsidiaries establish risk management system to ensure the integrity of the Bank and its subsidiaries' business risk management and compliance particularly with the Financial Supervisory Commission issued the "financial holding companies and banking internal control and Auditing System Implementation Measures "and "norms for formulating proposals and execution of risk management policies by subsidiaries of banks"; to limit the credit risk of the Bank and its subsidiaries within the acceptable range, to maintain adequate capital and credit risk strategy to achieve the objectives, and to create maximum risk-adjusted returns.

d) Credit risk management process:

i. Risk identification

Credit risk management process begins with the identification of existing and potential risks, including the banking book and the trading book, including balance sheet and off-balance sheet transactions, along with financial innovation; as new businesses become increasingly complex, business executives in order do existing and new businesses, should be fully aware of the complexity involved in the business of credit risk, re-order business and other cases or transactions to be able to identify any possibility of having an event of default.

ii. Risk measurement

i) The Bank manages assets portfolio by the risk rating scale.

The risk rating scale qualifies the default possibilities of debtors and operation difficulty possibilities of investees in the next year. Risk rating must actually be scaled within credit and investors. The continual change of market gives rise to the change of credit or investor. Therefore, risk rating must be reevaluated and updated often.

ii) Portfolio management:

- It is used to ensure the risk of loan is within the tolerable scope,
- It is also used to set up concentration limit to sufficiently diversify the risk, and
- It achieves the optimal profits.

iii. Risk communication

i) Internal reporting: Risk management position shall establish appropriate credit risk reporting mechanism for regular statistical reporting and the preparation of a variety of business risk management reports which contain correct, consistent, and real-time credit risk reporting information to ensure any exceptions can be acted on immediately, and as a reference for decision-making. The above communication may include: Asset quality, portfolio rating classification status, and all kinds of exception reports.

ii) External disclosure: To comply with the requirements for capital adequacy supervisory review and market discipline principles, the business director of credit risk level should prepare reports in the format specified by the competent authority showing contents, methods and frequency to provide information on the credit risk of the Bank and its subsidiaries quantitative, qualitative indicators to illustrate the self-assessment and credit risk management system and disclose information about capital and other capital adequacy matters.

iv. Risk monitoring

i) The Bank and its subsidiaries shall establish monitoring system to assess changes in credit risk of borrower or counterparty or issuer (eg, bonds issuer and guarantor of issuers of equity related products, derivatives counterparties' credit rating information and credit information), to serve timely detection of problems on assets or transactions, and take immediate action to cope with the possible breach.

ii) Besides monitoring the individual credit risk, the Group also deal with credit portfolio monitoring and management.

iii) Establish stringent credit processes, credit standards and loan management; the project includes the credit factors that should be considered for new credit and credit transfer period, commitment to the periodic review of credit, maintenance of credit records and the proportion of various types of loans in the credit portfolio.

iv) Establish quota management system to avoid excessive concentration of credit risk to nationality, industry types, same group, same relations, etc.

v) Establish collateral management system to ensure that collaterals can be effectively managed.

3) Credit risk management framework

a) The Board of Directors: The Board of Directors, the top risk supervisor of the Company, is responsible for authorizing and reviewing the credit risk management strategies, and approving the credit risk management framework.

b) The Audit Department: The department is directly under the board of directors, and has one chief auditor. The department is responsible for auditing the credit risk management framework, and for ensuring the effective implementation of the credit risk management framework.

c) The Audit Committee: Responsible for stipulation and amendment of stipulations on issues about internal control framework, effectiveness of internal control framework, acquisition or disposal of assets or derivatives, monitoring of directors' self-interest issues, appointment or dismissal of the CPA and internal auditors, and other important issues ruled by the FSC.

d) The Salary and Remuneration Committee: The committee considers the reasonable relationship of personnel performance, business operation, and future risk, and stipulates and reviews the policies on incentive program for the board of directors and managers periodically.

e) The Investment Examination Committee: The committee is responsible for setting investment policies, and deliberates on the overseas investment and reinvestment that is above the chairman of the board's authority.

f) The Asset/Liability Management Committee: The committee is responsible for convening meetings for management of assets and liabilities, and reviews the policies and strategies about management of assets and liabilities, liquidity risk, currency rate risk, market risk, and capital adequacy ratio.

g) The Investment Assessment Group: Evaluates the Investment Department's projects, and submits approved projects to Investment Examination Committee and the Board of Directors.

h) The Credit Assessment Group: Evaluates the Risk Management Department's credit projects, and submits approved projects to authorized levels.

i) The Investment Assets Quality Evaluation Group: The group is in charge for making policies and strategies for identifying the possibilities of loss on financial assets. The group discusses and approves the evaluation method and analyzes the results of the evaluation of the financial assets.

j) The Credit Assets Quality Evaluation Group: The group is in charge for making policies and strategies for identifying the possibilities of loss on credit assets. The group evaluates the adequacy of the allowance for credit assets.

k) The Risk Management Division: The division makes sure the Group follows the BASEL's regulation, and is responsible for the preparation of risk management reports, and responsible for planning and application of monitoring tools for credit risk measurement.

l) The Business Management units: The units stipulate regulations, progress and internal control for business management, and monitors the activities of operation units.

m) The Operation units: Adhering to the risk management regulations and procedures stipulated by the Business Management units, the Operation units implement daily risk management works and internal controls.

4) Credit risk measurement, control and reporting

The Bank regularly monitors the credit risk limit control situations and reports for the risk behind the financial products and business operations, and is approved properly by the Board of Directs or authorized committee.

a) Credit evaluation system: Ranking customers' credit rating by scorecards produced from the data of customers' credit status used in statistics methods.

b) Risk evaluation system: The Credit evaluation score card is divided into 10 grades including customers' guarantee status, credit period, credit risk of borrower's country and credit risk of products.

c) Centralized management of credit limit: The Group measures each risk in the comparability basis by the same borrower, trading partner or interested parties, and sets the overall credit limit and control policies by country, industries, business and financial institution.

5) Mitigation of risks or hedging of credit risk

The Bank primarily applies the following risk mitigation tools to reduce extent of credit risk exposures: (1) by requiring the counterparty or third parties to provide collateral, (2) the balance sheet netting: Credit is backed by the counterparty's bank deposits (on-balance sheet netting), (3) third party guarantees.

Credit risk mitigation tools can reduce or transfer credit risk, but may give rise to other residual risks, including: Legal risk, operational risk, liquidity risk and market risk. The Bank adopted stringent procedures necessary to control these risks, such as policy formulation, development of operating procedures to conduct credit checks and evaluation, system implementation, contract control and so on.

The Group has developed collateral management policies and operating procedures, including recognition of collateral data, and building of collateral management system. The Group uses a computing platform for mitigation of complex risk and completes the required collateral to offset data field collection and analysis, and links levy credit systems and collateral management system information to build up capital provision.

6) Maximum exposure to credit risk

The maximum potential amount of future payments represents the notional amounts that could be lost under the guarantees if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from collateral held or pledged.

The maximum credit exposure of the financial instruments held by the Group is equal to the book value except as follows:

Off-balance Sheet Item	Maximum Exposure Amount	
	December 31, 2015	**December 31, 2014**
Financial guarantees and standby letter of credit		
Contract (notional) amounts	$ 95,430,592	$ 94,269,009
Maximum exposure amounts	95,430,592	94,269,009

7) Concentrations of credit risk exposure

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Bank's total credit exposure. The Bank maintains a diversified portfolio, limits its exposure to any one geographic region, country or individual creditor and monitors the exposure on a continuous basis. On December 31, 2015 and 2014, the Bank's most significant concentrations of credit risk were summarized as follows:

a) By industry

Credit Risk Profile by Industry Sector	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
Real estate	$ 24,924,110	10.54	$ 26,789,708	12.19
Financial intermediary	18,665,557	7.89	42,342,588	19.27
The printed circuit board component manufacturing	11,438,267	4.84	15,666,759	7.13

b) By counterparty

Credit Risk Profile by Industry Sector	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
Private sector	$ 146,589,874	98	$ 130,883,340	98
Natural person	2,333,662	2	2,375,653	2

c) By geographical area

Credit Risk Profile by Industry Sector	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
Domestic	$ 90,629,727	61	$ 86,538,835	65
Other Asia area	27,408,738	18	18,059,979	14
Central America	29,646,154	20	21,510,583	16

8) Credit quality and impairment assessment

Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to banks, financial asset at fair value through profit or loss, repos and debt securities, refundable deposits, guaranty bond and clearing and settlement fund are regarded as very low credit risk owing to the good credit rating of counterparties.

a) Credit analysis for receivables and discounts and loans

December 31, 2015	Neither Past Due Nor Impaired Amount (A)	Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables (Note)	$ 19,994,298	$ -	$ 65,319	$ 20,059,617	$ 42,147	$ 361,444	$ 19,656,026
Discounts and loans	147,822,020	-	1,101,517	148,923,537	91,867	2,388,423	146,443,247

December 31, 2014	Neither Past Due Nor Impaired Amount (A)	Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables (Note)	$ 16,232,067	$	$ 91,000	$ 16,323,067	$ 57,235	$ 267,759	$ 15,998,073
Discounts and loans	129,684,688		3,855,863	133,540,551	672,798	1,842,023	131,025,730

Note: The above receivables include installment, lease payment receivable, securities margin loans receivable, interest receivables, acceptances, factoring, account receivable and others.

b) Credit analysis for marketable securities

December 31, 2015	Neither Past Due Nor Impaired Amount (A)	Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D) With Objective Evidence of Impairment	Loss Recognized (D) With No Objective Evidence of Impairment	Net Total (A)+(B)+(C)-(D)
Available-for-sale financial assets							
Bonds	$ 114,448,570	$ -	$ -	$ 114,448,570	$ -	$ -	$ 114,448,570
Equity investments	1,259,928	-	306,714	1,566,642	173,231	-	1,393,411
Others	-	-	-	-	-	-	-
Held-to-maturity financial assets							
Bonds	9,849,587	-	-	9,849,587	-	-	9,849,587
Other financial assets							
Equity investments	1,463,435	-	1,283,113	2,746,548	916,849	-	1,829,699

December 31, 2014	Neither Past Due Nor Impaired Amount (A)	Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D) With Objective Evidence of Impairment	Loss Recognized (D) With No Objective Evidence of Impairment	Net Total (A)+(B)+(C)-(D)
Available-for-sale financial assets							
Bonds	$ 91,756,262	$ -	$ -	$ 91,756,262	$ -	$ -	$ 91,756,262
Equity investments	2,128,373	-	462,999	2,591,372	255,891	-	2,335,481
Others	971,948	-	-	971,948	-	-	971,948
Held-to-maturity financial assets							
Bonds	4,884,679	-	-	4,884,679	-	-	4,884,679
Other financial assets							
Equity investments	2,082,662	-	1,658,986	3,741,648	1,213,993	-	2,527,655

9) Aging analysis for overdue but not yet impaired financial assets

Delays in processing payments by borrowers and other administrative reasons could result in financial assets overdue but not yet impaired.

The Group as of year ended December 31, 2015 were no overdue but not impaired financial assets.

10) Analysis of impairment for financial assets

The Group has assessed whether loans and receivables have objective evident of impairment. Assessed with banks, the Central Bank and other banks had no impairment loss. The assessment on loans and receivables are as follows:

<u>Discounts and loans</u>

Type of Impairment Assessment		December 31, 2015 Discounts and Loans	December 31, 2015 Allowance for Credit Losses	December 31, 2014 Discounts and Loans	December 31, 2014 Allowance for Credit Losses
With objective evidence of impairment	Individually assessed for impairment	$ 1,101,517	$ 91,867	$ 3,855,863	$ 672,798
	Collectively assessed for impairment	-	-	-	-
With no objective evidence of impairment	Collectively assessed	147,822,020	2,388,423	129,684,688	1,842,023

Note: The loans are those originated by the Group, and not net of the allowance for credit losses and adjustments for discount (premium).

Receivables

Type of Impairment Assessment		December 31, 2015		December 31, 2014	
		Discounts and Loans	Allowance for Credit Losses	Discounts and Loans	Allowance for Credit Losses
With objective evidence of impairment	Individually assessed for impairment	$ 65,319	$ 42,147	$ 91,000	$ 57,235
	Collectively assessed for impairment	-	-	-	-
With no objective evidence of impairment	Collectively assessed for impairment	19,994,298	361,444	16,232,067	267,759

Note 1: The receivables are those originated by the Group, and not net of the allowance for credit losses and adjustments for discount (premium).

Note 2: The above receivables and allowances include installment, lease payment receivable, securities margin loans receivable, interest receivables, acceptances, factoring, account receivable and others.

d. Liquidity risk

1) Source and definition of liquidity risk

Liquidity is the Group's capacity to fill the need for funds to meet obligations, including deposits and guarantees.

Liquidity risk is the risk that the Group is unable to meet its payment obligation and to operate normally.

2) Management strategy and principles

a) Liquidity risk management process should be able to adequately identify, measure effectively, monitor continuously, and properly control of the Group's liquidity risk, to ensure that banks both in normal operating environments or under pressure, have sufficient funds to cope assets or settle liabilities when due.

b) Ensure that the Group's available financial resources are sufficient.

c) Capital management should include regular review of the asset and liability structure, and proper configuration of assets and liabilities, and should take into account the realization of assets and the stability of financing sources to plan combinations of funding sources to ensure that the Group's liquidity.

d) To establish an appropriate information system to measure, monitor and report liquidity risk.

e) To set an early warning indicators and a set of liquidity limits that cover important factors (including the introduction of new products or services).

f) To use early warning tools and continuously monitor and report liquidity risk profile, and set liquidity risk limits, with due consideration of business strategy, operational characteristics and risk preference factors.

g) In addition to the monitoring of the capital requirements, under normal business conditions, the Group should regularly conduct stress tests to evaluate the assumptions in the liquidity position and ensure that banks have sufficient liquidity to withstand stress scenarios; assessment should be made to view liquidity risk management indicators and reasonableness of limits.

h) Develop appropriate action plans to respond to possible occurrence of liquidity crisis, and regularly review such plans to ensure that the action plans are in line with the banking operating environment and conditions, and can continue to play its role effectively.

As of December 31, 2015 and 2014, the liquidity reserve ratio was 45.86% and 39.13%.

3) The analysis of cash inflow and outflow of non-derivative financial liabilities held was prepared according to the remaining periods from reporting date to contractual maturity date. The maturity analysis of non-derivative financial liabilities was as follows:

December 31, 2015	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1^+ Year	Total
Due to the Central Bank and other bank	$ 40,703,908	$ 7,136,884	$ -	$ -	$ -	$ 47,840,792
Financial liabilities at fair value through profit or loss	647,191	-	-	-	-	647,191
Securities sold under agreements to repurchase	147,742,287	22,740,462	768,364	62,563	-	171,313,676
Accounts payable	2,981,074	235,218	870,504	379,293	22,994	4,489,083
Deposits	47,821,274	46,645,051	43,449,192	17,016,600	17,844,165	172,776,282
Bank debentures	-	-	-	500,000	14,450,000	14,950,000
Other financial liabilities	9,798,536	851,087	734,333	1,440,487	5,493,135	18,317,578
	$ 249,694,270	$ 77,608,702	$ 45,822,393	$ 19,398,943	$ 37,810,294	$ 430,334,602

December 31, 2014	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1^+ Year	Total
Due to the Central Bank and other bank	$ 37,044,914	$ 6,224,073	$ -	$ 317,180	$ -	$ 43,586,167
Financial liabilities at fair value through profit or loss	161,532	47,296	158,601	-	-	367,429
Securities sold under agreements to repurchase	116,430,624	19,800,290	257,695	622,148	-	137,110,757
Accounts payable	1,943,847	357,334	174,726	358,189	23,423	2,857,519
Deposits	45,015,407	41,206,162	33,288,099	18,903,953	18,075,461	156,516,082
Bank debentures	-	-	-	-	14,980,000	14,980,000
Other financial liabilities	10,820,741	1,187,180	155,000	1,453,307	5,840,849	19,457,077
	$ 211,417,065	$ 68,822,335	$ 34,034,121	$ 21,681,777	$ 38,919,733	$ 374,875,031

4) The Group assessed based contractual maturities at the balance sheet to understand all the basic elements of derivative financial instruments. The maturity analysis of derivative financial liabilities was as follows:

December 31, 2015	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1^+ Year	Total
Deliverable						
Forward contracts	$ 30,344	$ 25,970	$ 588,695	$ 93,039	$ 13,185	$ 751,233
Currency swap contracts	1,088,821	26,891	20,180	14,955	15	1,150,862
Selling foreign currency option contracts	127,836	173,533	97,862	776,822	2,390,688	3,566,741
Commercial paper contracts	4,518	-	-	-	-	4,518
	1,251,519	226,394	706,737	884,816	2,403,888	5,473,354
Non-deliverable						
Interest rate swap contracts	82,091	-	-	492	73,946	156,529
	$ 1,333,610	$ 226,394	$ 706,737	$ 885,308	$ 2,477,834	$ 5,629,883

December 31, 2014	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1+ Year	Total
Deliverable						
Forward contracts	$ 12,256	$ 31,318	$ 32,499	$ 224,298	$ 93,857	$ 394,228
Currency swap contracts	1,884,553	21,821	35,572	30,207	3,885	1,976,038
Selling foreign currency option contracts	3,746	100,428	44,811	514,500	2,249,794	2,913,279
Commercial paper contracts	406	198	1,374	533	12,676	15,207
Other	51,411	-	-	-	-	51,411
	1,952,372	153,765	114,256	769,558	2,360,212	5,350,163
Non-deliverable						
Interest rate swap contracts	41,280	-	-	-	36,636	77,916
	$ 1,993,652	$ 153,765	$ 114,256	$ 769,558	$ 2,396,848	$ 5,428,079

5) The maturity analysis of off-balance sheet items

The maturity analysis of off-balance sheet items shows the remaining balance from the balance sheet date to the maturity date. For the sent financial guarantee contracts, the maximum amounts are possibly asked for settlement in the earliest period. The amounts in the table below were on cash flow basis; therefore, some disclosed amounts will not match with the consolidated balance sheet.

December 31, 2015	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1+ Year	Total
Unused letters of credit	$ 848,828	$ 1,072,230	$ 381,809	$ -	$ -	$ 2,302,867
Other guarantee amounts	28,979,066	55,730,824	4,620,200	2,701,322	1,096,313	93,127,725
	$ 29,827,894	$ 56,803,054	$ 5,002,009	$ 2,701,322	$ 1,096,313	$ 95,430,592

December 31, 2014	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1+ Year	Total
Unused letters of credit	$ 1,399,142	$ 1,324,083	$ 221,038	$ -	$ -	$ 2,944,263
Other guarantee amounts	33,023,876	50,316,609	5,348,884	1,319,232	1,316,145	91,324,746
	$ 34,423,018	$ 51,640,692	$ 5,569,922	$ 1,319,232	$ 1,316,145	$ 94,269,009

e. Market risk

1) Source and definition of market risk

Market risk is defined as an unfavorable change in market prices (such as interest rates, exchange rates, stock prices and commodity prices) which may cause financial instruments classified in trading book a potential loss on or off the balance sheet.

2) Market risk management strategy and procedures

The Group adopts Value at Risk (VaR) to evaluate the market risk of financial instruments related to currency exchange rate, NTD interest rate, and price of listed stock which is calculated since 2011. VaR is the potential loss in market values of financial instruments held by the Bank, which is measured within a set confidence interval for a specified period. Since 2011, the Bank estimated VaR on the basis of Monte Carlo method, instead of original historical price volatility, with confidence interval is 99% related to currency exchange rate and NTD interest rate instruments in the past one year and listed stocks in the past 3 months. The table below presents VaR of financial instruments, which is according to confidence interval, using estimation of potential loss amount in a day to assume possible fluctuation in market during a day under unfavorable changes in interest rates and exchange rates. Based on the assumption, the VaRs of the financial instruments may exceed the following values due to the fluctuations of interest rate or currency exchange rate in 1 day out of 100 days. The average VaR, the high and low VaRs were calculated based on daily VaRs in the year. The whole market risk of the Bank was less than the aggregated value of VaRs of fair value, currency exchange rate and price.

Industrial Bank of Taiwan

	December 31					
	2015			2014		
	Average	High	Low	Average	High	Low
Currency exchange rate risk	$ 1,392	$ 5,087	$ 206	$ 1,800	$ 7,160	$ 26
Fair value risk resulting from interest rate	1,942	7,559	137	2,431	9,502	278
Fair value resulting from stock price	9,815	26,830	541	11,520	26,550	1,958

IBT Securities Co., Ltd.

	December 31					
	2015			2014		
	Average	High	Low	Average	High	Low
Currency exchange rate risk	$ 18,818	$ 43,902	$ 11,292	$ 13,463	$ 18,388	$ 9,918
Fair value risk resulting from interest rate	2,030	3,041	2,145	2,999	4,496	2,474
Fair value resulting from stock price	13,735	32,735	3,205	14,397	28,634	7,378

3) The procedures for market risk control, reporting and verification

The Group established risk assessment model for financial products, including bonds and notes, foreign exchange, securities and derivative transactions that take into consideration stop-loss business, location, and risk control index values, etc., to minimize possible losses from stock market price, exchange rate and interest rate fluctuations.

4) Market risk measurement of trading book

The Group measures trading book market risk measure imposed in conformity with the assessment model using publicly quoted market prices or other measurement, including interest rate sensitivity analysis (DV01 value) and stress tests; interest rate sensitivity analysis (DV01 value) refers to changes in market interest by 1 basis point (0.01%); abnormal stress test system deal with market volatility-it involves estimation of probable losses (Stress Loss) and impact of events on major asset portfolio on a regular basis according to setting of stress test scenarios, and assessment of possible effect on the Group's profit and loss.

5) Market risk measurement of banking book

The primary purpose of banking book interest rate risk management is to use funds effectively and avoid the net interest income to be affected by adverse changes in interest rates. Banking book interest rate risk sources include liquidity risk of bonds held, bills cash position and hedge position, and the order of business units for trading, such as deposits, loans, etc. arising from interest rate risk.

a) Strategy

Interest rate risk management objective is to avoid loss due to interest rate changes and maintain high liquidity conditions, and the pursuit of stability and growth in earnings.

b) Measurement

Banking book interest rate risk primarily measure banking book assets, liabilities and off-balance sheet items amount and maturity or repricing date difference caused by the difference and the phase differences between risks. Risk management department monitor the banking book by using the interest rate risk sensitivity.

c) Management program

Before making a transaction, the risk management department should identify repricing risk, and measure changes in interest rates that may affect the value of the economy. The risk management department monitors the interest rate risk position and prepares monthly analysis and report asset and liability to the management committee, and regularly reports to the Board.

f. Foreign currency rate risk information

The information of significant foreign financial assets and liabilities is as follows:

Unit: Each Foreign Currencies (Thousand)/NT$ (Thousand)

	December 31, 2015		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary item			
USD	$ 2,375,266	33.0660	$ 78,540,518
JPY	941,907	0.2747	258,713
HKD	1,810,071	4.2663	7,722,315
EUR	15,506	36.1527	560,572
AUD	2,276	24.1580	54,995
RMB	1,307,595	5.0314	6,578,537
Financial liabilities			
Monetary item			
USD	2,680,043	33.0660	88,618,287
JPY	379,049	0.2747	104,113
HKD	2,001,216	4.2663	8,537,799
EUR	14,390	36.1527	520,251
AUD	11,762	24.1580	284,142
RMB	2,437,501	5.0314	12,263,908

	December 31, 2014		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary item			
USD	$ 2,221,355	31.7180	$ 70,456,947
JPY	479,138	0.2650	126,994
HKD	1,158,994	4.0897	4,739,986
EUR	4,094	38.5485	157,808

(Continued)

	December 31, 2014		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
AUD	$ 1,968	25.9640	$ 51,091
RMB	3,006,911	5.1035	15,345,663
Financial liabilities			
Monetary item			
USD	2,439,950	31.7180	79,103,098
JPY	1,292,607	0.2650	342,600
HKD	958,963	4.0897	3,921,910
EUR	19,433	38.5485	749,115
AUD	28,433	25.9640	738,501
RMB	2,416,117	5.1035	12,330,552

(Concluded)

g. Average amount and average interest rate of interest-earning assets and interest-bearing liabilities

Interest rate fluctuations affect the earning assets and interest-bearing liabilities, and current average interest rates are as follows:

Industrial Bank of Taiwan

	For the Year Ended December 31			
	2015		2014	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Cash and cash equivalents - due from banks	$ 1,170,468	2.21	$ 3,239,486	3.32
Call loans to banks	8,525,984	1.89	5,025,217	1.90
Due from the Central Bank	2,827,265	1.01	2,328,459	1.01
Financial assets at fair value through profit or loss	32,123,495	0.88	34,424,991	0.95
Securities purchased under resell agreements	17,213	0.16	245,547	0.15
Discounts and loans	125,236,428	2.16	114,471,965	2.17
Available-for-sale financial assets	22,721,526	1.43	15,306,458	1.43
Held-to-maturity financial assets	9,525,374	0.81	239,989	1.84
Interest-bearing liabilities				
Due to the Central Bank and other banks	33,850,699	0.50	34,533,692	0.75
Demand deposits	20,831,236	0.31	13,282,427	0.32
Time deposits	126,652,048	0.84	107,023,755	0.91
Securities sold under repurchase agreements	280,013	0.36	891,203	0.51
Bank debentures	14,485,918	2.19	12,667,945	2.26
Other financial liabilities	5,978,343	0.04	4,414,276	-

China Bills Finance Corporation (CBF)

	For the Year Ended December 31			
	2015		2014	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Cash and cash equivalents - due from banks	$ 319,868	0.07	$ 476,533	0.51
Call loans to banks	23,425	0.39	21,275	0.65
Financial assets at fair value through profit or loss - bonds and bills	97,481,924	0.77	96,783,312	0.81
Available-for-sale financial assets	75,229,369	1.36	70,093,740	1.38
Held-to-maturity financial assets	11,389,918	1.77	9,453,304	1.47
Securities purchased under resell agreements	2,215,590	0.53	3,061,415	0.56
Interest-bearing liabilities				
Due to other banks	15,761,179	0.41	13,305,739	0.44
Bank overdrafts	1,966	2.23	887	2.25
Securities sold under repurchase agreements	154,474,572	0.54	151,685,189	0.59

51. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

The Groups' common equity ratio of Tier I capital ratio and capital adequacy ratio required by the competent authority shall comply with the minimum capital ratio for each year; leverage ratio measurement basis subject to the competent authorities. The calculation of the ratio mentioned above by the competent authority regulations.

b. Capital assessment program

Regularly on various capital ratio and leverage ratio calculation, analysis, monitoring and reporting, the annual allocation of each business's capital adequacy ratio targets and regularly track the target achievement rate in the capital ratio, or leverage ratio has deteriorated because of the circumstances should be taken when measure.

c. Capital adequacy ratio

Industrial Bank of Taiwan

(Unit: In Thousands of New Taiwan Dollars, %)

Items		Year	December 31, 2015	
			Own Capital Adequacy Ratio	**Consolidated Capital Adequacy Ratio**
Eligible capital	Common equity Tier 1 ratio		$ 19,681,826	$ 21,316,632
	Other Tier 1 capital		-	-
	Tier 2 capital		2,663,223	4,168,719
	Eligible capital		22,345,048	25,485,351
Risk-weighted assets	Credit risk	Standard	147,924,999	150,471,365
		Internal rating based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	5,991,475	7,111,525
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	4,366,688	6,228,413
		Internal model approach	-	-
	Total risk-weighted assets		158,283,162	163,811,303
Capital adequacy rate (Note 1)			14.12%	15.56%
Ratio of common stockholders' equity to total assets (Note 1)			12.43%	13.01%
Ratio of Tier 1 capital to risk-weighted assets			12.43%	13.01%
Leverage ratio			7.64%	8.15%

Unit: In Thousands of New Taiwan Dollars, %

Items		Year	December 31, 2014	
			Own Capital Adequacy Ratio	**Consolidated Capital Adequacy Ratio**
Eligible capital	Common equity Tier 1 ratio		$ 18,521,236	$ 20,163,160
	Other Tier 1 capital		-	-
	Tier 2 capital		3,493,045	4,969,418
	Eligible capital		22,014,281	25,132,578
Risk-weighted assets	Credit risk	Standard	138,084,332	141,354,706
		Internal rating based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	5,311,663	6,566,038
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	4,062,875	10,448,613
		Internal model approach	-	-
	Total risk-weighted assets		147,458,870	158,369,357
Capital adequacy rate (Note 1)			14.93%	15.87%
Ratio of common stockholders' equity to total assets (Note 1)			12.56%	12.73%
Ratio of Tier 1 capital to risk-weighted assets			12.56%	12.73%
Leverage ratio			6.60%	6.96%

Note 1: Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Banks" and "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks."

Note 2: Formulas used were as follows:

1) Eligible capital = Tier 1 capital + Tier 2 capital + Tier 3 capital.

2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.

3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.

4) Ratio of Tier 1 capital to risk-weighted assets = Tier 1 capital ÷ Risk-weighted assets.

5) Ratio of Tier 2 capital to risk-weighted assets = Tier 2 capital ÷ Risk-weighted assets.

6) Ratio of Tier 3 capital to risk-weighted assets = Tier 3 capital ÷ Risk-weighted assets.

7) Ratio of common stock to total assets = Common stock ÷ Total assets.

8) Leverage ratio = Tier 1 capital ÷ Adjusted average assets (average assets minus goodwill, unamortized loss from sale of non-performance loans, and items to be subtracted from Tier 1 capital which are ruled by "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks."

China Bills Finance Corporation

(Unit: In Thousands of New Taiwan Dollars, %)

Items / **Year**		**December 31, 2015**	**December 31, 2014**
Eligible capital	Tier 1 capital	$ 21,472,695	$ 20,423,446
	Tier 2 capital	172,497	-
	Tier 3 capital	339,172	192,682
	Eligible capital	21,984,364	20,616,128
Risk-weighted assets	Credit risk	100,447,640	97,435,088
	Operational risk	3,046,596	4,847,236
	Market risk	56,998,639	57,360,315
	Total risk-weighted assets	160,492,875	159,642,639
Capital adequacy rate (Note 1)		13.70%	12.91%
Ratio of Tier 1 capital to risk-weighted assets (Note 1)		13.38%	12.79%
Ratio of Tier 2 capital to risk-weighted assets (Note 1)		0.11%	-
Ratio of Tier 3 capital to risk-weighted assets (Note 1)		0.21%	0.12%
Ratio of common stockholders' equity to total assets (Note 1)		6.47%	7.90%

Note: 1) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.

2) The amount of total assets mentioned above is calculated by summarizing all assets on the balance sheet.

3) The capital adequacy ratio (CAR) should be computed at the end of June and December. In quarterly report, the capital adequacy ratio disclosed is the data of related period (the end of June or December).

4) The calculation method of eligible capital and risk-weighted assets should follow the "bills finance company's capital adequacy management approach" and "calculation and description of bills finance capital and risk assets".

52. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

Industrial Bank of Taiwan

a. Credit risk

1) Asset quality: See Table 3.

2) Concentration of credit extensions

December 31, 2015

(In Thousands of New Taiwan Dollars, %)

Rank	Group Name	Credit Extensions Balance	% of Net Asset Value
1	A Group (Real estate development)	$ 4,515,116	15.21
2	B Group (Financial intermediate)	3,548,887	11.96
3	C Group (LCD and component manufacturing)	3,336,811	11.24
4	D Group (Financial intermediate)	2,721,411	9.17
5	E Group (Fuel and coal production on manufacturing)	2,666,640	8.99
6	F Group (Ocean water transportation)	2,595,305	8.74
7	G Group (Financial intermediate)	2,528,362	8.52
8	H Group (Real estate lease)	2,448,000	8.25
9	I Group (Real estate development)	2,390,186	8.05
10	J Group (Fuel and chemical raw material manufacturing)	2,043,000	6.88

December 31, 2014

(In Thousands of New Taiwan Dollars, %)

Rank	Group Name	Credit Extensions Balance	% of Net Asset Value
1	E Group (Fuel and coal production on manufacturing)	$ 4,550,058	15.87
2	C Group (LCD and component manufacturing)	3,425,464	11.95
3	A Group (Real estate development)	3,370,197	11.75
4	B Group (Financial intermediate)	2,716,397	9.47
5	F Group (Ocean water transportation)	2,527,147	8.81
6	H Group (Real estate lease)	2,448,000	8.54
7	K Group (Data storage manufacturing)	2,211,394	7.71
8	J Group (Fuel and chemical raw material manufacturing)	2,118,211	7.39
9	L Group (Real estate development)	1,813,321	6.32
10	I Group (Real estate development)	1,766,690	6.16

b. Market risk

Interest Rate Sensitivity (New Taiwan Dollars)
December 31, 2015

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 101,072,289	$ 7,788,420	$ 13,866,348	$ 35,668,359	$ 158,395,416
Interest rate-sensitive liabilities	63,497,265	38,442,276	16,583,601	32,727,965	151,251,107
Interest rate-sensitive gap	37,575,024	(30,653,856)	(2,717,253)	2,940,394	7,144,309
Net worth					29,284,249
Ratio of interest rate-sensitive assets to liabilities					104.72%
Ratio of interest rate sensitivity gap to net worth					24.40%

December 31, 2014

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 147,725,796	$ 12,149,869	$ 9,870,342	$ 28,340,674	$ 198,086,681
Interest rate-sensitive liabilities	96,055,830	42,082,528	23,342,262	29,020,296	190,500,916
Interest rate-sensitive gap	51,669,966	(29,932,659)	(13,471,920)	(679,622)	7,585,765
Net worth					28,268,328
Ratio of interest rate-sensitive assets to liabilities					103.98%
Ratio of interest rate sensitivity gap to net worth					26.83%

Note 1: The above amounts included only New Taiwan dollar amounts held by the Bank.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

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

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

Interest Rate Sensitivity (U.S. Dollars)
December 31, 2015

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 1,287,709	$ 64,865	$ 25,457	$ 452,979	$ 1,831,010
Interest rate-sensitive liabilities	1,233,323	650,539	66,704	33,578	1,984,144
Interest rate-sensitive gap	54,386	(585,674)	(41,247)	419,401	(153,134)
Net worth					4,252
Ratio of interest rate-sensitive assets to liabilities					92.28%
Ratio of interest rate sensitivity gap to net worth					(3,601.46%)

December 31, 2014

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 3,373,639	$ 1,030,745	$ 1,685,912	$ 1,031,110	$ 7,121,406
Interest rate-sensitive liabilities	3,315,098	1,299,052	1,636,321	1,009,304	7,259,775
Interest rate-sensitive gap	58,541	(268,307)	49,591	21,806	(138,369)
Net worth					502
Ratio of interest rate-sensitive assets to liabilities					98.09%
Ratio of interest rate sensitivity gap to net worth					(27,563.55%)

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

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

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

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

c. Liquidity risk

1) Profitability

(%)

Items		For the Year Ended December 31, 2015	For the Year Ended December 31, 2014
Return on total assets	Before income tax	0.83	0.93
	After income tax	0.72	0.86
Return on equity	Before income tax	6.87	6.91
	After income tax	5.92	6.38
Net income ratio		45.54	49.74

Note 1: Return on total assets = Income before (after) income tax ÷ Average total assets

Note 2: Return on equity = Income before (after) income tax ÷ Average equity

Note 3: Net income ratio = Income after income tax ÷ Total net revenues

Note 4: Income before (after) income tax represents income for the years ended December 31, 2015 and 2014.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2015

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 208,046,343	$ 52,421,418	$ 20,171,323	$ 15,621,491	$ 24,947,115	$ 94,884,996
Main capital outflow on maturity	239,188,449	53,159,435	46,629,475	40,947,356	22,986,540	75,465,643
Gap	(31,142,106)	(738,017)	(26,458,152)	(25,325,865)	1,960,575	19,419,353

December 31, 2014

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 214,532,614	$ 66,162,340	$ 18,847,611	$ 17,221,093	$ 20,864,412	$ 91,437,158
Main capital outflow on maturity	245,223,960	56,434,120	44,451,513	37,792,599	27,945,958	78,599,770
Gap	(30,691,346)	9,728,220	(25,603,902)	(20,571,506)	(7,081,546)	12,837,388

Note: The above amounts are book value held by the Bank in New Taiwan dollars.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2015

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 5,138,168	$ 1,228,165	$ 1,489,889	$ 797,999	$ 863,384	$ 758,731
Main capital outflow on maturity	5,466,116	1,701,875	1,449,628	716,835	773,702	824,076
Gap	(327,948)	(473,710)	40,261	81,164	89,682	(65,345)

December 31, 2014

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 6,349,585	$ 1,693,652	$ 1,038,092	$ 1,006,809	$ 1,450,830	$ 1,160,202
Main capital outflow on maturity	6,661,021	2,269,469	1,217,427	830,158	1,266,694	1,077,273
Gap	(311,436)	(575,817)	(179,335)	176,651	184,136	82,929

Note 1: The above amounts are book value held by the Bank in U.S. dollars.

Note 2: If the overseas assets are at least 10% of the total assets, there should be additional disclosures.

Maturity Analysis of Overseas Assets and Liabilities (U.S. Dollars)
December 31, 2015

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 1,535,319	$ 345,589	$ 410,727	$ 146,941	$ 246,566	$ 385,496
Main capital outflow on maturity	1,570,823	428,676	426,016	142,293	258,654	315,184
Gap	(35,504)	(83,087)	(15,289)	4,648	(12,088)	70,312

December 31, 2014

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 1,540,312	$ 323,757	$ 206,528	$ 236,368	$ 433,057	$ 340,602
Main capital outflow on maturity	1,588,811	355,625	337,898	205,193	434,118	255,977
Gap	(48,499)	(31,868)	(131,370)	31,175	(1,061)	84,625

China Bills Finance Corporation

a. Asset quality

(Unit: In Thousands of New Taiwan Dollars, %)

Item / Period	December 31, 2015	December 31, 2014
Balance of guarantees and endorsement credits overdue within 3 months	$ -	$ -
Nonperforming debts (include overdue receivables)	-	-
Credits under observation	-	-
Overdue receivables	-	-
Ratio of nonperforming debts	0.00%	0.00%
Ratio of nonperforming debts and credits under observation	0.00%	0.00%
Required provision for credit losses and reserve for losses on guarantees	872,953	870,188
Actual provision for credit losses and reserve for losses on guarantees	1,386,977	1,380,477

b. The principal operation

(Unit: In Thousands of New Taiwan Dollars, %)

Item / Period	December 31, 2015	December 31, 2014
Balance of guarantees and endorsement securities	$ 86,831,000	$ 86,493,300
Ratio of guarantees and endorsement securities to net worth (Note)	4.27	4.36
Short-term bills and bonds sold under agreement to repurchase	171,313,676	134,212,401
Ratio of short-term bills and bonds sold under agreement to repurchase to net worth (Note)	8.43	6.77

Note: The net worth mentioned above is the net worth after appropriation in prior year minus the original cost of financial assets carried at cost.

c. The provision policy losses and allowance for doubtful accounts please refer to Note 12.

d. Concentrations of credit extensions

(In Thousands of New Taiwan Dollars, %)

<table>
<tr><th>Period
Item</th><th colspan="2">December 31, 2015</th><th colspan="2">December 31, 2014</th></tr>
<tr><td>Credit to common interest party</td><td colspan="2">$ -</td><td colspan="2">$ -</td></tr>
<tr><td>Credit to common interest party ÷ Total credit</td><td colspan="2">-</td><td colspan="2">-</td></tr>
<tr><td>Credit with stocks pledged ÷ Total credit</td><td colspan="2">21.30</td><td colspan="2">19.43</td></tr>
<tr><td rowspan="4">Loan concentration by industry

(The concentration of listed industries were the Top 3 of all industries)</td><td>Type of Industry</td><td>%</td><td>Type of Industry</td><td>%</td></tr>
<tr><td>a. Finance and insurance industry</td><td>33.71</td><td>a. Finance and insurance industry</td><td>31.72</td></tr>
<tr><td>b. Manufacturing industry</td><td>26.96</td><td>b. Manufacturing industry</td><td>31.66</td></tr>
<tr><td>c. Real estate industry</td><td>19.28</td><td>c. Real estate industry</td><td>15.92</td></tr>
</table>

Note 1: Ratio of credit extensions to common interest parties: Credit to common interest party ÷ Total credit.

Note 2: Ratio of credit extensions secured by pledged stocks: Credit with stocks pledged ÷ Total credit.

Note 3: Total credit included guarantees, endorsement notes and overdue credit (including overdue receivables, accounts receivable, and notes receivable.)

e. Interest rate sensitivity information

December 31, 2015

(In Millions of New Taiwan Dollars, %)

<table>
<tr><th>Items</th><th>1 to 90 Days (Included)</th><th>91 to 180 Days (Included)</th><th>181 Days to One Year (Included)</th><th>Over One Year</th><th>Total</th></tr>
<tr><td>Interest rate-sensitive assets</td><td>$ 104,672</td><td>$ 7,427</td><td>$ 16,556</td><td>$ 76,100</td><td>$ 204,755</td></tr>
<tr><td>Interest rate-sensitive liabilities</td><td>181,417</td><td>768</td><td>63</td><td>22,385</td><td>204,633</td></tr>
<tr><td>Interest rate-sensitive gap</td><td>(76,745)</td><td>6,659</td><td>16,493</td><td>53,715</td><td>122</td></tr>
<tr><td colspan="5">Net worth</td><td>22,385</td></tr>
<tr><td colspan="5">Ratio of interest rate-sensitive assets to liabilities (%)</td><td>100.06</td></tr>
<tr><td colspan="5">Ratio of interest rate sensitivity gap to net worth (%)</td><td>0.55</td></tr>
</table>

December 31, 2014

(In Millions of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 79,592	$ 8,903	$ 5,296	$ 73,469	$ 167,260
Interest rate-sensitive liabilities	145,493	258	622	21,467	167,840
Interest rate-sensitive gap	(65,901)	8,645	4,674	52,002	(580)
Net worth					21,467
Ratio of interest rate-sensitive assets to liabilities (%)					99.65
Ratio of interest rate sensitivity gap to net worth (%)					(2.70)

Note 1: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 2: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

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

f. The use of funding sources table

December 31, 2015

(In Millions of New Taiwan Dollars)

Items \ Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	$ 61,327	$ 36,127	$ 4,776	$ 306	$ -
	Bonds	1,315	1,509	2,651	16,250	76,100
	Due from banks	294	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under agreement to resell	2,300	1,800	-	-	-
	Total	65,236	39,436	7,427	16,556	76,100
Cash provided by	Borrowing	11,010	-	-	-	-
	Securities sold under agreement to repurchase	147,667	22,740	768	63	-
	Eligible capital	-	-	-	-	22,385
	Total	158,677	22,740	768	63	22,385
Net cash flows		(93,441)	16,696	6,659	16,493	53,715
Accumulated cash flows		(93,441)	(76,745)	(70,086)	(53,593)	122

December 31, 2014

(In Millions of New Taiwan Dollars)

Items \ Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	$ 41,609	$ 34,610	$ 7,121	$ 134	$ -
	Bonds	128	1,203	1,782	5,162	73,469
	Due from banks	292	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under agreement to resell	1,500	250	-	-	-
	Total	43,529	36,063	8,903	5,296	73,469
Cash provided by	Borrowing	12,240	-	-	-	-
	Securities sold under agreement to repurchase	114,000	19,253	258	622	-
	Eligible capital	-	-	-	-	21,467
	Total	126,240	19,253	258	622	21,467
Net cash flows		(82,711)	16,810	8,645	4,674	52,002
Accumulated cash flows		(82,711)	(65,901)	(57,256)	(52,582)	(580)

g. Matters requiring special notation

(In Thousands of New Taiwan Dollars)

Causes	December 31, 2015	December 31, 2014
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None	None
Within the past year, a fine was levied on CBF for violations of the Act Governing Bills Finance Business and the other laws	None	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures on CBF	None	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" which exceeded NT$50 million dollars	None	None
Other	None	None

Note: The term "within the past year" means one year before the balance sheet date.

53. SPECIFIC RISK FROM FUTURES DEALING

The client pays margin deposits when entering into futures contracts through IBTS. The client might make a huge profit or loss due to the financial leverage effect on futures contracts. To prevent the client's losses causing damage to IBTS's financial position, IBTS evaluates contracts daily to determine the current market value of the margin account. If the balance of the margin account is less than the maintenance requirement, IBTS will ask the client to deposit additional margin. IBTS will close out the open position held by the client if the client does not meet the minimum maintenance level within the required time.

IBTS pays margin deposits when entering into futures contracts. IBTS evaluates the margin account daily on the basis of the market price of the outstanding futures contracts. If the balance of the margin account is less than the maintenance level, IBTS should deposit an additional margin or make a pre-settlement to recognize the loss.

As of December 31, 2015, there were 56 futures contracts outstanding of IBTS and its subsidiaries. The initial margin was $6,066 thousand and excess margin was $187,165 thousand.

As of December 31, 2014, there were 1,152 futures contracts and 30 option contracts outstanding of IBTS and its subsidiaries. The initial margin was $15,022 thousand and excess margin was $94,706 thousand.

54. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for the Bank and its investees:

a. Related information of significant transactions and investees and b. proportionate share in investees:

1) Financing provided: The Group - not applicable; investee - Table 1 (attached)

2) Endorsement/guarantee provided: The Group - not applicable; investee - Table 2 (attached)

3) Marketable securities held: The Group - not applicable; investee - Table 3 (attached)

4) Marketable securities acquired and disposed of at costs or prices of at least $300 million or 10% of the paid-in capital (the Bank disclosed its investments accumulated or disposed of): None

5) Acquisition of individual real estate at costs of at least $300 million or 10% of the paid-in capital: None

6) Disposal of individual real estate at costs of at least $300 million or 10% of the paid-in capital: None

7) Allowance of service fees to related parties amounting to at least $5 million: None

8) Receivables from related parties amounting to at least $300 million or 10% of the paid-in capital: None

9) Sale of nonperforming loans: None

10) Information of asset securitization under the "Regulations for Financial Asset Securitization": None

11) Other significant transactions which may affect the decisions of users of financial reports: None

12) Name, locations and other information of investees on which the Bank exercises significant influence: Table 5 (attached)

13) Derivative transactions: Note 8

c. Investment in Mainland China: Table 6 (attached)

55. OPERATING SEGMENT INFORMATION

The Group provides CODM to assess segment performance, focusing on the nature of business operations, assets and profit and loss. The accounting policies of each operating segment are described in Note 4 the same significant accounting policies. The Group shall be reported to the operating divisions are as follows:

a. Bank: Business ruled in Regulations Governing the Establishment Criteria and Administrating of the Industrial Bank Article 5.

b. Overseas: Overseas banking business.

c. Securities: Securities-related business approved by the competent authority.

d. Bills: Bills related Business approved by the competent authority.

e. Others: Other non-core businesses.

The following was an analysis of the Group's revenue and results by reportable segment.

	Bank	Overseas	Securities	Bills	Others	Eliminations	Consolidated
For the year ended December 31, 2014							
Net interest							
From unaffiliated customers	$ 1,750,474	$ 810,342	$ 68,753	$ 134,461	$ 698,441	$ (9,141)	$ 3,453,330
From other segment	(12,087)	-	1,691	8,634	1,762	-	-
	$ 1,738,387	$ 810,342	$ 70,444	$ 143,095	$ 700,203	$ (9,141)	$ 3,453,330
Net revenue other than interest							
From unaffiliated customers	$ 1,626,366	$ 61,714	$ 393,931	$ 2,081,577	$ (21,395)	$ -	$ 4,141,293
From other segment	47,152	-	-	-	-	(64,586)	(17,434)
	$ 1,673,518	$ 61,714	$ 393,931	$ 2,081,577	$ (21,395)	$ (64,586)	$ 4,124,759
Segment profits	$ 1,726,066	$ 243,268	$ (79,616)	$ 1,609,696	$ (281,241)	$ (297,423)	$ 2,920,750
Identifiable assets	$ 234,502,557	$ 26,715,420	$ 5,662,284	$ 207,582,155	$ 13,359,049	$ (2,005,965)	$ 485,815,500
Equity investments - equity method							170,642
							$ 485,986,142
Depreciation and amortization	$ 110,042	$ 17,861	$ 22,348	$ 11,953	$ 31,162	$ -	$ 193,366
Capital expenditure	$ 259,418	$ 28,613	$ 8,818	$ 3,034	$ 25,813	$ -	$ 325,696
For the year ended December 31, 2014							
Net interest							
From unaffiliated customers	$ 1,380,245	$ 668,032	$ 77,398	$ 42,555	$ 536,884	$ -	$ 2,705,114
From other segment	(3,295)	-	1,385	-	1,910	-	-
	$ 1,376,950	$ 668,032	$ 78,783	$ 42,555	$ 538,794	$ -	$ 2,705,114
Net revenue other than interest							
From unaffiliated customers	$ 1,674,898	$ 38,465	$ 540,741	$ 1,860,288	$ 191,806	$ -	$ 4,306,198
From other segment	32,006	-	(15,790)	(29,949)	13,732	(102,973)	(102,973)
	$ 1,706,904	$ 38,465	$ 524,951	$ 1,830,339	$ 205,538	$ (102,973)	$ 4,203,225
Segment profits	$ 1,768,580	$ 187,925	$ (34,479)	$ 1,385,343	$ (105,153)	$ (448,533)	$ 2,753,683
Identifiable assets	$ 214,182,937	$ 21,545,818	$ 9,159,087	$ 169,917,018	$ 13,562,607	$ (572,801)	$ 427,794,666
Equity investments - equity method							268,834
							$ 428,063,500
Depreciation and amortization	$ 95,375	$ 17,775	$ 24,838	$ 12,488	$ 31,113	$ -	$ 181,589
Capital expenditure	$ 261,081	$ 2,335	$ 9,161	$ 6,190	$ 38,559	$ -	$ 317,326

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limits (Note 4)	Note
													Item	Value			
1	IBT Leasing	San Rong Fisheries Corp.	Account receivable - short-term accommodations	No	$ 20,000	$ 11,261	$ 11,261	4.77	2	$ -	Working capital turnover	$ 109	Margin	$ 4,000	$ 164,026	$ 656,103	
		Yi Mei E-Commerce Corp.	Account receivable - short-term accommodations	No	20,000	15,295	15,295	3.35	2	-	Working capital turnover	497	-	-	164,026	656,103	
		Jing Ming Industry Corp.	Account receivable - short-term accommodations	No	40,000	20,882	20,882	5.24	2	-	Working capital turnover	119	Margin	5,000	164,026	656,103	
		Shi Yi Mechatronics Engineering Corp.	Account receivable - short-term accommodations	No	30,000	24,300	24,300	3	2	-	Working capital turnover	365	-	-	164,026	656,103	
		Hong Ji Construction Corp.	Account receivable - short-term accommodations	No	29,300	29,300	29,300	7	2	-	Working capital turnover	952	Real estate	37,418	164,026	656,103	
		Hui Tang Construction Corp.	Account receivable - short-term accommodations	No	60,000	37,800	37,800	6.5	2	-	Working capital turnover	1,323	Real estate	54,728	164,026	656,103	
		Xin Quan Construction Corp.	Account receivable - short-term accommodations	No	100,000	42,278	42,278	5.04	2	-	Working capital turnover	634	Stock	-	164,026	656,103	
		Wei Hao Corp.	Account receivable - short-term accommodations	No	100,000	95,000	95,000	5.75	2	-	Working capital turnover	3,088	Real estate	104,569	164,026	656,103	
		Shang Sheng Construction Corp.	Account receivable - short-term accommodations	No	150,000	118,194	118,194	3.26	2	-	Working capital turnover	591	Real estate	114,433	164,026	656,103	
		Bao Hung Industry Construction Corp.	Account receivable - short-term accommodations	No	160,000	150,800	131,300	5.25-5.5	2	-	Working capital turnover	1,970	Real estate	167,268	164,026	656,103	
2	IBT International Leasing Corp.	San Yuan Construction (Qing Dao) Development Corp.	Entrusted loans	No	251,565	251,565	-	10	2	-	Working capital turnover	-	Real estate	200,246	435,550	435,550	
		Qing Dao Lian Sheng Industry Corp.	Entrusted loans	No	201,252	201,252	201,252	11.13	1	-	Working capital turnover	6,541	Real estate	168,689	435,550	435,550	

Note 1: Explanation:

a. Issuing entity: 0.
b. Invested companies were sequentially numbered from No. 1.

Note 2: Loan type: Business “1”; short-term financial intermediation “2”.

Note 3: IBT Leasing loaned to individual company was limited by 10% net assets. IBT International Leasing Corp. loaned to individual company was limited by 40% net assets.

Note 4: Each issuing entity’s total amount of loans was limited to 40% of its net assets.

TABLE 2

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
1	IBT Leasing	IBT International Leasing Corp.	Subsidiaries	$ 13,122,056	$ 10,470,578	$ 10,010,076	$ 4,250,410	$ -	263.92	$ 19,683,084	Y	-	Y
		IBT Tianjin International Leasing Corp.	Subsidiaries	13,122,056	4,586,640	4,402,062	1,464,201	-	90.92	19,683,084	Y	-	Y

Note: The maximum amount of guarantees shall not exceed 8 times of the net assets of the subsidiaries which held by the Group with 100%; the maximum amount of guarantees to outsides shall not exceed twelve times of the net assets of the Industrial Bank of Taiwan and subsidiaries.

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
IBT Holdings Corp.	Stocks							
	EverTrust Bank	Equity-method investee	Equity investment equity method	10,714	US$ 134,834	91.78	US$ 134,834	Note 2
IBT Management Corp.	Funds							
	Taishin Ta-Chong Money Market Fund	-	Financial asset at fair value through profit or loss	750	10,139	-	10,139	
	Uni Money Market Fund	-	Financial asset at fair value through profit or loss	803	10,126	-	10,126	
	Stocks							
	Securitag Assembly Group Co., Ltd.	-	Available-for-sale financial asset	44	1,984	0.14	1,984	
	UltraChip Inc.	-	Available-for-sale financial asset	280	7,231	0.47	7,231	
	Powertip Technology Inc.	-	Available-for-sale financial asset	170	1,122	0.53	1,122	
	ID Reengineering Inc.	-	Financial asset carried at cost	19	190	19.00	190	Note 1
	Gatetech Technology Co., Ltd.	-	Financial asset carried at cost	78	779	0.18	779	Note 1
	ARC Solid-state lighting Corp.	-	Financial asset carried at cost	100	1,000	0.40	100	Note 1
	Exojet Technology Corp.	-	Financial asset carried at cost	1,227	12,270	4.26	12,270	Note 1
	IBT Securities Co., Ltd.	The same parent company	Equity investment equity method	1	3	-	3	
IBT Leasing Co., Ltd.	Stocks							
	IBT International leasing Corp.	Equity-method investee	Equity investment equity method	-	1,088,874	100.00	1,088,874	Note 2
	IBT Tianjin International Leasing Corp.	Equity-method investee	Equity investment equity method	-	176,684	39.00	176,684	Note 2
IBT VII Venture Capital Co., Ltd.	Stock							
	IBT Tianjin International Leasing Corp.	Equity-method investee	Equity investment equity method	-	285,398	61.00	276,354	Note 2
	TRPMA Co., Ltd.	-	Financial asset carried at cost	2,083	49,992	3.44	49,992	Note 1
	EirGenix Co., Ltd.	-	Financial asset carried at cost	2,350	47,000	2.97	47,000	Note 1
	MERIBANK Co., Ltd.	-	Financial asset carried at cost	1,000	20,000	1.86	20,000	Note 1
	Femcosteel Tech Co., Ltd.	-	Financial asset carried at cost	1,498	29,984	4.49	29,984	Note 1

Note 1: The net asset values of cost-method investees are based on the latest unaudited financial statements; for those that financial statements can not be obtained are listed by cost.

Note 2: The net asset values of equity-method investees are based on the audited financial statements except for IBT Fortune Limited and IBT Management USA.

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

NON-PERFORMING LOANS
DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, %)

Period			**December 31, 2015**					**December 31, 2014**				
Items			**Nonperforming Loans (Note 1)**	**Outstanding Loan Balance**	**Ratio of Nonperforming Loans (Note 2)**	**Allowance for Possible Losses**	**Coverage Ratio (Note 3)**	**Nonperforming Loans (Note 1)**	**Outstanding Loan Balance**	**Ratio of Nonperforming Loans (Note 2)**	**Allowance for Possible Losses**	**Coverage Ratio (Note 3)**
Corporate banking	Secured		$ 357,900	$ 44,682,160	0.80%	$ 546,245	152.63%	$ 383,473	$ 38,675,367	0.99%	$ 934,551	243.71%
	Unsecured		-	84,836,589	-	1,649,872	-	13,912	79,599,894	0.02%	1,298,712	9,335.20%
Consumer banking	Housing mortgage (Note 4)		-	-	-	-	-	-	-	-	-	-
	Cash card		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
	Small-scale credit loans (Note 5)		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
	Other (Note 6)	Secured	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
		Unsecured	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total			357,900	129,518,749	0.28%	2,196,117	613.61%	397,385	118,275,261	0.34%	2,233,263	561.99%
			Nonperforming Receivables	**Outstanding Receivable Balance**	**Ratio of Nonperforming Receivables**	**Allowance for Possible Losses**	**Coverage Ratio**	**Nonperforming Receivables**	**Outstanding Receivable Balance**	**Ratio of Nonperforming Receivables**	**Allowance for Possible Losses**	**Coverage Ratio**
Credit cards (Note 5)			NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Factoring accounts receivable without recourse (Note 6)			-	3,500,330	-	34,578	-	-	1,860,521	-	21,946	-

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

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

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

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

Note 5: Other consumers banking loans refer to secured or unsecured loans that exclude housing mortgage, cash and credit card, and small scale credit loans.

Note 6: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), factoring accounts receivable without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 7: The Bank has no executed contracts on negotiated debts not reported as nonperforming loans or receivables and discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans or receivables.

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of U.S. Dollars and New Taiwan Dollars)

Investee Company	Location	Main Business	Percentage of Ownership	Carrying Value	Investment Gain (Loss)	Consolidated Investment				Note
						Shares (Thousands)	Pro-forma Share of Ownership	Total		
								Shares (Thousands)	Percentage of Ownership	
Financial institution										
Equity investment - equity method										
IBT Securities Co., Ltd.	Taipei City, Taiwan	Securities underwriting, dealing and brokerage of securities	94.80	$ 3,134,359	$ (75,473)	318,282	-	318,282	94.80	
China Bills Finance Corp.	Taipei City, Taiwan	Bonds underwriting, dealing and brokerage of securities	28.37	6,283,443	456,651	382,531	-	382,531	28.48	
IBT Management Corp.	Taipei City, Taiwan	Securities investment trust	100.00	227,651	(1,485)	13,400	-	13,400	100.00	
IBT Holdings Corp.	California, America	Holding company	100.00	4,499,989	223,263	10,869	-	10,869	100.00	
IBT Leasing Co., Ltd.	Taipei City, Taiwan	Leasing company	100.00	1,631,212	(171,746)	200,000	-	200,000	100.00	
Non-financial institution										
Equity investment - equity method										
Boston Life Science Venture Corporation	Taipei City, Taiwan	Venture capital	-	-	28,642	47,968	-	47,968	-	
The Financial Information Technology of Taiwan Ltd.	Taipei City, Taiwan	Information system development, analysis and design	-	-	-	1,324	-	1,324	-	
IBT II Venture Capital Co., Ltd.	Taipei City, Taiwan	Venture capital	31.25	134,717	523	25,733	-	25,733	56.67	
IBT VII Venture Capital Co., Ltd.	Taipei City, Taiwan	Venture capital	100.00	563,759	(81,971)	65,000	-	65,000	100.00	
Available-for-sale financial assets										
Giga Solution Tech Co., Ltd.	Hsinchu City, Taiwan	Semiconductor manufacturing	6.79	163,255	-	8,102	-	8,102	6.79	
Chia Chang Co., Ltd.	Taoyuan County, Taiwan	Precision machine manufacturing and sale	0.25	9,543	-	384	-	384	0.25	
Neo Solar Power Corporation	Cayman Island	Solar industry	0.23	48,529	-	1,997	-	1,997	0.23	
Rotam Global AgroSciences Limited	Cayman Island	Biotech research and development	0.23	10,581	-	350	-	350	0.23	
Megaforce Company Limited	New Taipei City, Taiwan	Produce industrial plastic	0.67	15,530	-	877	-	877	0.67	
HEP Tech Co., Ltd.	Taichung City, Taiwan	Electronic component manufacturing	1.89	7,159	-	575	-	575	1.89	
Shine More Technology Materials Co., Ltd.	Taoyuan County, Taiwan	Printed circuit board manufacturing	1.04	3,931	-	791	-	791	1.04	
Ultrachip Inc.	Taipei City, Taiwan	Electronic component manufacturing	1.28	20,597	-	1,076	-	1,076	1.72	
Macroblock, Inc.	Hsinchu City, Taiwan	Electronic component manufacturing	1.22	17,440	-	400	-	400	1.22	
Apogee Optocom Co., Ltd.	Tainan City, Taiwan	Optical coating industry	2.70	32,236	-	871	-	871	2.70	
Brighton - Best International, Inc.	Tainan County, Taiwan	Electronic component manufacturing	0.30	29,128	-	1,787	-	1,787	0.30	
Jochiu Technology Co., Ltd.	Hsinchu County, Taiwan	Electronic component manufacturing	0.55	4,685	-	455	-	455	0.55	
Biodenta Co., Ltd.	New Taipei City, Taiwan	Medical equipment manufacturing	0.96	7,000	-	1,250	-	1,250	0.96	
Securitag Assembly Group Co., Ltd.	Taichung County, Taiwan	Communication network	5.43	76,983	-	1,751	-	1,751	5.57	
Ele-con Technology Co., Ltd.	New Taipei City, Taiwan	Electronic component manufacturing	2.35	12,610	-	758	-	758	2.35	
Okbiotech Co., Ltd.	Hsinchu County, Taiwan	Biotech research and development	0.85	19,037	-	544	-	544	0.85	
Reber Genetics Co., Ltd.	Taipei City, Taiwan	Biotech research and development	3.16	164,473	-	3,502	-	3,502	4.73	
CDIB Bioscience	Taipei City, Taiwan	Biotech research and development	1.37	163,791	-	900	-	900	1.37	
TTBIO Corp.	Taichung City, Taiwan	Medical equipment manufacturing	7.48	55,559	-	1,799	-	1,799	7.48	
Powertip Image Corp.	Taichung City, Taiwan	Electronic component manufacturing	6.37	13,437	-	2,190	-	2,190	6.91	
Brave C&H Supply Co., Ltd.	Taoyuan City, Taiwan	Electronic component manufacturing	1.74	55,775	-	485	-	485	1.74	
Synergy Scientech Corp.	Hsinchu City, Taiwan	Electronic component manufacturing	5.57	58,614	-	4,157	-	4,157	5.57	
Time Watch Investment Limited	Cayman Island	Watch industry	0.14	13,823	-	3,000	-	3,000	0.14	
Synacor, Inc.	America	Internet and multimedia	0.43	6,562	-	117	-	117	0.43	
Vietnam (VNI)	Cayman Island	Venture capital	-	20,584	-	1,500	-	1,500	-	
Financial asset carried at cost										
Progate Group Corporation	Taipei City, Taiwan	Wholesale of electronic materials	4.35	19,476	-	1,444	-	1,444	4.35	
Galaxy Software Services	Taipei City, Taiwan	Information system service	1.45	6,519	-	289	-	289	1.45	
Intumit Inc.	New Taipei City, Taiwan	Information system wholesaler and retailer	5.95	7,122	-	1,385	-	1,385	9.36	
Sinomovie.Com Co., Ltd.	Taipei City, Taiwan	Information system service	16.67	2,498	-	833	-	833	16.67	
Chipwell Tech Corporation	Hsinchu City, Taiwan	Electronic component manufacturing	2.71	3,397	-	391	-	391	2.71	

(Continued)

Investee Company	Location	Main Business	Percentage of Ownership	Carrying Value	Investment Gain (Loss)	Consolidated Investment				Note
						Shares (Thousands)	Pro-forma Share of Ownership	Total		
								Shares (Thousands)	Percentage of Ownership	
Knowledge Freeway Co., Ltd.	Taipei City, Taiwan	Information system wholesaler and retailer	19.20	$ 11,239	$ -	1,256	-	1,256	25.11	
Ace Technology Co., Ltd.	Hsinchu County, Taiwan	Electronic component manufacturing	0.02	342	-	19	-	19	0.02	
Ori Vita Bio Application, Inc.	New Taipei City, Taiwan	Biological-technology service industry	2.03	41,518	-	4,152	-	4,152	2.03	
Parawin Venture Capital Corp.	Taipei City, Taiwan	Venture capital	5.00	32,397	-	3,240	-	3,240	5.00	
Krom Electronics Co., Ltd.	Taipei City, Taiwan	Computer and electronic component manufacturing	1.40	5,928	-	311	-	311	1.40	
Luminous Town Electric Co., Ltd.	Kaohsiung County, Taiwan	Electronic component manufacturing	0.90	6,972	-	601	-	601	0.90	
Id Tech Ventures Inc.	Taipei City, Taiwan	Venture capital	19.00	190	-	19	-	19	19.00	
Taiwan Hi-Tech Corp.	Hsinchu City, Taiwan	Electronic component manufacturing	2.96	9,524	-	1,000	-	1,000	2.96	
Nstreams Technologies, Inc.	Taipei City, Taiwan	Information system service	2.71	459	-	503	-	503	2.71	
Gatetech Technology Inc.	Taoyuan County, Taiwan	Precision casting and seller	1.60	7,011	-	779	-	779	1.78	
Mosa Industrial Corporation	Taoyuan County, Taiwan	Equipment manufacturing	1.93	50,000	-	2,610	-	2,610	1.93	
Echem Solutions Corp.	Taoyuan County, Taiwan	Wholesale of electronic materials	2.45	18,326	-	1,187	-	1,187	2.45	
Arc Solid-State Lighting Corporation	New Taipei City, Taiwan	Electronic component and optical instruments manufacturing	7.57	1,900	-	2,000	-	2,000	7.97	
Exojet Technology Corporation	Hsinchu County, Taiwan	Electronic component and chemical manufacturing	8.24	27,202	-	3,599	-	3,599	12.50	
Joyin Co., Ltd.	Taipei City, Taiwan	Electronic component manufacturing	3.72	32,000	-	2,492	-	2,492	3.72	
Taiwan Microlocps Corp.	Taoyuan County, Taiwan	Repair of equipment	1.00	3,042	-	253	-	253	1.00	
Ultra Fine Optical Technology Co., Ltd.	Changhua City, Taiwan	Bicycle component manufacturing	0.17	3,000	-	100	-	100	0.17	
Nisho Image Tech, Inc.	New Taipei City, Taiwan	L.E.D. printer output	0.91	4,961	-	410	-	410	0.91	
TaiRx, Inc.	Taipei City, Taiwan	Biotech research and development	7.83	71,145	-	6,826	-	6,826	11.27	
Gesyw Co., Ltd.	Taiwan	Solar Industry	0.90	27,000	-	1,800	-	1,800	0.90	
Thevax Genetics Vaccine Co., Ltd.	Taipei City, Taiwan	Cancer vaccine development	1.68	90,000	-	1,500	-	1,500	1.68	
Nanpao Resins Co., Ltd.	Tainan City, Taiwan	Manufacture and sale of synthetic resin	0.78	63,000	-	725	-	725	0.78	
Globaltek Co., Ltd.	New Taipei City, Taiwan	Precision machine manufacturing and sale	1.81	33,000	-	1,000	-	1,000	1.81	
Taiwan Mobile Payment Co., Ltd.	Taipei City, Taiwan	Information Software Services Industry	0.50	3,000	-	300	-	300	0.50	
Kaohsiung Rapid Transit Corporation	Kaohsiung City, Taiwan	Transportation	1.38	39,703	-	3,845	-	3,845	1.38	
Biotechnology Development Fund II	America	Venture capital	4.58	5,660	-	-	-	-	4.58	
Acorn Campus Fund II	America	Venture capital	17.26	47,021	-	1,371	-	1,371	17.26	
GS Mezzanine Partners 2006 Offshore, L.P.	Cayman Island	Venture capital	0.14	11,049	-	-	-	-	0.14	
Anchor Semiconductor, Inc.	America	Software development industry	3.09	16,399	-	1,000	-	1,000	3.09	
Shihlien China Holding Co., Ltd.	Hong Kong	Chemical Industries	1.76	227,528	-	52,182	-	52,182	1.76	
Dio Investment Ltd.	Cayman Island	Coffee retail	8.82	74,687	-	6,997	-	6,997	8.82	
Shengzhuang Holdings Limited	Cayman Island	Chemical material manufacturing	2.18	60,030	-	244	-	244	2.18	
BioResource International Inc.	America	Agricultural biotechnology industry	5.72	59,996	-	1,105	-	1,105	5.72	
Topping Cuisine International Holdings Limited	Cayman Island	Retail restaurant management	2.17	35,017	-	500	-	500	2.17	
Beauty Essentials International Ltd. (Samoa)	Samoa	Cosmetic products wholesale	2.41	63,500	-	25,974	-	25,974	2.41	
ATop Tech, Inc.	America	Software wholesale	1.32	11,794	-	560	-	560	1.46	

Note: The gain or loss is included evaluation.

(Concluded)

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Industrial Bank of Taiwan

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2015	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2015	Accumulated Inward Remittance of Earnings as of December 31, 2015
					Outflow	Inflow					
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	$ 23,741,388 (US$ 718,000)	Note 1 c.	$ 228,089 (US$ 6,898)	$ -	$ -	$ 228,089 (US$ 6,898)	1.76	$ -	$ 228,089 (US$ 6,898)	$ -
Shinlien Brine Huaian Co.	Production of glass materials	1,058,112 (US$ 32,000)	Note 1 c.	11,011 (US$ 333)	-	-	11,011 (US$ 333)	1.76	-	11,011 (US$ 333)	-
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	634,867 (US$ 19,200)	Note 1 c.	75,820 (US$ 2,293)	-	-	75,820 (US$ 2,293)	2.09	-	75,820 (US$ 2,293)	-
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	273,202 (RMB 54,300)	Note 1 c.	66,132 (US$ 2,000)	-	-	66,132 (US$ 2,000)	2.175	-	66,132 (US$ 2,000)	-
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	143,176 (US$ 4,330)	Note 1 c.	19,344 (US$ 585)	-	-	19,344 (US$ 585)	2.17	-	19,344 (US$ 585)	-
Shanghai Doupinshan Food Management Co., Ltd.	Food retailing	171,943 (US$ 5,200)	Note 1 c.	19,344 (US$ 585)	-	-	19,344 (US$ 585)	2.17	-	19,344 (US$ 585)	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	6,613 (US$ 200)	Note 1 c.	- (US$ -)	132 (US$ 4)	-	132 (US$ 4)	2.17	-	132 (US$ 4)	-
Shanghai Niuer Cosmetic Co., Ltd.	Cosmetic retailing	66,132 (US$ 2,000)	Note 1 c.	66,132 (US$ 2,000)	-	-	66,132 (US$ 2,000)	2.702	-	66,132 (US$ 2,000)	-

Accumulated Investment in Mainland China as of December 31, 2015	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$486,004 (US$14,698)	$486,004 (US$14,698)	$27,768,774

(Continued)

IBT Leasing Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2015	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2015	Accumulated Inward Remittance of Earnings as of December 31, 2015
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	$ 991,980 (US$ 30,000)	Note 1 d.	$ 991,980 (US$ 30,000)	$ -	$ -	$ 991,980 (US$ 30,000)	100.00	$ (78,770) (Note 2)	$ 1,088,874	$ -
IBT Tianjin International Leasing Corp.	Leasing	257,915 (US$ 7,800)	Note 1 d.	257,915 (US$ 7,800)	-	-	257,915 (US$ 7,800)	39.00	(53,273) (Note 2)	176,684	-

Accumulated Investment in Mainland China as of December 31, 2015	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$1,249,895 (US$37,800)	$1,249,895 (US$37,800)	$1,149,966

IBT Leasing

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2015	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2015	Accumulated Inward Remittance of Earnings as of December 31, 2015
					Outflow	Inflow					
IBT Tianjin International Leasing Corp.	Leasing	$ 403,405 (US$ 12,200)	Note 1 d.	$ 403,405 (US$ 12,200)	$ -	$ -	$ 403,405 (US$ 12,200)	61.00	$ (83,323)	$ 285,398	$ -

Accumulated Investment in Mainland China as of December 31, 2015	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$403,405 (US$12,200)	$403,405 (US$12,200)	$338,255

Note 1: There were five investment approaches stated as follows.

a. Investment in Mainland China by remittance via a third country.

b. Indirect investment in Mainland China via setting a company in a third country.

c. Indirect investment in Mainland China via investing in a current company in a third country. (Via investing Shilien China Holding Co., Limited, Dio Investment, Ltd., Shengzhuang Holding, Ltd., Topping Cusine Internaitonal Holding, Ltd., and Beauty Essential International, Ltd.)

d. Direct investment in Mainland China.

e. Others.

(Continued)

Note 2: Investment gain or loss.

a. No investment gain or loss for the reason of being under preparation.

b. Recognition of investment gain or loss is classified as follows.

1) From financial statements reviewed by international accounting firms in cooperation with accounting firms in the Republic of China.
2) From financial statements reviewed by certified public accountants of parent company in Taiwan.
3) Others.

(Concluded)

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

FINANCIAL RATIO LIMIT AND EXECUTION PERFORMANCE
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No	Formula	December 31, 2015		December 31, 2014		Standard	Execution Performance
		Calculation	Ratio	Calculation	Ratio		
17	Equity / Total liability-Trader equity	610,346 / 14,279	=42.74	690,991 / 3,861	=178.97	≧1	Confirmed
17	Current assets / Current liability	644,313 / 162,439	=3.966	708,652 / 146,504	=4.837	≧1	Confirmed
22	Equity / Paid-in capital	610,346 / 555,000	=109.972%	690,991 / 555,000	=124.503%	≧60% ≧40%	Confirmed
22	Net capital - adjusted / Total margin of unsterilized future position	593,827 / 27,193	=2,183.749%	676,714 / 46,164	=1,465.885%	≧20% ≧15%	Confirmed

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

No.	Transaction Corporation	Counterparty	Nature of Relationship (Note 1)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
1	The Bank	IBTS, IBTM, CBF and IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTVC7	1	Deposits	$ 1,946,395	Note 2	0.40
2	The Bank	IBTS, IBTM, Boston Venture, IBTS Asia (HK) Limited, IBT Leasing, CBF and IBTVC7	1	Interest expense	12,327	Note 2	0.19
3	The Bank	IBTM, IBTS, IBTS Asia (HK) Limited, CBF and IBTVC7	1	Accounts payable	1,451	Note 2	-
4	The Bank	IBTS, IBTM, IBTS Consulting and CBF	1	Other non-interest net revenues	57,904	-	0.91
5	The Bank	IBTS	1	Gain from financial assets and liabilities at fair value through profit or loss	10,752	Note 2	0.17
6	The Bank	Boston Venture	1	Commissions and fee revenues, net	167	Note 2	-
7	IBTS	The Bank	2	Cash and cash equivalents	107,888	Note 2	0.02
8	IBTS	The Bank	2	Interest revenue	561	Note 2	0.01
9	IBTS	The Bank	2	Account receivable	68	Note 2	-
10	IBTS	The Bank	2	Other operating and administrative expense	23,744	-	0.37
11	IBTS	The Bank, CBF, IBTM, Boston Venture and IBTVC7	2, 3	Commissions and fee revenues, net	11,689	Note 2	0.18
12	IBTM	The Bank	2	Account receivable	70	Note 2	-
13	IBTM	The Bank	2	Cash and cash equivalents	179,098	Note 2	0.04
14	IBTM	The Bank	2	Interest revenue	997	Note 2	0.02
15	IBTM	The Bank	2	Other operating and administrative expense	3,003	Note 2	0.05
16	IBTM	IBTB	3	Consultancy fee revenue	8,995	-	0.14

(Continued)

No.	Transaction Corporation	Counterparty	Nature of Relationship (Note 1)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
17	IBTM	IBTS	3	Realized gain (loss) from available-for-sale financial asset	$ 1	Note 2	-
18	IBTM	IBTVC7	3	Consultancy fee revenue	6,661	Note 2	0.10
19	IBTB	The Bank	2	Interest revenue	240	Note 2	-
20	IBTB	IBTM	3	Other operating and administrative expense	8,995	Note 2	0.14
21	IBTB	IBTS	3	Realized gain (loss) from available-for-sale financial asset	71	Note 2	-
22	IBTB	The Bank	2	Other operating and administrative expense	167	Note 2	-
23	CBF	The Bank	2	Financial assets at fair value through profit or loss	1,350,000	Note 2	0.28
24	CBF	The Bank	2	Interest revenue	8,634	Note 2	0.14
25	CBF	The Bank	2	Account receivable	1,149	Note 2	-
26	CBF	The Bank	2	Other operating and administrative expense	29,727	-	0.47
27	CBF	IBTS	3	Realized gain (loss) from available-for-sale financial asset	782	Note 2	0.01
28	IBTS Financial (HK) Limited	The Bank	2	Cash and cash equivalents	86	Note 2	0.04
29	IBTS Asia (HK) Limited	The Bank	2	Cash and cash equivalents	174,759	Note 2	-
30	IBTS Asia (HK) Limited	The Bank	2	Interest revenue	1,130	Note 2	0.02
31	IBTS Asia (HK) Limited	The Bank	2	Account receivable	76	Note 2	-
32	IBTS Consulting	The Bank	2	Other operating and administrative expense	1,430	-	0.02
33	IBTL	The Bank	2	Cash and cash equivalent	2,011	Note 2	-
34	IBTL	The Bank	2	Interest revenue	3	Note 2	-
35	IBTVC7	The Bank	2	Cash and cash equivalents	132,553	Note 2	0.03
36	IBTVC7	The Bank	2	Interest revenue	762	Note 2	0.01
37	IBTVC7	The Bank	2	Account receivable	88	Note 2	-
38	IBTVC7	IBTM	3	Other operating and administrative expense	6,661	-	0.10
39	IBTVC7	IBTS	3	Realized gain (loss) from available-for-sale financial asset	83	Note 2	-

(Continued)

Note 1: Three types of transactions with related parties were classified as follows:

1. Parent company to subsidiaries.
2. Subsidiaries to parent company.
3. Subsidiaries to subsidiaries.

Note 2: The terms for the transactions between the Bank and related parties are similar to those with unrelated parties.

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