

**Taiwan Cooperative Bank, Ltd. and
Subsidiaries**

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
Taiwan Cooperative Bank, Ltd.

We have audited the accompanying consolidated balance sheets of Taiwan Cooperative Bank, Ltd. and its subsidiaries (collectively, the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company'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 Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants, the Regulations Governing Auditing and Attestation of Financial Statements 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 the Taiwan Cooperative Bank, Ltd. and its subsidiaries as of December 31, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Security Firms, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretation of IFRS (IFRIC) and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Taiwan Cooperative Bank, Ltd. as of and for the years ended December 31, 2015 and 2014 and have issued an unqualified opinion in our report dated February 22, 2016.

February 22, 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 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.

TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARIES

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

	2015		2014 (Audited after Retrospected)	
	Amount	%	Amount	%
ASSETS				
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 35)	\$ 43,115,490	2	\$ 44,118,605	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 4, 7, 35 and 36)	705,456,442	23	682,506,761	23
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 35)	14,936,076	1	43,669,323	2
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4, 9 and 35)	209,592	-	1,851,763	-
RECEIVABLES, NET (Notes 4, 10, 35 and 42)	13,430,332	1	13,113,295	1
CURRENT TAX ASSETS (Notes 4, 32, 35 and 37)	987,343	-	1,570,953	-
DISCOUNTS AND LOANS, NET (Notes 4, 11, 35 and 36)	1,980,775,753	65	1,860,345,887	64
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 12 and 36)	95,884,851	3	69,774,501	2
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4, 13 and 36)	42,397,377	1	20,049,579	1
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Notes 4 and 14)	122,023	-	115,905	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 15 and 36)	103,033,930	3	123,253,666	4
PROPERTIES AND EQUIPMENT, NET (Notes 4 and 16)	39,291,595	1	39,651,685	1
INVESTMENT PROPERTIES, NET (Notes 4 and 17)	2,269,500	-	2,083,696	-
INTANGIBLE ASSETS (Notes 4 and 18)	3,628,906	-	3,695,854	-
DEFERRED TAX ASSETS (Notes 4 and 32)	1,227,279	-	1,074,891	-
OTHER ASSETS, NET (Notes 4, 19 and 37)	<u>1,062,498</u>	<u>-</u>	<u>3,771,130</u>	<u>-</u>
TOTAL	<u>\$ 3,047,828,987</u>	<u>100</u>	<u>\$ 2,910,647,494</u>	<u>100</u>
LIABILITIES AND EQUITY				
DUE TO THE CENTRAL BANK AND OTHER BANKS (Notes 20 and 35)	\$ 200,245,814	7	\$ 177,020,696	6
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 24 and 35)	14,706,922	1	6,082,468	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 8, 12, 13, 21 and 35)	17,452,480	1	23,179,705	1
PAYABLES (Notes 22 and 35)	35,360,709	1	41,744,226	2
CURRENT TAX LIABILITIES (Notes 4, 32 and 35)	1,351,013	-	94,645	-
DEPOSITS AND REMITTANCES (Notes 23 and 35)	2,504,511,887	82	2,397,276,471	83
BANK DEBENTURES (Note 24)	69,610,000	2	92,110,000	3
OTHER FINANCIAL LIABILITIES (Notes 25, 35 and 37)	7,709,368	-	9,061,067	-
PROVISIONS (Notes 4, 26 and 27)	9,286,765	-	8,831,254	-
DEFERRED TAX LIABILITIES (Notes 4, 16 and 32)	3,453,496	-	3,568,502	-
OTHER LIABILITIES (Note 4)	<u>1,185,632</u>	<u>-</u>	<u>1,170,711</u>	<u>-</u>
Total liabilities	<u>2,864,874,086</u>	<u>94</u>	<u>2,760,139,745</u>	<u>95</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Capital stock				
Common stock	<u>83,493,000</u>	<u>3</u>	<u>71,362,760</u>	<u>3</u>
Capital surplus				
Additional paid-in capital from share issuance in excess of par value	52,951,835	2	38,627,359	1
From treasury stock transactions	<u>103,157</u>	<u>-</u>	<u>103,157</u>	<u>-</u>
Total capital surplus	<u>53,054,992</u>	<u>2</u>	<u>38,730,516</u>	<u>1</u>
Retained earnings				
Legal reserve	25,586,622	1	22,548,376	1
Special reserve	1,217,583	-	1,217,583	-
Unappropriated earnings	<u>18,349,592</u>	<u>-</u>	<u>16,964,284</u>	<u>-</u>
Total retained earnings	<u>45,153,797</u>	<u>1</u>	<u>40,730,243</u>	<u>1</u>
Other equity	<u>1,058,212</u>	<u>-</u>	<u>(512,882)</u>	<u>-</u>
Total equity attributable to owners of the Company	182,760,001	6	150,310,637	5
NON-CONTROLLING INTEREST	<u>194,900</u>	<u>-</u>	<u>197,112</u>	<u>-</u>
Total equity	<u>182,954,901</u>	<u>6</u>	<u>150,507,749</u>	<u>5</u>
TOTAL	<u>\$ 3,047,828,987</u>	<u>100</u>	<u>\$ 2,910,647,494</u>	<u>100</u>

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

TAIWAN COOPERATIVE BANK, LTD. 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 (Audited after Retrospected)		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE (Notes 4, 28 and 35)	\$ 51,114,765	129	\$ 50,720,752	128	1
INTEREST EXPENSE (Notes 4, 28 and 35)	<u>(21,062,243)</u>	<u>(53)</u>	<u>(22,952,550)</u>	<u>(58)</u>	(8)
NET INTEREST	<u>30,052,522</u>	<u>76</u>	<u>27,768,202</u>	<u>70</u>	8
NET REVENUES AND GAINS OTHER THAN INTEREST					
Service fee income, net (Notes 4, 29, 35 and 42)	6,418,129	16	5,558,893	14	15
Gains on financial assets and liabilities at fair value through profit or loss (Notes 4, 30 and 35)	455,847	1	2,663,086	7	(83)
Realized gains on available-for-sale financial assets (Note 4)	633,063	2	550,004	1	15
Foreign exchange gains (losses), net (Note 4)	1,243,734	3	(93,905)	-	1,424
Impairment losses on assets (Notes 4, 12, 13, 15 and 19)	(5,730)	-	(21,236)	-	(73)
Share of gains of associates and joint ventures accounted for using the equity method (Notes 4 and 14)	13,432	-	15,018	-	(11)
Gains on financial assets carried at cost, net (Note 4)	240,159	1	252,294	-	(5)
Gains on disposal of properties and equipment, net (Notes 4 and 35)	154,779	-	3,106,619	8	(95)
Other noninterest gains (losses), net (Notes 35 and 42)	<u>282,251</u>	<u>1</u>	<u>(35,950)</u>	<u>-</u>	885
Total net revenues and gains other than interest	<u>9,435,664</u>	<u>24</u>	<u>11,994,823</u>	<u>30</u>	(21)
TOTAL NET REVENUES	<u>39,488,186</u>	<u>100</u>	<u>39,763,025</u>	<u>100</u>	(1)
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON GUARANTEES (Notes 4 and 11)	<u>(2,148,273)</u>	<u>(5)</u>	<u>(6,248,353)</u>	<u>(16)</u>	(66)

(Continued)

TAIWAN COOPERATIVE BANK, LTD. 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 (Audited after Retrospected)		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OPERATING EXPENSES (Notes 4, 16, 17, 18, 27, 31 and 35)					
Employee benefits	\$ (15,263,368)	(39)	\$ (14,656,122)	(37)	4
Depreciation and amortization	(1,204,900)	(3)	(1,214,726)	(3)	(1)
General and administrative	<u>(6,741,922)</u>	<u>(17)</u>	<u>(5,965,347)</u>	<u>(15)</u>	13
Total operating expenses	<u>(23,210,190)</u>	<u>(59)</u>	<u>(21,836,195)</u>	<u>(55)</u>	6
INCOME BEFORE INCOME TAX	14,129,723	36	11,678,477	29	21
INCOME TAX EXPENSE (Notes 4 and 32)	<u>(1,989,265)</u>	<u>(5)</u>	<u>(1,540,207)</u>	<u>(4)</u>	29
NET INCOME	<u>12,140,458</u>	<u>31</u>	<u>10,138,270</u>	<u>25</u>	20
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss (Notes 4 and 27)					
Remeasurement of defined benefit plans	(616,927)	(2)	(34,190)	-	1,704
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	<u>2,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
Items that will not be reclassified subsequently to profit or loss, net of income tax	<u>(614,759)</u>	<u>(2)</u>	<u>(34,190)</u>	<u>-</u>	1,698
Items that may be reclassified subsequently to profit or loss (Notes 4, 14 and 32)					
Exchange differences on the translation of financial statements of foreign operations	49,799	-	217,839	1	(77)
Unrealized gains (losses) on available-for-sale financial assets	1,509,479	4	(243,609)	(1)	720

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TAIWAN COOPERATIVE BANK, LTD. 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 (Audited after Retrospected)		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Share of other comprehensive losses of associates and joint ventures accounted for using the equity method	\$ (111)	-	\$ (591)	-	(81)
Income tax attributable to other comprehensive income	<u>(3,430)</u>	<u>-</u>	<u>(31,042)</u>	<u>-</u>	(89)
Items that may be reclassified subsequently to profit or loss, net of income tax	<u>1,555,737</u>	<u>4</u>	<u>(57,403)</u>	<u>-</u>	2,810
Other comprehensive income (losses), net of income tax	<u>940,978</u>	<u>2</u>	<u>(91,593)</u>	<u>-</u>	1,127
TOTAL COMPREHENSIVE INCOME	<u>\$ 13,081,436</u>	<u>33</u>	<u>\$ 10,046,677</u>	<u>25</u>	30
NET INCOME ATTRIBUTABLE TO:					
Owner of the Company	\$ 12,129,481	31	\$ 10,128,559	26	20
Non-controlling interest	<u>10,977</u>	<u>-</u>	<u>9,711</u>	<u>-</u>	13
	<u>\$ 12,140,458</u>	<u>31</u>	<u>\$ 10,138,270</u>	<u>26</u>	20
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owner of the Company	\$ 13,083,648	33	\$ 10,049,950	25	30
Non-controlling interest	<u>(2,212)</u>	<u>-</u>	<u>(3,273)</u>	<u>-</u>	(32)
	<u>\$ 13,081,436</u>	<u>33</u>	<u>\$ 10,046,677</u>	<u>25</u>	30
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 33)					
Basic	<u>\$1.52</u>		<u>\$1.46</u>		

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

(Concluded)

TAIWAN COOPERATIVE BANK, LTD. 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 Company						Other Equity			Non-controlling Interest (Notes 4 and 34)	Total Equity
	Capital Stock (Note 34)		Capital Surplus (Notes 4 and 34)	Retained Earnings (Notes 4 and 34)			Exchange Differences on the Translation of Financial Statements of Foreign Operations (Note 4)	Unrealized Gains (Losses) on Available-for-sale Financial Assets (Note 4)	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value through Profit or Loss (Note 4)		
	Shares (In Thousands)	Common Stock		Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2014	6,843,252	\$ 68,432,520	\$ 35,360,741	\$ 20,141,758	\$ 1,309,025	\$ 14,788,307	\$ 44,030	\$ (512,493)	\$ -	\$ 200,385	\$ 139,764,273
Effect of retrospective application	-	-	-	-	-	(3,216)	-	-	-	-	(3,216)
BALANCE, JANUARY 1, 2014 AS RETROSPECTED	6,843,252	68,432,520	35,360,741	20,141,758	1,309,025	14,785,091	44,030	(512,493)	-	200,385	139,761,057
Reversal of special reverse	-	-	-	-	(91,442)	91,442	-	-	-	-	-
Appropriation of the 2013 earnings											
Legal reserve	-	-	-	2,406,618	-	(2,406,618)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(5,600,000)	-	-	-	-	(5,600,000)
Capital increase in June 2014	200,000	2,000,000	2,300,000	-	-	-	-	-	-	-	4,300,000
Capital increase in December 2014	93,024	930,240	1,069,775	-	-	-	-	-	-	-	2,000,015
Total comprehensive income											
Net income for the year ended December 31, 2014	-	-	-	-	-	10,128,559	-	-	-	9,711	10,138,270
Other comprehensive losses for the year ended December 31, 2014	-	-	-	-	-	(34,190)	191,583	(236,002)	-	(12,984)	(91,593)
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	10,094,369	191,583	(236,002)	-	(3,273)	10,046,677
BALANCE, DECEMBER 31, 2014 AS RETROSPECTED	7,136,276	71,362,760	38,730,516	22,548,376	1,217,583	16,964,284	235,613	(748,495)	-	197,112	150,507,749
Appropriation of the 2014 earnings											
Legal reserve	-	-	-	3,038,246	-	(3,038,246)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(7,089,000)	-	-	-	-	(7,089,000)
Capital increase in March 2015	993,024	9,930,240	11,419,776	-	-	-	-	-	-	-	21,350,016
Capital increase in October 2015	220,000	2,200,000	2,596,000	-	-	-	-	-	-	-	4,796,000
Share-based payment arrangements involving TCFHC'S common stock	-	-	308,700	-	-	-	-	-	-	-	308,700
Total comprehensive income											
Net income for the year ended December 31, 2015	-	-	-	-	-	12,129,481	-	-	-	10,977	12,140,458
Other comprehensive income for the year ended December 31, 2015	-	-	-	-	-	(616,927)	52,280	1,516,646	2,168	(13,189)	940,978
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	11,512,554	52,280	1,516,646	2,168	(2,212)	13,081,436
BALANCE, DECEMBER 31, 2015	8,349,300	\$ 83,493,000	\$ 53,054,992	\$ 25,586,622	\$ 1,217,583	\$ 18,349,592	\$ 287,893	\$ 768,151	\$ 2,168	\$ 194,900	\$ 182,954,901

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

TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARIES

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

	2015	2014 (Audited after Retrospected)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 14,129,723	\$ 11,678,477
Adjustments for:		
Depreciation expenses	960,229	964,768
Amortization expenses	244,671	249,958
Bad-debt expenses	2,370,694	5,950,042
Gains on financial assets and liabilities at fair value through profit or loss	(455,847)	(2,663,086)
Interest expense	21,062,243	22,952,550
Interest revenue	(51,114,765)	(50,720,752)
Dividend income	(395,526)	(372,030)
Provision (reversal of provision) for losses on guarantees	(222,421)	298,311
Salary expense on share-based payments	308,700	-
Share of gains of associates and joint ventures accounted for using equity method	(13,432)	(15,018)
Gains on disposal of properties and equipment	(150,692)	(3,099,277)
Gains on disposal of investments	(518,260)	(454,757)
Impairment losses on financial assets	7,857	21,380
Reversal of impairment losses on non-financial assets	(2,127)	(144)
Net changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to other banks	70,094,536	(56,387,178)
Decrease in financial assets at fair value through profit or loss	43,798,910	18,033,417
Decrease (increase) in receivables	(204,424)	2,077,290
Decrease (increase) in discount and loans	(122,231,104)	39,195,860
Increase in available-for-sale financial assets	(24,201,353)	(16,454,642)
Increase in held-to-maturity financial assets	(22,605,381)	(9,293,235)
Decrease (increase) in other financial assets	20,234,396	(17,411,864)
Decrease (increase) in other assets	2,713,057	(3,109,590)
Increase (decrease) in due to the Central Bank and other banks	23,225,118	(63,370,414)
Decrease in financial liabilities at fair value through profit or loss	(18,986,800)	(13,777,822)
Decrease in securities sold under repurchase agreements	(5,727,225)	(9,186,763)
Increase (decrease) in payables	(6,177,992)	5,791,783
Increase in deposits and remittances	107,235,416	57,009,967
Decrease in other financial liabilities	(1,956,423)	(9,862,926)
Increase (decrease) in provision for employee benefits	60,538	(51,163)
Increase (decrease) in other liabilities	156,186	(86,278)
Cash generated by (used in) operations	51,638,502	(92,093,136)
Interest received	51,155,730	49,665,730
Dividends received	402,729	377,136
Interest paid	(21,677,027)	(23,100,503)
Income tax paid	(416,906)	(1,628,613)
Net cash generated by (used in) operating activities	81,103,028	(66,779,386)

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TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARIES

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

	2015	2014 (Audited after Retrospected)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition for properties and equipment	\$ (795,281)	\$ (3,199,379)
Proceeds of the disposal of properties and equipment	-	4,290,443
Increase in refundable deposits	(4,474)	(30,582)
Acquisition for intangible assets	(177,535)	(167,931)
Proceeds of the disposal of collaterals assumed	2,127	144
Increase in other assets	<u>(43)</u>	<u>(9,436)</u>
Net cash generated by (used in) investing activities	<u>(975,206)</u>	<u>883,259</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of the issuance of bank debentures	12,516,000	10,000,000
Repayment of bank debentures	(22,500,000)	(15,770,000)
Increase in guarantee deposits received	604,724	-
Decrease in guarantee deposits received	-	(273,905)
Dividends paid	(7,089,000)	(5,600,000)
Capital increase	<u>26,146,016</u>	<u>6,300,015</u>
Net cash generated by (used in) financing activities	<u>9,677,740</u>	<u>(5,343,890)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>889,289</u>	<u>(194,355)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	90,694,851	(71,434,372)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>337,215,239</u>	<u>408,649,611</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 427,910,090</u>	<u>\$ 337,215,239</u> (Continued)

TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARIES

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

Cash and cash equivalent reconciliations:

	December 31	
	2015	2014 (Audited after Retrospected)
Cash and cash equivalents in the consolidated balance sheets	\$ 43,115,490	\$ 44,118,605
Due from the Central Bank and call loans to other banks in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	384,289,088	291,244,871
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	209,592	1,851,763
Other items in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	<u>295,920</u>	<u>-</u>
Cash and cash equivalents, end of the year	<u>\$ 427,910,090</u>	<u>\$ 337,215,239</u>

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

(Concluded)

TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Taiwan Cooperative Bank, Ltd. (the “Bank”) was officially established on October 5, 1946 to regulate the supply of and demand for funds for cooperative organizations by accepting their surplus funds as deposits and extending working funds to them. On February 10, 2006, the Bank changed its Chinese name upon approval by the Ministry of Economic Affairs. However, the Bank’s English name remains unchanged. The Bank became a legal entity in 1985 in accordance with the Banking Law. At the start of 2001, the Bank was converted into a corporate entity engaged in (a) all commercial banking operations allowed under the Banking Law; (b) international banking operations; (c) overseas branch operations as authorized by the respective foreign governments; and (d) other operations as authorized by the central authority-in-charge.

The Bank’s shares have been listed on the Taiwan Stock Exchange since November 17, 2004.

The Bank merged with the Farmers Bank of China (FBC) on May 1, 2006, with the Bank as the survivor entity.

On June 24, 2011, the Bank’s stockholders approved the establishment of Taiwan Cooperative Financial Holding Company, Ltd. (TCFHC) by swapping the Bank’s shares with those Co-operative Asset Management Co., Ltd. (CAM) and Taiwan Cooperative Bills Finance Corporation Ltd. (TCBF) in accordance with the “Financial Holding Company Act” and other regulations. The boards of directors of the Bank, CAM and TCBF designated December 1, 2011 as the effective date of the share swap. After the shares transfer, the Bank became a 100% subsidiary of TCFHC. Also on December 1, 2011, the trading of the Bank’s stock on the Taiwan Stock Exchange (TSE) was stopped, and TCFHC’s stock started to be traded on the TSE.

On December 2, 2011, the Bank reduced its capital by NT\$3 billion and spun off its Security Department to incorporate Taiwan Cooperative Securities Corp. (TCS), which became a 100% subsidiary of TCFHC.

The Bank has its Head Office in Taipei. It had a Business, International Banking, Finance, Credit Card and Trust Departments as well as 270 domestic branches, an offshore banking unit (OBU), 9 overseas branches and 2 representative office as of December 31, 2015.

The operations of the Bank’s Trust Department are (1) planning, managing and operating the trust business and (2) custodianship of nondiscretionary trust fund in domestic and overseas securities and mutual funds. These operations are regulated under the Banking Law and Trust Law of the Republic of China (ROC).

The Bank set up the United Taiwan Bank S.A. (UTB) in Belgium through raising funds with Bank of Taiwan, Land Bank of Taiwan and Taiwan Business Bank and acquired 70% of the shares in UTB. On October 9, 2009, the Bank bought shares of UTB held by Taiwan Business Bank for \$127,279 thousand. Thus, the Bank’s holdings in UTB increased to 80%. In July 2010, the Bank subscribed for all the new shares issued by UTB for EUR20,000 thousand (\$785,770 thousand). Thus, the Bank’s holdings in UTB increased to 90.02%. UTB started its operation, mainly the general deposits and loans business, on December 23, 1992 and it is a subsidiary of the Bank.

Cooperative Insurance Brokers Co., Ltd. (CIB) was established on November 25, 2005 and engaged in life and property insurance broker business.

As of December 31, 2015 and 2014, the Bank and its subsidiaries (the “Company”) had 8,195 and 8,437 employees, respectively.

The operating units of the Company maintain their accounts in their respective functional currencies. The consolidated financial statements are presented in New Taiwan dollars.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank's board of directors on February 22, 2016.

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

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

Rule No. 1030010325 and Rule No. 10310006010 issued by the Financial Supervisory Commission (FSC), stipulated that the Company 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 Preparations of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms starting January 1, 2015.

Except for the following, whenever applied, the initial application of the above 2013 IFRSs version and the related amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms would not have any material impact on the Company's accounting policies:

1) IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

2) 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 than those required in the current standards. 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. Refer to Note 38 for related disclosures.

3) 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 Company retrospectively apply the above amendments starting in 2015. Items that will not be reclassified to profit or loss are remeasurements of the defined benefit plans and share of the remeasurements arising from defined benefit plans of associates accounted for using the equity method. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (losses) 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 accounted for using the equity method. However, the application of the above amendments will not result in 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.

4) 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 accelerate 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, the changes in cumulative employee benefit costs as of December 31, 2013 resulting from the retrospective application are adjusted to provision for employee benefits and retained earnings; In addition, in preparing the consolidated financial statements for the year ended December 31, 2015, the Company would elect not to present 2014 comparative information about the sensitivity of the defined benefit obligation.

The impact on the prior year is set out below:

	As Originally Stated	Adjustments Arising from Initial Application	Retrospected
<u>Impact on assets, liabilities and equity</u>			
<u>December 31, 2014</u>			
Total effect on provision for employee benefits	\$ 7,988,477	\$ 2,144	\$ 7,990,621
Total effect on retained earnings	\$ 40,732,387	\$ (2,144)	\$ 40,730,243
Total effect on equity	\$ 150,509,893	\$ (2,144)	\$ 150,507,749
<u>January 1, 2014</u>			
Total effect on provision for employee benefits	\$ 8,004,378	\$ 3,216	\$ 8,007,594
Total effect on retained earnings	\$ 36,239,090	\$ (3,216)	\$ 36,235,874
Total effect on equity	\$ 139,764,273	\$ (3,216)	\$ 139,761,057

(Continued)

	As Originally Stated	Adjustments Arising from Initial Application	Retrospected
Impact on total comprehensive income and earnings per share			
For the year ended on December 31, 2014			
Total effect on operating expense	\$ 21,837,267	\$ (1,072)	\$ 21,836,195
Total effect on net income for the year	\$ 10,137,198	\$ 1,072	\$ 10,138,270
Total effect on total comprehensive income for the year	\$ 10,045,605	\$ 1,072	\$ 10,046,677
Basic earnings per share (New Taiwan dollars)	\$1.45	\$0.01	\$1.46 (Concluded)

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

The Company has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

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
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, 2019
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

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
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 Company’s accounting policies, except for the following:

1) IFRS 9 “Financial Instruments”

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.

For the Company’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 Company 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.

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 Company 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.

2) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendment to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Company is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

3) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations.

When applying IFRS 15, the Company shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

4) IFRS 16 “Leases”

IFRS 16 sets out the accounting treatment for leases and has superseded IAS 17 “Leases” and a number of related interpretations.

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

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

When IFRS 16 becomes effective, the Company may elect to apply this Standard either (a) retrospectively to each prior reporting period presented, or (b) 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 the consolidated financial statements were authorized for issue, the Company was continuing to assess the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance, and will disclose this impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, 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 fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank (United Taiwan Bank S.A. and Cooperative Insurance Brokers Co., Ltd.).

The accounting policies of the Bank and its subsidiaries are consistent.

All significant intercompany transactions and balances have been eliminated for consolidation purposes. The accompanying consolidated financial statements also include accounts of the Bank's Head Office, OBU, and all branches. All interoffice account balances and transactions have been eliminated.

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

For more information on the consolidated entities, please see Table 1 (attached).

Foreign-currency Transactions

The Bank records foreign-currency transactions in the respective currencies in which these are denominated. Every month-end, foreign currency income and expenses are translated into New Taiwan dollars at the prevailing exchange rates. At month-end, monetary assets and liabilities denominated in foreign currencies are reported using the prevailing exchange rates, and exchange differences are recognized in profit or loss. Nonmonetary assets and liabilities measured at fair value are translated using the prevailing exchange rates at month-end. Translation differences on nonmonetary assets and liabilities measured at fair value are recognized in profit or loss, except for translation difference arising from nonmonetary items of which the change in fair values is recognized in other comprehensive income, in which case, the translation differences are also recognized directly in other comprehensive income. Nonmonetary assets and liabilities that are classified as carried at cost are recognized at the exchange rate on the transaction date.

In preparing the consolidated financial statements, foreign operations' financial statements are translated at the following rates: Assets and liabilities - the prevailing exchange rates on the balance sheet date; and income and expenses - at the average exchange rate for the year. Translation difference net of income tax is recorded as "other comprehensive income" and accumulated in equity, FSC and is attributed to the owner of the Company and non-controlling interests.

Classification of Current and Noncurrent Assets and Liabilities

Since the operating cycle in the banking industry cannot be reasonably identified, accounts included in the consolidated financial statements are not classified as current or noncurrent. Nevertheless, these accounts are properly categorized in accordance with the nature of each account and sequenced by liquidity.

Cash and Cash Equivalents

In the balance sheet, cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. In the consolidated statement of cash flows, cash and cash equivalents comprise cash and cash equivalents defined in the consolidated balance sheet, due from the Central Bank and call loans to other banks, call loans to securities firms securities purchased under resell agreements and call loans to securities firms that correspond to the definition of cash and cash equivalents in IAS 7 "Cash Flow Statements," as endorsed by the FSC.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company 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.

Financial assets

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 (FVTPL), available-for-sale (AFS) financial assets, held-to-maturity financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

1) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or designated as at FVTPL.

A financial asset is classified as designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- 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 Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- 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 FVTPL 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. Fair value is determined in the manner described in Note 38.

2) Available-for-sale (AFS) financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity financial assets, or (c) financial assets at fair value through profit or loss. AFS financial assets are stated at fair value at each balance sheet date. Fair value is determined in the manner described in Note 38.

Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed or is determined to be impaired.

Cash dividends on AFS equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated on the basis of the new number of investee's shares held.

AFS financial assets that do not have a quoted market price in an active market and have a fair value that 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 losses at the balance sheet date and are recognized in a separate line item as financial assets carried at cost. These financial assets are measured at fair values if the fair values can be reliably measured subsequently. The difference between carrying amount and fair value is recognized in profit or loss or other comprehensive income. When an AFS financial asset is considered impaired, the losses are recognized to profit or loss.

3) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity.

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

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 cash and cash equivalents, due from the Central Bank and call loans to other banks, receivables, debt instruments with no active markets) are measured at amortized cost using the effective interest method less any impairment.

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. Objective evidence of impairment could include:

- Significant financial difficulty of the asset issuer and debtor;
- The financial assets becoming overdue;
- Probability that the debtor will enter into bankruptcy or undergo financial reorganization.

Amortized cost of the presentation of financial assets (loans and receivables) that are individually assessed had no objective evidence of impairment are further assessed collectively for impairment. Objective evidence of impairment of a portfolio of receivables could include the Company's past difficulty in collecting payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on financial assets.

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 with consideration to the collaterals and guarantees, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if 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 AFS equity instruments, 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 AFS financial asset is considered impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

For AFS equity instruments, impairment losses previously recognized in profit or loss can not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. For AFS debt instruments, impairment losses 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.

For financial assets that are carried at cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. This impairment loss can not be reversed in subsequent periods.

Impairment loss on financial asset is recognized by reducing its carrying amount through the use of an allowance account. When financial assets are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized in profit and loss.

Under FSC guidelines, the Bank should classify credit assets as sound credit assets or unsound credit assets, with the unsound assets further categorized as special mention, substandard, with collectability highly doubtful and uncollectible, on the basis of the customers' financial position, valuation of collaterals and the length of time the principal repayments or interest payments have become overdue.

The Bank made 100%, 50%, 10%, 2% and 1% provisions for credits deemed uncollectible, with collectability highly doubtful, substandard, special mention and sound credit assets (excluding assets that represent claims against an ROC government agency), respectively, as minimum provisions. For the sound credit assets, minimum provisions were required be contributed before December 31, 2014. In addition, The Bank was required to make provisions of at least 1.5% each for the sound credit assets on loans granted to Mainland China clients (including short-term trading financing) and for mortgage loans granted for housing acquisition, renovation and construction before December 31, 2015 and 2016, respectively.

Credits deemed uncollectible may be written off if the write-off is approved by the board of directors.

c. Derecognition of financial assets

The Company derecognizes a financial asset only the contractual rights to cash flow 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. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amounts and the sum of the consideration received, 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

The Company classifies the debt and equity instruments issued either as financial liabilities or as equity in accordance with the substance of the contractual agreements and the definitions of a financial liability or an equity instrument.

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

Repurchase of the Bank'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 Bank's own equity instruments.

Financial liabilities

a. Subsequent measurement

Except for the cases stated below, all financial liabilities are measured at amortized cost using the effective interest method:

1) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or designated as at FVTPL.

A financial liability is classified as designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability 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 Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising from remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability. For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and it will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 38.

2) Financial guarantee contracts

Financial guarantee contracts issued by the Company are not designated as at FVTPL and are subsequently measured at the higher of (a) the amount of the obligation under the contract, as determined in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; or (b) the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with revenue recognition policies.

b. Derecognition of financial liabilities

The Company derecognizes financial liabilities only when the Company’s obligations are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid (includes transfer of non-cash assets and liabilities assumed) is recognized in profit or loss.

Derivatives

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to fair value at the balance sheet date. The resulting gain or loss is recognized in profit or loss immediately. If the fair value of a derivative is a positive number, the derivative is carried as an financial asset and if the fair value is a negative number, the derivative is carried 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 FVTPL.

Overdue Loans

Loans and other credits (including accrued interest) that are overdue for at least six months are classified as overdue loans in accordance with the guideline issued by the FSC.

Overdue loans (except other credits) are classified as discounts and loans, and the remaining are classified as other financial assets.

Securities Purchased/Sold Under Resell/Repurchase Agreements

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

Investment in Associates and Joint Ventures

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Joint venture is a joint arrangement whereby the Company and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Under the equity method, investment in an associate or a joint ventures is initially recognized at cost and adjusted thereafter to recognize the Company’s share of the profit or loss and other comprehensive income of the associate or joint venture. The Company also recognizes the changes in the Company’s share of equity of associates or joint ventures.

When the Company subscribes for additional new shares of the associate or joint ventures at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate or joint ventures. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the additional subscription of the new shares of the associate or joint ventures, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate or joint ventures is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate or a joint venture equals or exceeds its interest in that associate or joint ventures, 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 Company's net investment in the associate or joint ventures, the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate or joint venture.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture 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 Company'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.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate and the joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

When the Company transacts with its associate or joint ventures, profits and losses resulting from the transactions with the associate or joint ventures are recognized in the Company's consolidated financial statements only to the extent of interests in the associate or joint ventures that are not related to the Company.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the year which the property is derecognized.

Properties and Equipment

Properties and equipment are initially recognized at cost and subsequently measured at costs less accumulated depreciation and accumulated impairment.

Land for self-use is not depreciated. Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. 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 recognized on the disposal or retirement of an item of property and equipment is the difference between the sales proceeds and the carrying amount of the asset and is included in profit or loss in the period which the asset is derecognized.

Leasing

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.

The Company as a lessor

Rental income from operating leases is recognized in revenues over the lease periods on a straight-line basis. Contingent rents arising under operating leases are recognized as income in the year in which they are incurred.

Lease incentives offered in the operating lease are recognized as an asset. The aggregate cost of incentives is recognized as a reduction of rental income on a straight-line basis over the lease term.

The Company as a lessee

Lease payments under an operating lease are expensed on a straight-line basis over the lease period. Under operating lease, contingent rentals are recognized as expenses at current year.

Lease incentives received for operating leases are recognized under liabilities. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

When the Company sales and leasebacks a property, the excess of sales proceeds over the carrying amount resulted from the sale of the property is deferred and amortized over the lease term regardless of operating lease or finance lease. For indefinite lease term, the excess is amortized over 10 years.

Goodwill

Goodwill (part of intangible assets) from business combination is recorded at acquisition cost and subsequently measured at cost less accumulated impairment.

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

In testing assets for impairment, the Company compares the carrying amounts of operating segments (CGUs with allocated goodwill) to their recoverable amounts on a yearly basis (or when impairment indicators exist). CGUs with allocated goodwill arise from the current year should be tested for impairment before the end of the year. When the recoverable amount of CGUs is below the carrying amount, an impairment loss should be recognized to reduce first the carrying amount of goodwill of the CGU and then the carrying amounts of other assets of the CGU proportionately. Any impairment loss should be directly recognized as loss in the current year, and subsequent reversal of impairment loss is not allowed.

On disposal of the relevant cash-generating unit, the amount attributable to goodwill is included in the determination of the profit or loss on disposal.

Intangible Assets Other Than Goodwill

Separate acquisition

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 losses. Amortization is recognized on a straight-line basis. At year-end, the Company examines its estimates of the useful lives, residual values and amortization method of the assets, and any changes in estimates are accounted for prospectively. Unless the Company expects to dispose of an intangible asset before the end of its useful life, the residual value of an intangible asset with limited useful life is estimated to be zero.

Acquisition as part of a business combination

Intangible asset acquired through business combination is measured at its fair value on the acquisition date, and is recognized separately from goodwill. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

Derecognition

Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the assets is derecognized.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets (except goodwill) for any indication of 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. Corporate assets are allocated to the individual cash-generating units or a reasonable and consistent basis of allocation. The recoverable amount is the higher of fair value less selling costs or 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 is reduced to its recoverable amount. If asset impairment loss reverses, the increase in the carrying amount resulting from reversal is credited to earnings. However, loss reversal should not be more than the carrying amount (net of depreciation or amortization) had the impairment loss not been recognized.

Foreclosed Collaterals

Foreclosed collaterals (part of other assets) are recorded at the fair value on recognition and recorded at the lower of cost or net fair value as of the balance sheet dates. Net fair value falling below book value indicates impairment, and impairment loss should be recognized. If the net fair value recovers, the recovery of impairment loss is recognized in gains. For foreclosed collaterals that should have been disposed of in the statutory term, unless the disposal period is prolonged, additional provision for losses should be made and impairment loss should be recognized, as required under a FSC directive.

Provisions

Provisions are the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties on the obligation. A provision is measured using the cash flows estimated to settle the present obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Recognition of Revenue

Interest revenue on loans is recorded on an accrual basis. Under the guidance of the FSC, no interest revenue is recognized on loans that are classified as overdue loans. The interest revenue on these loans is recognized upon collection of the loans and credits.

Service fees are recognized when a major part of the earnings process is completed and cash is collected.

Dividend income from investments is recognized when the stockholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Service that results in award credits for customers, under the Company's award scheme, is accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the service rendered and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value. Such consideration is not recognized as revenue at the time of the initial sale transaction but is deferred and recognized as revenue when the award credits are redeemed and the Company's obligations have been fulfilled.

Employee Benefits

Short-term employee benefits

Short-term and non-discounted employee benefits are recognized as expenses in the current year as services are rendered.

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 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 Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Preferential interest deposits for employees

The Bank provides preferential interest deposits to current and retired employees, and these deposits, including payments of the preferential interest deposits, are within certain amounts. The preferential rates for employees' deposits in excess of market rate should be treated as employee benefits.

Under the Guidelines Governing the Preparation of Financial Reports by Public Banks, the Bank should follow the requirement of IAS 19 "Employee Benefits" endorsed by FSC to determine the excess interest on the preferential interest deposits of retired employees by applying an actuarial valuation method when the employees retire. The actuarial assumptions should be in accordance with the requirements set by the authorities.

Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

Share-based Payment

The Company's employees subscribed for the reserved shares of Taiwan Cooperative Financial Holding Company, Ltd. (TCFHC) in accordance with the Financial Holding Company Act, and the Company recognized the fair value of the stock options under salary expenses and under capital surplus for share-based payment on the grant date, i.e., the date when the Company and its employees made an agreement for the employees to subscribe for TCFHC's shares.

Taxation

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

Current tax

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.

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 and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which these deductible temporary differences can be used. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary difference arising from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company 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 use the benefits of the temporary differences and these differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed each balance sheet date 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 each balance sheet date and recognized 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 based on the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred taxes 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 taxes arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

TCFHC and its subsidiaries elected to file consolidated tax returns for periods starting in 2012. However, since the Company applied the accounting treatment mentioned in the preceding paragraph to income tax, any distribution of cash payments and receipts among the consolidated group members is recorded as current tax assets or current tax liabilities.

Business Combination

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized as expense as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

Business combination involving entities under common control is not accounted for by acquisition method but accounted for at the carrying amounts of the entities. Prior period comparative information in the financial statements is restated as if a business combination involving entities under common control had already occurred in that period.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 4, the Company's 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 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.

Unless stated in other notes, the following are the critical judgments, assumptions and estimation uncertainty estimations that the Company's management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

a. Impairment losses on loans

The Company monthly assesses loans collectively. When determining whether an impairment loss should be recognized, the Company mainly seeks for observable evidence that indicates impairment. Objective evidence of impairment of a portfolio of loans and receivables could include the Company's past difficulty in collecting payments and 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 management uses past loss experience on assets that have similar credit risk characteristics to estimate the expected future cash flows. The Company reviews the methods and assumptions of cash flow estimation regularly to eliminate the difference between expected and actual loss.

b. Fair values of financial instruments

Fair values of financial instruments in an inactive market or with no quoted market prices are determined by valuation techniques. Under these circumstances, fair values are derived from observable market data of other similar financial assets. When there are no observable inputs in the market, the fair values of financial instruments are estimated by making appropriate assumptions. The Company applies appropriate valuation models to determine the fair values of financial instruments subjective to valuation techniques. All models are fine-tuned to ensure the valuation results fairly reflect actual market information and prices. The Company's management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

For the fair value determination of financial instruments, refer to Note 38 to the consolidated financial statements.

c. Income tax

The Company is required to make substantive estimates when calculating income tax. The final tax assessment is based on considerable transactions and calculations. When the final tax amount differs from the amount on original recognition, the difference affects the recognition of both current and deferred income tax. The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available. 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 a reversal takes place.

d. Employment benefits

The calculation of the present value of post-employment benefits and preferential rates for retired employees' deposits is based on the actuarial result under several assumptions. Any change in these assumptions may affect the carrying amount of post-employment benefits and preferential rates interest deposits plan for retired employees.

One of the estimates used for determining the net pension costs (revenues) is discount rate. The Company determines appropriate discount rates at the end of each year and estimates the present values of future cash outflows resulting from fulfilling the post-employment obligation by the discount rates. To better determine the discount rates, the Company takes into account the interest rates of high-quality corporate bonds or government bonds, with currencies the same as those of post-employment benefit payments, and with durations that match those of the corresponding pension liabilities.

Other significant assumptions for post-employment obligation are subject to current market condition. Significant assumptions for the obligation of preferential interest deposits for retired employee are determined by the authorities.

e. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

f. Impairment assessment on available-for-sale equity investment

Objective evidences of the impairment of an available-for-sale equity investment include the fair value of that investment falling significantly or constantly below the cost. Subjective judgments are required when assessing the impairment. The Company's management considers past market fluctuation, historical prices of the investment and other factors that affect the performance of the industries to which the investees belong to make the subjective judgments.

g. The valuation of provisions on financial guarantee contracts

Except for the minimum standards under certain laws, the Company's main basis for deciding the amounts of provisions is whether there is any observable evidence that the Company has payment obligations to compensate the losses of guarantee holders. The Company regularly reviews the economic situation in terms of defaults on debt repayments to reduce the difference between the estimated and the actual amounts of loss.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	2014
Cash on hand	\$ 21,450,139	\$ 22,605,114
Notes and checks in clearing	9,279,476	14,207,885
Due from banks	<u>12,385,875</u>	<u>7,305,606</u>
	<u>\$ 43,115,490</u>	<u>\$ 44,118,605</u>

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of December 31, 2015 and 2014 are shown in the consolidated statements of cash flows.

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

	December 31	
	2015	2014
Reserves for deposits - account A	\$ 39,790,008	\$ 34,584,333
Reserves for deposits - account B	64,299,766	61,768,836
Reserves for deposits - community financial institutions	52,801,642	50,837,686
Reserves for deposits - foreign-currency deposits	318,069	292,232
Deposits in the Central Bank	39,200,000	39,200,000
Negotiable certificates of deposit in the Central Bank	443,715,000	461,665,000
Due from the Central Bank - others	8,815,848	7,694,909
Due from the Central Bank - central government agencies' deposits	3,156,360	1,713,740
Call loans to banks	<u>53,359,749</u>	<u>24,750,025</u>
	<u>\$ 705,456,442</u>	<u>\$ 682,506,761</u>

The deposit reserves are determined monthly at prescribed rates based on the average balances of various types of deposit accounts held by the Company. The deposit reserves are subject to withdrawal restrictions, but deposit reserve - account A and foreign-currency deposit reserves may be withdrawn anytime.

Under the guideline issued by the Central Bank of the Republic of China (CBC), the Bank should deposit 60 percent of the deposits of central government agencies in the CBC, and the deposits are subject to withdrawal restrictions.

8. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2015	2014
<u>Held-for-trading financial assets</u>		
Commercial paper	\$ 10,497,699	\$ 33,541,140
Listed and emerging stocks - domestic	82,461	89,606
Government bonds	-	250,519
Currency swap contracts	3,722,007	7,537,894
		(Continued)

	December 31	
	2015	2014
Cross-currency swap contracts	\$ 225,100	\$ 788,108
Forward contracts	209,482	795,203
Foreign-currency margin contracts	122,685	6,521
Currency option contracts - buy	66,725	237,293
Interest rate swap contracts	5,888	220
Futures exchange margins	4,029	5,092
	<u>14,936,076</u>	<u>43,251,596</u>
<u>Financial assets designated as at fair value through profit or loss</u>		
Corporate bonds	-	326,993
Bank debentures	-	90,734
	-	<u>417,727</u>
Financial assets at fair value through profit or loss	<u>\$ 14,936,076</u>	<u>\$ 43,669,323</u>
<u>Held-for-trading financial liabilities</u>		
Currency swap contracts	\$ 1,327,544	\$ 3,818,932
Forward contracts	330,601	1,209,990
Cross-currency swap contracts	231,737	778,608
Currency option contracts - sell	66,958	237,751
Interest rate swap contracts	38,488	16,788
Foreign-currency margin contracts	8,531	20,399
	<u>2,003,859</u>	<u>6,082,468</u>
<u>Financial liabilities designated as at fair value through profit or loss</u>		
Bank debentures (Note 24)	<u>12,703,063</u>	-
Financial liabilities at fair value through profit or loss	<u>\$ 14,706,922</u>	<u>\$ 6,082,468</u>

(Concluded)

As of December 31, 2015 and 2014, some securities amounting to \$5,124,914 thousand and \$6,581,877 thousand, respectively, had been sold under repurchase agreements.

The Bank enters into derivative transactions mainly to accommodate customers' needs and to manage its exposure to adverse changes in exchange rates and interest rates. The Bank's strategy for hedging against risk is to avoid most of the market price risk or cash flow risk.

As of December 31, 2015 and 2014, the contract (notional) amounts of derivative transactions of Bank were as follows:

	December 31	
	2015	2014
Currency swap contracts	\$ 441,253,332	\$ 451,023,013
Forward contracts	27,179,346	35,806,344
Interest rate swap contracts	15,152,000	3,135,010
Currency option contracts - sell	11,907,017	13,884,274
Currency option contracts - buy	11,907,017	13,811,464
Cross-currency swap contracts	6,639,328	25,450,445
Foreign-currency margin contracts	5,198,399	1,323,912

9. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$209,592 thousand and \$1,851,763 thousand under resell agreements as of December 31, 2015 and 2014, respectively, will subsequently be sold for \$209,629 thousand and \$1,852,528 thousand, respectively.

10. RECEIVABLES, NET

	December 31	
	2015	2014
Accrued interest	\$ 5,848,895	\$ 5,666,229
Acceptances	3,305,845	2,803,356
Credit cards	2,652,085	2,545,072
Receivable from merchant accounts in credit cards business	557,158	710,985
Credits receivable	475,799	484,557
Accounts receivable	428,701	329,593
Refundable deposits receivable in leasehold agreements	272,993	272,993
Accounts receivable factored without recourse	216,084	384,088
Receivable on securities	3,136	184,944
Others	<u>266,400</u>	<u>252,676</u>
	14,027,096	13,634,493
Less: Allowance for possible losses	<u>596,764</u>	<u>521,198</u>
	<u>\$ 13,430,332</u>	<u>\$ 13,113,295</u>

Credits receivable due to the merger with the Farmers Bank of China on May 1, 2006 were recognized at fair value of credits written off by the Farmers Bank of China in the past. The fair values were evaluated by PricewaterhouseCoopers Financial Advisory Service Co., Ltd.

The allowances for possible losses on receivables (except spot exchange receivable - foreign currencies, which amounted to \$77 thousand and \$10,115 thousand, respectively) assessed for impairment as of December 31, 2015 and 2014 were as follows:

Items		December 31, 2015		December 31, 2014	
		Receivables	Allowance for Possible Losses	Receivables	Allowance for Possible Losses
With objective evidence of impairment	Assessment of individual impairment	\$ 464,354	\$ 308,474	\$ 402,533	\$ 264,499
	Assessment of collective impairment	129,651	49,511	140,083	59,059
With no objective evidence of impairment	Assessment of collective impairment	13,433,014	238,779	13,081,762	197,640
Total		14,027,019	596,764	13,624,378	521,198

The changes in allowance for possible losses are summarized below:

	For the Year Ended December 31	
	2015	2014
Balance, January 1	\$ 521,198	\$ 538,956
Provision for possible losses	89,310	103,020
Write-offs	(14,096)	(121,023)
Recovery of written-off receivables	6	-
Effects of exchange rate changes and other changes	<u>346</u>	<u>245</u>
Balance, December 31	<u>\$ 596,764</u>	<u>\$ 521,198</u>

11. DISCOUNTS AND LOANS, NET

	December 31	
	2015	2014
Bills discounted	\$ 2,004,757	\$ 2,432,955
Overdraft		
Unsecured	161,789	210,204
Secured	111,712	370,963
Import and export negotiations	542,432	743,226
Short-term loans		
Unsecured	242,899,521	196,557,949
Accounts receivable financing	608,195	733,675
Secured	161,485,690	146,582,665
Medium-term loans		
Unsecured	301,683,991	317,700,013
Secured	307,329,399	287,136,072
Long-term loans		
Unsecured	34,629,232	38,195,391
Secured	944,885,625	885,415,448
Overdue loans	<u>6,371,809</u>	<u>7,048,376</u>
	2,002,714,152	1,883,126,937
Less: Allowance for possible losses	21,461,997	22,270,721
Less: Adjustment of discount	<u>476,402</u>	<u>510,329</u>
	<u>\$ 1,980,775,753</u>	<u>\$ 1,860,345,887</u>

As of December 31, 2015 and 2014, accrual of interest on the above overdue loans had stopped. Thus, the unrecognized interest revenue was \$139,404 thousand and \$207,845 thousand in 2015 and 2014, respectively, based on the average loan interest rate for the year.

The allowances for possible losses on discounts and loans assessed for impairment as of December 31, 2015 and 2014 were as follows:

Items		December 31, 2015		December 31, 2014	
		Discounts and Loans	Allowance for Possible Losses	Discounts and Loans	Allowance for Possible Losses
With objective evidence of impairment	Assessment of individual impairment	\$ 14,581,806	\$ 4,597,960	\$ 23,544,651	\$ 7,120,928
	Assessment of collective impairment	11,167,720	2,418,484	11,152,065	2,527,760
With no objective evidence of impairment	Assessment of collective impairment	1,976,964,626	14,445,553	1,848,430,221	12,622,033
Total		2,002,714,152	21,461,997	1,883,126,937	22,270,721

The changes in allowance for possible losses are summarized below:

	For the Year Ended December 31	
	2015	2014
Balance, January 1	\$ 22,270,721	\$ 20,776,250
Provisions for possible losses	1,990,276	5,867,907
Write-offs	(3,793,034)	(5,426,523)
Recovery of written-off credits	882,611	846,435
Effects of exchange rate changes and other changes	<u>111,423</u>	<u>206,652</u>
Balance, December 31	<u>\$ 21,461,997</u>	<u>\$ 22,270,721</u>

The details of bad-debt expenses and provision for losses on guarantees in 2015 and 2014 were as follows:

	For the Year Ended December 31	
	2015	2014
Provision for possible losses on discounts and loans	\$ 1,990,276	\$ 5,867,907
Provision for possible losses on receivables	89,310	103,020
Provision (reversal of provision) for possible losses on overdue receivables	291,108	(20,885)
Provision (reversal of provision) for possible loss on guarantees	<u>(222,421)</u>	<u>298,311</u>
	<u>\$ 2,148,273</u>	<u>\$ 6,248,353</u>

The Financial Supervisory Commission (FSC) required 1% minimum provisions for category one sound credit assets. The Bank made the required provision in 2014. As of December 31, 2015 and 2014, The Bank was in compliance with the FSC-required provision for credit assets.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	December 31	
	2015	2014
Government bonds	\$ 63,810,846	\$ 53,419,695
Bank debentures	16,536,276	10,130,042
Corporate bonds	11,243,453	2,563,964
Listed stocks	3,423,360	3,507,963
Emerging market stocks	551,655	-
Beneficial certificates	<u>319,261</u>	<u>152,837</u>
	<u>\$ 95,884,851</u>	<u>\$ 69,774,501</u>

The Company evaluated its available for sale financial assets and recognized impairment loss of \$3,178 thousand because of the fall in credit rating of the bond issuer in 2015.

As of December 31, 2015 and 2014, available-for-sale financial assets amounting to \$11,559,296 thousand and \$13,799,489 thousand, respectively, had been sold under repurchase agreements.

13. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2015	2014
Government bonds	\$ 19,746,164	\$ 7,001,616
Corporate bonds	16,353,321	5,310,814
Bank debentures	5,992,108	5,290,602
Certificates of deposit	305,784	446,547
Preferred stocks	<u>-</u>	<u>2,000,000</u>
	<u>\$ 42,397,377</u>	<u>\$ 20,049,579</u>

The Company evaluated its held-to-maturity financial assets and recognized an impairment loss of \$4,679 thousand and a reversal of impairment loss of \$2,455 thousand on some bonds because of the fall in credit ratings of the bond issuers in 2015 and 2014, respectively.

As of December 31, 2014, held-to-maturity financial assets amounting to \$957,386 thousand has been sold under repurchase agreements.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31			
	2015		2014	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership
<u>Investment in associate</u>				
United Real Estate Management Co., Ltd.	<u>\$ 122,023</u>	30.00	<u>\$ 115,905</u>	30.00

Aggregate information of associate that is not individually material:

	For the Year Ended December 31	
	2015	2014
The Company's share of:		
Net income	\$ 13,432	\$ 15,018
Other comprehensive income	<u>(111)</u>	<u>(591)</u>
Total comprehensive income for the year	<u>\$ 13,321</u>	<u>\$ 14,427</u>

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2015 and 2014 were based on the financial statements audited by the auditors for the same years.

15. OTHER FINANCIAL ASSETS, NET

	December 31	
	2015	2014
Overdue receivables	\$ 393,929	\$ 259,195
Less: Allowance for possible losses	<u>318,024</u>	<u>247,568</u>
Overdue receivables, net	75,905	11,627
Debt instruments with no active market, net	84,539,585	84,850,371
Due from banks - time deposits	14,030,137	34,968,885
Financial assets carried at cost	4,092,383	3,422,783
Call loans to securities firms	<u>295,920</u>	<u>-</u>
	<u>\$ 103,033,930</u>	<u>\$ 123,253,666</u>

Debt instruments with no active market are summarized as follows:

	December 31	
	2015	2014
Corporate bonds	\$ 66,319,881	\$ 68,310,511
Bank debentures	17,890,904	16,223,160
Government bonds - domestic and overseas	<u>328,800</u>	<u>316,700</u>
	<u>\$ 84,539,585</u>	<u>\$ 84,850,371</u>

Financial assets carried at cost are summarized as follows:

	December 31			
	2015		2014	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Taiwan Asset Management Co., Ltd.	\$ 2,370,934	17.03	\$ 2,370,934	17.03
Taipei Financial Center Corp.	669,600	1.63	-	-
Taiwan Power Company	631,153	0.24	631,153	0.24
Financial Information Service Co., Ltd.	135,405	2.89	135,405	2.89

(Continued)

	December 31			
	2015		2014	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Taiwan Financial Asset Service Co., Ltd.	\$ 101,125	5.88	\$ 101,125	5.88
Others	<u>184,166</u>		<u>184,166</u>	
	<u>\$ 4,092,383</u>		<u>\$ 3,422,783</u>	

(Concluded)

Management believed that the above equity investments held by the Company, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore they were measured at cost less impairment at the end of reporting period. Some investees had operating losses; thus the Company recognized an impairment loss of \$23,835 thousand on financial assets carried at cost for the year ended December 31, 2014.

Due from banks (part of other financial assets, net) held by the Company were time deposits could not be withdrawn and had maturity periods of more than three months and could not be used before maturity.

16. PROPERTIES AND EQUIPMENT, NET

	December 31	
	2015	2014
<u>Carrying amount</u>		
Land	\$ 24,818,969	\$ 24,875,173
Buildings	8,346,175	8,672,758
Machinery and equipment	952,153	1,172,758
Transportation equipment	109,598	132,810
Other equipment	115,138	144,864
Leasehold improvements	159,795	152,880
Prepayments for equipment, land and buildings and construction in progress	<u>4,789,767</u>	<u>4,500,442</u>
	<u>\$ 39,291,595</u>	<u>\$ 39,651,685</u>

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Prepayments	Total
<u>Cost</u>								
Balance, January 1, 2015	\$ 24,890,350	\$ 14,627,718	\$ 5,352,333	\$ 650,597	\$ 1,194,146	\$ 789,786	\$ 4,500,442	\$ 52,005,372
Additions	51,551	85,496	48,375	17,389	23,756	75,161	493,553	795,281
Disposals	-	-	(521,323)	(43,623)	(55,671)	(52,764)	-	(673,381)
Reclassification	12,508	49,192	136,909	-	-	5,447	(204,056)	-
Transferred to investment properties	(120,366)	(114,113)	-	-	-	-	-	(234,479)
Transferred to intangible assets	-	-	-	-	-	-	(172)	(172)
Effects of exchange rate changes	103	219	2,869	40	211	(568)	-	2,874
Balance, December 31, 2015	<u>\$ 24,834,146</u>	<u>\$ 14,648,512</u>	<u>\$ 5,019,163</u>	<u>\$ 624,403</u>	<u>\$ 1,162,442</u>	<u>\$ 817,062</u>	<u>\$ 4,789,767</u>	<u>\$ 51,895,495</u>
Balance, January 1, 2014	\$ 25,951,605	\$ 14,638,617	\$ 5,648,172	\$ 638,785	\$ 1,235,668	\$ 820,693	\$ 2,115,533	\$ 51,049,073
Additions	31,963	65,044	144,852	17,329	38,195	36,961	2,865,035	3,199,379
Disposals	(1,093,378)	(234,246)	(659,396)	(60,957)	(82,857)	(73,960)	-	(2,204,794)
Reclassification	-	157,961	213,957	54,921	2,320	5,717	(434,876)	-
Transferred to intangible assets	-	-	-	-	-	-	(45,246)	(45,246)
Transferred to other assets	-	-	-	-	-	-	(4)	(4)
Effects of exchange rate changes	160	342	4,748	519	820	375	-	6,964
Balance, December 31, 2014	<u>\$ 24,890,350</u>	<u>\$ 14,627,718</u>	<u>\$ 5,352,333</u>	<u>\$ 650,597</u>	<u>\$ 1,194,146</u>	<u>\$ 789,786</u>	<u>\$ 4,500,442</u>	<u>\$ 52,005,372</u>

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Total
<u>Accumulated depreciation and impairment</u>							
Balance, January 1, 2015	\$ 15,177	\$ 5,954,960	\$ 4,179,575	\$ 517,787	\$ 1,049,282	\$ 636,906	\$ 12,353,687
Disposals	-	-	(518,321)	(43,400)	(55,107)	(52,466)	(669,294)
Transferred to investment properties	-	(31,049)	-	-	-	-	(31,049)
Depreciation expenses	-	378,299	404,036	39,353	50,164	70,751	942,603
Effects of exchange rate changes	-	127	1,720	1,065	2,965	2,076	7,953
Balance, December 31, 2015	<u>\$ 15,177</u>	<u>\$ 6,302,337</u>	<u>\$ 4,067,010</u>	<u>\$ 514,805</u>	<u>\$ 1,047,304</u>	<u>\$ 657,267</u>	<u>\$ 12,603,900</u>
Balance, January 1, 2014	\$ 15,177	\$ 5,661,846	\$ 4,413,540	\$ 534,820	\$ 1,078,370	\$ 650,983	\$ 12,354,736
Disposals	-	(83,415)	(653,728)	(60,674)	(82,208)	(73,218)	(953,243)
Depreciation expenses	-	376,350	417,252	43,327	52,436	58,908	948,273
Effects of exchange rate changes	-	179	2,511	314	684	233	3,921
Balance, December 31, 2014	<u>\$ 15,177</u>	<u>\$ 5,954,960</u>	<u>\$ 4,179,575</u>	<u>\$ 517,787</u>	<u>\$ 1,049,282</u>	<u>\$ 636,906</u>	<u>\$ 12,353,687</u>

The Bank revalued its properties five times in 1979, 1998, 2007, 2011 and 2012. As December 31, 2015, the reserve for land revaluation increment tax (part of deferred tax liabilities) was \$2,596,230 thousand.

Properties and equipment were depreciation on the straight-line method over service lives estimated as follows:

Buildings

Main buildings 50 years

Equipment installed in buildings 10 to 15 years

Machinery and equipment 3 to 10 years

Transportation equipment 5 to 10 years

Other equipment 3 to 20 years

Leasehold Improvements 5 years

As of December 31, 2015 and 2014, the Bank's prepayments for equipment, land and buildings and construction in progress pertained to the construction of the head office. The license for the construction of the head office was obtained in January 2015, the building acceptance check was still in progress as of the date of the accompanying independent auditors' report, and the property will be classified under buildings after completion and acceptance.

In testing assets for impairment, the Bank defined each operating unit or operating segment as a cash-generating unit (CGU). The recoverable amount of a CGU was determined at its value in use. The discount rates for the CGUs' value in use were 8.78% and 9.66% as of December 31, 2015 and 2014, respectively.

17. INVESTMENT PROPERTIES, NET

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Land	\$ 1,754,257	\$ 1,633,891
Buildings	<u>515,243</u>	<u>449,805</u>
	<u>\$ 2,269,500</u>	<u>\$ 2,083,696</u>

	Land	Buildings	Total
<u>Cost</u>			
Balance, January 1, 2015	\$ 1,633,891	\$ 678,938	\$ 2,312,829
Transferred from properties and equipment	<u>120,366</u>	<u>114,113</u>	<u>234,479</u>
Balance, December 31, 2015	<u>\$ 1,754,257</u>	<u>\$ 793,051</u>	<u>\$ 2,547,308</u>
Balance, January 1, 2014	\$ 1,633,891	\$ 669,690	\$ 2,303,581
Additions	<u>-</u>	<u>9,248</u>	<u>9,248</u>
Balance, December 31, 2014	<u>\$ 1,633,891</u>	<u>\$ 678,938</u>	<u>\$ 2,312,829</u>
<u>Accumulated depreciation and impairment</u>			
Balance, January 1, 2015	\$ -	\$ 229,133	\$ 229,133
Depreciation expenses	-	17,626	17,626
Transferred from properties and equipment	<u>-</u>	<u>31,049</u>	<u>31,049</u>
Balance, December 31, 2015	<u>\$ -</u>	<u>\$ 277,808</u>	<u>\$ 277,808</u>
Balance, January 1, 2014	\$ -	\$ 212,638	\$ 212,638
Depreciation expenses	<u>-</u>	<u>16,495</u>	<u>16,495</u>
Balance, December 31, 2014	<u>\$ -</u>	<u>\$ 229,133</u>	<u>\$ 229,133</u>

Investment properties (except for land) were depreciated through 50 years on a straight-line basis.

As of December 31, 2015, the fair value of investment properties was \$6,445,664 thousand. The fair value was determined through calculations using the market value method. As of December 31, 2014, the fair value of investment properties was \$5,915,460 thousand. The fair value was based on the valuation made through a discounted cash-flow analysis and the cost of land development analysis.

The revenues generated from the investment properties are summarized as follows:

	For the Year Ended December 31	
	2015	2014
Rental income from investment properties	\$ 163,950	\$ 169,201
Direct operating expenses for investment properties that generate rental income	<u>(44,881)</u>	<u>(44,481)</u>
	<u>\$ 119,069</u>	<u>\$ 124,720</u>

18. INTANGIBLE ASSETS

	December 31	
	2015	2014
Goodwill	\$ 3,170,005	\$ 3,170,005
Computer software	<u>458,901</u>	<u>525,849</u>
	<u>\$ 3,628,906</u>	<u>\$ 3,695,854</u>

	Goodwill	Computer Software	Total
Balance, January 1, 2015	\$ 3,170,005	\$ 525,849	\$ 3,695,854
Separate acquisition	-	177,535	177,535
Amortization expenses	-	(244,583)	(244,583)
Transferred from properties and equipment	-	172	172
Effect of exchange rate changes	-	(72)	(72)
Balance, December 31, 2015	<u>\$ 3,170,005</u>	<u>\$ 458,901</u>	<u>\$ 3,628,906</u>
Balance, January 1, 2014	\$ 3,170,005	\$ 558,055	\$ 3,728,060
Separate acquisition	-	167,931	167,931
Amortization expenses	-	(246,117)	(246,117)
Transferred from properties and equipment	-	45,246	45,246
Effect of exchange rate changes	-	734	734
Balance, December 31, 2014	<u>\$ 3,170,005</u>	<u>\$ 525,849</u>	<u>\$ 3,695,854</u>

The computer software with limited useful lives is amortized on a straight-line basis by the useful lives in 5 years.

Goodwill resulting from merger of the Bank with the Farmers Bank of China was allocated to operating units or operating segment (cash-generating units with allocated goodwill). There was no impairment loss on goodwill as of December 31, 2015 and 2014.

19. OTHER ASSETS, NET

	December 31	
	2015	2014
Prepaid expenses	\$ 628,881	\$ 3,341,938
Refundable deposits	373,148	368,678
Operating deposits	48,000	48,000
Collaterals assumed, net	-	-
Others	<u>12,469</u>	<u>12,514</u>
	<u>\$ 1,062,498</u>	<u>\$ 3,771,130</u>

Collaterals assumed are summarized as follows:

	December 31	
	2015	2014
Cost	\$ -	\$ 2,375
Less: Accumulated impairment	<u>-</u>	<u>2,375</u>
	<u>\$ -</u>	<u>\$ -</u>

On the basis of the guidelines of the Financial Supervisory Commission and the Company's evaluation of the possibilities of recovery, the Company recognized \$2,127 thousand and \$144 thousand in reversal of impairment losses on collaterals assumed in 2015 and 2014, respectively.

Of the prepaid expenses as of December 31, 2015 and 2014, an amount of \$323,205 thousand and \$2,950,882 thousand referred to the Bank's investment in its overseas branches.

20. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2015	2014
Due to banks	\$ 116,665,130	\$ 103,149,357
Call loans from banks	67,680,073	51,297,833
Deposits from Chunghwa Post Co., Ltd.	14,531,307	21,122,619
Bank overdraft	857,336	1,107,203
Due to the Central Bank	<u>511,968</u>	<u>343,684</u>
	<u>\$ 200,245,814</u>	<u>\$ 177,020,696</u>

21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for \$17,452,480 thousand and \$23,179,705 thousand under repurchase agreements as of December 31, 2015 and 2014, respectively, would subsequently be purchased for \$17,463,265 thousand and \$23,194,806 thousand, respectively.

22. PAYABLES

	December 31	
	2015	2014
Checks for clearing	\$ 9,279,476	\$ 14,207,885
Collections payable	5,703,084	6,632,080
Collections of notes and checks for various financial institutions in other cities	5,201,546	5,701,648
Accrued expenses	4,035,713	4,057,947
Accrued interest	3,366,692	3,576,711
Acceptances	3,321,956	2,816,912
Payables on notes and checks collected for others	1,693,053	1,606,723
Tax payable	526,184	504,852
Dividends payable	178,980	181,542
Payable on securities	155,970	18,270
Factored accounts payable	114,474	87,215
Others	<u>1,783,581</u>	<u>2,352,441</u>
	<u>\$ 35,360,709</u>	<u>\$ 41,744,226</u>

23. DEPOSITS AND REMITTANCES

	December 31	
	2015	2014
Deposits		
Checking	\$ 40,520,013	\$ 41,143,803
Demand	486,268,687	423,138,829
Savings - demand	744,683,401	701,731,007
Time	472,703,035	458,959,005
Negotiable certificates of deposit	3,543,000	2,059,800
Savings - time	683,100,935	703,248,764
Treasury	73,374,578	66,581,720
Remittances	318,238	413,543
	<u>\$ 2,504,511,887</u>	<u>\$ 2,397,276,471</u>

24. BANK DEBENTURES

	December 31	
	2015	2014
First cumulative subordinated bonds in 2007: Reuters' fixing rate for 90 days' New Taiwan dollar commercial paper plus 0.7% in first five years; Reuters' fixing rate for 90 days' New Taiwan dollar commercial paper plus 1.7% if the Bank fails to redeem the bank debenture after five years from the issuance date; no maturity	\$ -	\$ 13,000,000
First subordinated bonds in 2008, Type A: Reuters' fixing rate for 90 days' New Taiwan dollar commercial paper plus 0.43%; maturity - May 28, 2015	-	1,000,000
First subordinated bonds in 2008, Type B: Fixed rate of 3.0%; maturity - May 28, 2015	-	4,500,000
Second subordinated bonds in 2009: Fixed rate of 2.10%; maturity - March 28, 2015	-	4,000,000
First subordinated bonds in 2010: The Bank's floating interest rate for 1-year time deposit plus 0.25%; maturity - June 21, 2017	8,000,000	8,000,000
Second subordinated bonds in 2010, Type A: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper plus 0.15%; maturity - October 25, 2017	3,000,000	3,000,000
Second subordinated bonds in 2010, Type B: Fixed rate of 1.45%; maturity - October 25, 2017	1,000,000	1,000,000
First subordinated bonds in 2011, Type A: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper plus 0.15%; maturity - May 25, 2018	7,300,000	7,300,000
First subordinated bonds in 2011, Type B: Fixed rate of 1.65%; maturity - May 25, 2018	2,700,000	2,700,000
Second subordinated bonds in 2011, Type A: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper plus 0.25%; maturity - July 28, 2018	1,200,000	1,200,000
Second subordinated bonds in 2011, Type B: Fixed rate of 1.70%; maturity - July 28, 2018	3,410,000	3,410,000

(Continued)

	December 31	
	2015	2014
First subordinated bonds in 2012: Fixed rate of 1.65%; maturity - June 28, 2022	\$ 11,650,000	\$ 11,650,000
Second subordinated bonds in 2012, Type A: Fixed rate of 1.43%; maturity - December 25, 2019	1,000,000	1,000,000
Second subordinated bonds in 2012, Type B: Fixed rate of 1.55%; maturity - December 25, 2022	7,350,000	7,350,000
First subordinated bonds in 2013, Type A: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper plus 0.43%; maturity - March 28, 2020	4,000,000	4,000,000
First subordinated bonds in 2013, Type B: Fixed rate of 1.48%; maturity - March 28, 2020	3,500,000	3,500,000
Second subordinated bonds in 2013, Type A: Fixed rate of 1.72%; maturity - December 25, 2020	900,000	900,000
Second subordinated bonds in 2013, Type B: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper plus 0.45%; maturity - December 25, 2023	4,600,000	4,600,000
First subordinated bonds in 2014, Type A: Fixed rate of 1.70%; maturity - May 26, 2021	1,500,000	1,500,000
First subordinated bonds in 2014, Type B: Fixed rate of 1.85%; maturity - May 26, 2024	2,700,000	2,700,000
First subordinated bonds in 2014, Type C: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper plus 0.43%; maturity - May 26, 2024	<u>5,800,000</u>	<u>5,800,000</u>
	<u>\$ 69,610,000</u>	<u>\$ 92,110,000</u> (Concluded)

The above Reuters' fixing rate for 90 days' New Taiwan dollar commercial paper refers to the Taipei Interbank Offered Rate (TAIBOR) for three months announced by The Bankers Association of the Republic of China on January 1, 2015.

FSC approved the Bank's redemption of the First cumulative subordinated bonds - Type C issued in 2008, which amounted to \$4,500,000 thousand on April 8, 2014. The Bank redeemed the bonds on May 28, 2014.

FSC approved the Bank's redemption of the Second cumulative subordinated bonds - Type B issued in 2007, which amounted to \$5,810,000 thousand on July 29, 2014. The Bank redeemed the bonds on September 29, 2014.

FSC approved the Bank's redemption of the First cumulative subordinated bonds issued in 2007, which amounted to \$13,000,000 thousand on February 17, 2015. The Bank decided to redeem the bonds on April 28, 2015.

To expand its long-term USD capital, the Bank applied for the issuance of unsecured bank debentures amounting to US\$1,000,000 thousand. The application was approved by the Financial Supervisory Commission (FSC) on January 22, 2015. The Bank issue unsecured bank debentures with an aggregate face value of US\$400,000 thousand, consisting of type A bonds worth US\$300,000 thousand with 0% interest rate and type B bonds worth US\$100,000 thousand with 0% interest rate; the Bank may exercise its redemption rights at an agreed price after two years and three years, respectively, from the issue dates. If the Bank do not exercise its redemption rights during issue period, all unsecured bank debentures will be refunded on settlement date, March 30, 2045. To manage exposure to adverse changes in interest rates, the Bank enters into interest rate swap contracts measured at fair value through profit or loss and to

eliminate measurement or recognition inconsistency, the unsecured bank debentures are reclassified as designated as at FVTPL upon initial recognition. They were as follows:

	December 31, 2015
Unsecured bank debentures bonds issued in 2015, Type A	\$ 9,515,762
Unsecured bank debentures bonds issued in 2015, Type B	<u>3,187,301</u>
	<u>\$ 12,703,063</u>

25. OTHER FINANCIAL LIABILITIES

	December 31	
	2015	2014
Structured products - host contracts	\$ 5,422,591	\$ 7,266,986
Guarantee deposits received	1,525,407	920,683
Appropriation for loans	<u>761,370</u>	<u>873,398</u>
	<u>\$ 7,709,368</u>	<u>\$ 9,061,067</u>

26. PROVISIONS

	December 31	
	2015	2014
Provision for employee benefits		
Net defined benefit liability	\$ 4,658,134	\$ 4,106,199
Present value of retired employees' preferential interest deposits obligation	<u>4,009,952</u>	<u>3,884,422</u>
	8,668,086	7,990,621
Provision for losses on guarantees	<u>618,679</u>	<u>840,633</u>
	<u>\$ 9,286,765</u>	<u>\$ 8,831,254</u>

27. EMPLOYEE BENEFITS PLAN

a. Defined contribution plan

The pension plan under the Labor Pension Act (the "Act") is a defined contribution plan. Based on the Act, the Company's monthly contributions to individual pension accounts of employees covered by the defined contribution plan is at 6% of monthly salaries and wages. The funds are deposited in individual labor pension accounts at the Bureau of Labor Insurance.

The Company recognized expense of \$111,204 thousand and \$103,823 thousand in the consolidated statement of comprehensive income in 2015 and 2014, respectively, in accordance with the defined contribution plan.

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company 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 Company is required to fund the difference in one appropriation that should be made before the end of March of the next year.

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

	December 31	
	2015	2014
Present value of defined benefit obligation	\$ 11,800,882	\$ 11,120,627
Fair value of plan assets	<u>(7,142,748)</u>	<u>(7,014,428)</u>
Net defined benefit liability	<u>\$ 4,658,134</u>	<u>\$ 4,106,199</u>

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 (Asset)
Balance at January 1, 2014	<u>\$ 10,302,614</u>	<u>\$ (6,274,167)</u>	<u>\$ 4,028,447</u>
Service cost			
Current service cost	938,749	-	938,749
Net interest expense (income)	<u>183,197</u>	<u>(117,615)</u>	<u>65,582</u>
Recognized in profit or loss	<u>1,121,946</u>	<u>(117,615)</u>	<u>1,004,331</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(29,457)	(29,457)
Actuarial loss - changes in financial assumptions	61,070	-	61,070
Actuarial loss - experience adjustments	<u>2,577</u>	<u>-</u>	<u>2,577</u>
Recognized in other comprehensive income	<u>63,647</u>	<u>(29,457)</u>	<u>34,190</u>
Contributions from the employer	<u>-</u>	<u>(960,769)</u>	<u>(960,769)</u>
Benefits paid	<u>(367,580)</u>	<u>367,580</u>	<u>-</u>
Balance at December 31, 2014	<u>11,120,627</u>	<u>(7,014,428)</u>	<u>4,106,199</u>
Service cost			
Current service cost	851,165	-	851,165
Net interest expense (income)	<u>186,467</u>	<u>(120,660)</u>	<u>65,807</u>
Recognized in profit or loss	<u>1,037,632</u>	<u>(120,660)</u>	<u>916,972</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(60,865)	(60,865)

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Actuarial loss - changes in financial assumptions	\$ 499,289	\$ -	\$ 499,289
Actuarial loss - experience adjustments	<u>178,503</u>	<u>-</u>	<u>178,503</u>
Recognized in other comprehensive income	<u>677,792</u>	<u>(60,865)</u>	<u>616,927</u>
Contributions from the employer	<u>-</u>	<u>(981,964)</u>	<u>(981,964)</u>
Benefits paid	<u>(1,035,169)</u>	<u>1,035,169</u>	<u>-</u>
Balance at December 31, 2015	<u>\$ 11,800,882</u>	<u>\$ (7,142,748)</u>	<u>\$ 4,658,134</u> (Concluded)

Through the defined benefit plans under the Labor Standards Law, the Company 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)	1.35%	1.75%
Expected rate(s) of salary increase	2.00%	2.00%
Expected rate(s) of return on plan asset	1.35%	1.75%

Had there been a possible reasonable change in each of the significant actuarial assumptions and all other assumptions remained constant, the present value of the defined benefit obligation would have increased (decreased) as follows:

	December 31, 2015
Discount rate(s)	
0.25% increase	<u>\$ (315,821)</u>
0.25% decrease	<u>\$ 328,924</u>
Expected rate(s) of salary increase	
0.25% increase	<u>\$ 313,485</u>
0.25% decrease	<u>\$ (302,769)</u>

The sensitivity analysis presented above might not have been representative of the actual change in the present value of the defined benefit obligation as it was unlikely that the changes in assumptions would have occurred independently of each other because some of the assumptions might have correlated.

	December 31	
	2015	2014
The expected contributions to the plan for the next year	<u>\$ 2,871,100</u>	<u>\$ 605,000</u>
The average duration of the defined benefit obligation	11 years	11 years

c. Employees' preferential deposit plan

The Bank's payment obligations on fixed-amount preferential interest deposits for retired employees and current employees after retirement are in compliance with the Bank's internal rules. Under the Guidelines Governing the Preparation of Financial Reports by Public Banks, the Bank should determine the excess interest from the preferential interest deposits of employees by applying an actuarial valuation method when the employees retire.

The amounts included in the balance sheet arising from the Company's obligation in the employees' preferential interest deposits plan were as follows:

	December 31	
	2015	2014
Present value of retired employees' preferential interest deposits obligation (part of provisions)	<u>\$ 4,009,952</u>	<u>\$ 3,884,422</u>

The changes in present value of retired employees' preferential interest deposits obligation were as follows:

	For the Year Ended December 31	
	2015	2014
Present value of retired employees' preferential interest deposits obligation, January 1	\$ 3,884,422	\$ 3,979,147
Interest expense	152,379	151,452
Actuarial losses	760,838	523,661
Benefits paid	<u>(787,687)</u>	<u>(769,838)</u>
Present value of retired employees' preferential interest deposits obligation, December 31	<u>\$ 4,009,952</u>	<u>\$ 3,884,422</u>

Amounts recognized in profit or loss in employee preferential deposit plans for retired employees in the statement of comprehensive income were as follows:

	For the Year Ended December 31	
	2015	2014
Interest expense	\$ 152,379	\$ 151,452
Actuarial losses	<u>760,838</u>	<u>523,661</u>
Excessive interest of retired employees' preferential interest deposits	<u>\$ 913,217</u>	<u>\$ 675,113</u>

Under Rule No. 10110000850 issued by the Financial Supervisory Commission, effective March 15, 2012, the actuarial assumptions for calculating the expense for the retired employees' preferential interest deposit benefit are as follows:

	December 31	
	2015	2014
Discount rate	4.00%	4.00%
Return on deposit	2.00%	2.00%
Account balance decrease rate per year	1.00%	1.00%
Rate of probability of change in the preferential deposit system	50.00%	50.00%

Had there been a possible reasonable change in each of the significant actuarial assumptions and all other assumptions remained constant, the present value of the retired employees' preferential interest deposit benefit obligation would have increased (decreased) as follows:

	December 31, 2015
Discount rate(s)	
1% increase	\$ (293,925)
1% decrease	\$ 339,856
Return on deposit	
1% increase	\$ (748,637)
1% decrease	\$ 748,637
Account balance decrease rate per year	
1% increase	\$ (310,616)
1% decrease	\$ 354,540
Rate of probability of change in the preferential deposit system	
20% increase	\$ (1,603,981)
20% decrease	\$ 1,603,981

The sensitivity analysis presented above might not have been representative of the actual change in the present value of the retired employees' preferential interest deposit benefit obligation because it was unlikely that the change in assumptions would have occurred independently of each other because some of the assumptions correlated.

28. NET INTEREST

	For the Year Ended December 31	
	2015	2014
Interest revenue		
From discounts and loans	\$ 40,592,706	\$ 40,133,017
From due from banks and call loans to other banks	6,226,138	6,856,762
From investments	3,499,033	2,774,368
Others	<u>796,888</u>	<u>956,605</u>
	<u>51,114,765</u>	<u>50,720,752</u>
Interest expense		
From deposits	(18,741,413)	(19,249,289)
From subordinated bank debentures	(1,197,324)	(1,767,858)
From funds borrowing from the Central Bank and other banks	(486,117)	(1,159,813)
From due to the Central Bank and other banks	(423,188)	(415,662)
		(Continued)

	For the Year Ended December 31	
	2015	2014
From securities sold under repurchase agreements	\$ (97,483)	\$ (124,796)
From structure products	(92,149)	(225,607)
Others	<u>(24,569)</u>	<u>(9,525)</u>
	<u>(21,062,243)</u>	<u>(22,952,550)</u>
	<u>\$ 30,052,522</u>	<u>\$ 27,768,202</u>
		(Concluded)

29. SERVICE FEE INCOME, NET

	For the Year Ended December 31	
	2015	2014
Service fee income		
From insurance service	\$ 2,707,785	\$ 1,902,221
From trust business	1,379,546	1,352,565
From loans	701,065	743,274
From credit cards	560,735	529,636
From guarantee	444,957	392,743
From remittance	366,280	321,565
From cross-bank transactions	244,288	227,117
From trust affiliated business	179,750	151,426
From import/export service	120,170	140,026
Others	<u>468,341</u>	<u>490,415</u>
	<u>7,172,917</u>	<u>6,250,988</u>
Service charge		
From cross-bank transactions	(255,417)	(241,290)
From credit cards	(176,804)	(134,467)
From credit cards acquiring	(130,617)	(111,726)
From custody	(44,500)	(39,424)
From selling insurance policy	(27,738)	(29,948)
Others	<u>(119,712)</u>	<u>(135,240)</u>
	<u>(754,788)</u>	<u>(692,095)</u>
	<u>\$ 6,418,129</u>	<u>\$ 5,558,893</u>

30. GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31, 2015				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Held-for-trading financial assets	\$ 242,998	\$ 18,847,971	\$ (3,786,619)	\$ 4,986	\$ 15,309,336
Financial assets designated as at fair value through profit or loss	8,387	(7,529)	11,840	-	12,698
Held-for-trading financial liabilities	-	(17,628,958)	2,720,767	-	(14,908,191)
Financial liabilities designated as at fair value through profit or loss	<u>(404,765)</u>	<u>-</u>	<u>446,769</u>	<u>-</u>	<u>42,004</u>
	<u>\$ (153,380)</u>	<u>\$ 1,211,484</u>	<u>\$ (607,243)</u>	<u>\$ 4,986</u>	<u>\$ 455,847</u>

	For the Year Ended December 31, 2014				
	Interest Revenue	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Held-for-trading financial assets	\$ 263,253	\$ 9,315,112	\$ 10,766,374	\$ 457	\$ 20,345,196
Financial assets designated as at fair value through profit or loss	17,597	-	(17,519)	-	78
Held-for-trading financial liabilities	-	(9,608,815)	(8,073,373)	-	(17,682,188)
	<u>\$ 280,850</u>	<u>\$ (293,703)</u>	<u>\$ 2,675,482</u>	<u>\$ 457</u>	<u>\$ 2,663,086</u>

31. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2015	2014
Employee benefits		
Salaries	\$ 7,963,183	\$ 7,632,724
Incentives	2,687,099	2,936,329
Excessive interest from preferential interest deposits	1,343,384	1,116,634
Post-employment benefits, termination benefits and compensation	1,364,020	1,131,708
Overtime	395,956	394,713
Others	1,509,726	1,444,014
Depreciation expenses	960,229	964,768
Amortization expenses	244,671	249,958

Under the Bank's Articles of Incorporation amended on February 25, 2015, the bonus to employees for the year ended December 31 2014 was estimated at \$529,182 thousand on the basis of past experience. When the Company Act was amended in May 2015, TCB's board of directors amended its Articles of Incorporation on March 28, 2016. Under the amended Articles, The Bank will distribute employees' compensation at a fixed ratio 1% to 8% of its annual profit (pretax income which exclude compensation to employees). However, the actual appropriation of the bonus should be made only from the annual net income less any accumulated deficit. For the year ended December 31, 2015, the compensation to employees was \$711,078 thousand, based on the amended Company Act and the amended Articles.

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

The appropriations of bonuses to employees for 2014 and 2013 have been proposed by the board of directors on May 25, 2015 and May 26, 2014, respectively, were as follows:

	For the Year Ended December 31	
	2014	2013
Bonus to employees - cash	\$ 529,182	\$ 449,235

There was no difference between the amounts of the bonus to employees proposed by the board of directors and the amounts recognized in the consolidated financial statements for the years ended December 31, 2014 and 2013, respectively.

Information on the bonus to employees proposed by the Bank's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange (<http://emops.tse.com.tw>).

32. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Year Ended December 31	
	2015	2014
Current tax		
Current year	\$ 2,260,497	\$ 730,232
Additional 10% income tax on unappropriated earnings	-	34,374
Prior year's adjustments	<u>(408)</u>	<u>418,787</u>
	<u>2,260,089</u>	<u>1,183,393</u>
Deferred tax		
Current year	(270,824)	531,393
Prior year's adjustments	<u>-</u>	<u>(174,579)</u>
	<u>(270,824)</u>	<u>356,814</u>
Income tax expense recognized in profit or loss	<u>\$ 1,989,265</u>	<u>\$ 1,540,207</u>

A reconciliation of accounting profit and current income tax expenses were as follows:

	For the Year Ended December 31	
	2015	2014
Income before income tax	<u>\$ 14,129,723</u>	<u>\$ 11,678,477</u>
Income tax expense at the 17% statutory rate	\$ 2,402,053	\$ 1,985,341
Nondeductible expenses in determining taxable income	78,103	3,153
Tax-exempt income	(536,020)	(1,047,143)
Additional income tax under the Alternative Minimum Tax Act	-	166,204
Additional 10% income tax on unappropriated earnings	-	34,374
Unrecognized deductible temporary differences	(112,557)	26,003
Effect of different tax rate of overseas branches operating in other jurisdictions	158,094	128,067
Adjustments for prior year's tax	<u>(408)</u>	<u>244,208</u>
Income tax expense recognized in profit or loss	<u>\$ 1,989,265</u>	<u>\$ 1,540,207</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2015	2014
<u>Deferred tax</u>		
Recognized in other comprehensive income - items that may be reclassified subsequently to profit or loss		
Exchange differences on the translation of financial statements of foreign operations	\$ 10,708	\$ 39,240
Unrealized gains on available-for-sale financial assets	<u>(7,278)</u>	<u>(8,198)</u>
Total income tax recognized in other comprehensive income	<u>\$ 3,430</u>	<u>\$ 31,042</u>

c. Current tax assets and liabilities

	December 31	
	2015	2014
Current tax assets		
Tax refund receivable	\$ 134,645	\$ 781,706
Tax receivable - consolidated tax return	744,306	743,899
Others	<u>108,392</u>	<u>45,348</u>
	<u>\$ 987,343</u>	<u>\$ 1,570,953</u>
Current tax liabilities		
Tax payable	\$ 38,923	\$ 54,765
Tax payable - consolidated tax return	1,251,673	-
Others	<u>60,417</u>	<u>39,880</u>
	<u>\$ 1,351,013</u>	<u>\$ 94,645</u>

d. Deferred tax assets and liabilities

Movements in deferred tax assets and liabilities were as follows:

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Available-for-sale financial assets	\$ 1,454	\$ -	\$ 3,764	\$ 5,218
Investments accounted for using equity method	31,034	(16,840)	-	14,194
Properties and equipment	10,541	(547)	-	9,994
Payable for annual leave	70,056	(3,295)	-	66,761
Defined benefit obligation	295,341	78,914	-	374,255
Employee's preferential interest deposits obligation	660,352	21,340	-	681,692
Other liabilities	6,113	242	-	6,355
Unrealized interests expense	<u>-</u>	<u>68,810</u>	<u>-</u>	<u>68,810</u>
	<u>\$ 1,074,891</u>	<u>\$ 148,624</u>	<u>\$ 3,764</u>	<u>\$ 1,227,279</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Financial instruments at fair value through profit or loss	\$ 543,486	\$ (127,705)	\$ -	\$ 415,781
Available-for-sale financial assets	4,343	-	(3,514)	829
Intangible assets	364,322	-	-	364,322
The reserve for land revaluation increment tax	2,596,230	-	-	2,596,230
Exchanges difference on foreign operations	60,121	-	10,708	70,829
Others	<u>-</u>	<u>5,505</u>	<u>-</u>	<u>5,505</u>
	<u>\$ 3,568,502</u>	<u>\$ (122,200)</u>	<u>\$ 7,194</u>	<u>\$ 3,453,496</u>

For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Available-for-sale financial assets	\$ 1,229	\$ -	\$ 225	\$ 1,454
Investments accounted for using equity method	45,931	(14,897)	-	31,034
Properties and equipment	11,089	(548)	-	10,541
Payable for annual leave	64,092	5,964	-	70,056
Defined benefit obligation	295,341	-	-	295,341
Employee's preferential interest deposits obligation	676,455	(16,103)	-	660,352
Other liabilities	<u>547</u>	<u>5,566</u>	<u>-</u>	<u>6,113</u>
	<u>\$ 1,094,684</u>	<u>\$ (20,018)</u>	<u>\$ 225</u>	<u>\$ 1,074,891</u>

Deferred tax liabilities

Temporary differences				
Financial instruments at fair value through profit or loss	\$ 32,111	\$ 511,375	\$ -	\$ 543,486
Available-for-sale financial assets	12,316	-	(7,973)	4,343
Intangible assets	538,901	(174,579)	-	364,322
The reserve for land revaluation increment tax	2,811,394	(215,164)	-	2,596,230
Exchanges difference on foreign operations	<u>20,881</u>	<u>-</u>	<u>39,240</u>	<u>60,121</u>
	<u>\$ 3,415,603</u>	<u>\$ 121,632</u>	<u>\$ 31,267</u>	<u>\$ 3,568,502</u>

- e. Unused deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2015	2014
Deductible temporary differences	<u>\$ 882,504</u>	<u>\$ 1,728,875</u>

- f. Imputed tax credits are summarized as follows:

	TCB	CIB
Balances of stockholders' imputed tax credit		
December 31, 2015	\$ 140,889	\$ 12,798
December 31, 2014	645,738	10,407
Estimated creditable tax ratio for distributing the 2015 earnings	0.71%	20.48%
Actual creditable tax ratio for distributing the 2014 earnings	0.22%	20.48%

The actual stockholders' imputation credits should be based on the balance of the imputation credit account as of the dividend distribution date. As a result, the estimated creditable ratio for the 2015 earnings may differ from the actual creditable ratio.

- g. Under the Income Tax Law, the unappropriated retained earnings of \$19,985 thousand generated by the Bank until December 31, 1997 were included in the unappropriated retained earnings as of December 31, 2015 and 2014. CIB had no retained earnings generated until December 31, 1997.
- h. The income tax returns of the Bank and CIB through 2011 and 2013 had been examined by tax authorities, respectively. The Bank initiated administrative litigations due to the taxable income authorized by tax authorities was different from income tax returns from 2006 to 2011. Please refer to Note 37 for more information.

33. EARNINGS PER SHARE

The numerators and denominators used in calculating earnings per share were as follows:

	Net Income (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (Dollars)
<u>For the year ended December 31, 2015</u>			
Basic earnings per share	<u>\$ 12,129,481</u>	<u>7,956,221</u>	<u>\$ 1.52</u>
<u>For the year ended December 31, 2014</u>			
Basic earnings per share	<u>\$ 10,128,559</u>	<u>6,960,652</u>	<u>\$ 1.46</u>

The number of shares outstanding was retrospectively adjusted to reflect the effects of the stock dividends distributed in the year following earnings appropriation.

34. EQUITY

- a. Capital stock

Common stocks

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Numbers of shares authorized (in thousands)	<u>10,000,000</u>	<u>8,000,000</u>
Authorized capital	<u>\$ 100,000,000</u>	<u>\$ 80,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>8,349,300</u>	<u>7,136,276</u>
Common stocks issued	<u>\$ 83,493,000</u>	<u>\$ 71,362,760</u>

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

On April 28, 2014, the Bank's board of directors resolved to increase its capital by issuing 200,000 thousand shares of common stocks at NT\$21.50 per share. TCFHC subscribed for all the new shares and this capital increase transaction was approved by FSC and MOEA.

On November 27, 2014, the Bank's board of directors resolved to increase its capital by issuing 93,024 thousand shares of common stocks at NT\$21.5 per share. TCFHC subscribed for all the new shares and this capital increase transaction was approved by FSC and MOEA.

On February 25, 2015, the Bank's stockholders resolved to increase its capital by issuing 993,024 thousand shares of common stocks at NT\$21.5 per share. TCFHC subscribed for all the new shares and enhance the authorized capital to 100,000,000 thousand. The capital increase transaction was approved by FSC and MOEA.

On August 24, 2015, the Bank's board of directors resolved to increase its capital by issuing 220,000 thousand shares of common stocks at NT\$21.8 per share. TCFHC subscribed for all the new shares and this capital increase transaction was approved by FSC and MOEA.

b. Capital surplus

On December 22, 2014, TCFHC's board of directors resolved to increase its capital and reserve 15% of the new shares for the subscription by the employees of TCFHC and its subsidiaries. In 2015, the Bank recognized \$308,076 thousand arising from the share based payment under salary expenses and under capital surplus, based on the fair value of the options on the grant date. The Bank also recognized \$624 thousand to capital surplus under subsidiaries' share based payment based on the shareholding proportion.

Under related regulations, capital surplus may be used to offset a deficit. Capital surplus arising from the issuance of shares in excess of par value (including additional paid-in capital from the issuance of common shares and capital surplus from mergers and treasury stock transactions) and donations may be distributed as cash dividends or transferred to common stock on the basis of the percentage of shares held by the stockholders. Any capital surplus transferred to common stock should be within a certain percentage prescribed by law.

Under related regulations, the capital surplus from equity investments under the equity method cannot be distributed for any purpose.

c. Special reserve

Under FSC guidelines, the Bank reclassified to special reserve \$165,255 thousand, the sum of trading loss reserve and reserve for loss on branch of purchase commitments, which were in place until December 31, 2010. The reclassified special reserve is unavailable to be used unless: (1) offset a deficit or (2) when the special reserve reaches 50% of the Bank's paid-in capital, 50% of the excess may be used to issue new capital or (3) the FSC has approved that excess may be reversed to unappropriated earnings when special reserve has exceeded the Bank's paid-in capital.

As of December 31, 2015, the special reserve from equity investments under the equity method was \$14,944 thousand.

On the first-time adoption of IFRSs, the Bank should appropriate to a special reserve of an amount that was the same as these of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the Bank's use of exemptions under IFRS 1. However, at the date of transitions to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is not enough for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. The special reserve appropriated as above may be reversed in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. The special reserve appropriated on the first-time adoption of IFRSs may be used to offset deficits in subsequent years. No appropriation of earnings shall be made until any shortage of the aforementioned special reserve is appropriated in subsequent years if the Bank has earnings and the original need to appropriate a special reserve is not eliminated.

The increase in retained earnings that resulted from all IFRSs adjustments was not enough for this appropriation; therefore, the Bank appropriated to the special reserve an amount of \$1,132,019 thousand on January 1, 2013, the increase in retained earnings that resulted from all IFRSs adjustments on transitions to IFRSs.

Information regarding the above special reserve appropriated or reversed on elimination of the original need to appropriate a special reserve was as follows:

	For the Year Ended December 31	
	2015	2014
Balance on January 1	\$ 1,037,384	\$ 1,128,826
Reversed on elimination of the original need to appropriate a special reserve:		
Disposal of properties and equipment	<u>-</u>	<u>(91,442)</u>
Balance on December 31	<u>\$ 1,037,384</u>	<u>\$ 1,037,384</u>

d. Appropriation of earnings

From the annual net income less any deficit should be appropriated 30% as legal reserve and a certain amount, depending on regulations and operating needs, as special reserve. The remaining net income and unappropriated earnings of prior years, which should be approved by stockholders, are as follows:

- 1) Dividends.
- 2) Bonus to employees ranging from 1% to 8%, determined annually by the board of directors.
- 3) Other appropriations, in compliance with relevant regulations.

Unless it is otherwise restricted by related regulations, the Bank's policy indicates that cash dividends must be 50% or above of the total dividends and bonus distributed.

If the legal reserve reaches the amount of paid-in capital or the Bank is sound in both its finance and business operations and have set aside a legal reserve in compliance with the Company Law, the legal reserve is not subject to the limitation of 30% set under the Banking Law and related regulations.

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 Bank will make consequential amendments to the Bank's Articles of Incorporation. For information about the accrual basis of the employees compensation or employee bonus for the years ended December 31, 2015 and 2014, and the actual appropriations for the years ended December 31, 2014 and 2013, please refer to Note 31.

Under related regulations, a special reserve is appropriated from the balance of the retained earnings at an amount from the net income and unappropriated earnings that is equal to the debit balance of accounts in the stockholders' equity section (such as exchange differences in translation of financial statements of foreign operations and unrealized gains or losses on available-for-sale financial assets). The special reserve should be appropriated from the prior years' unappropriated earnings to the extent of the debit balance accumulated from prior years and such special reserve should not be appropriated. The balance of the special reserve is adjusted to reflect any changes in the debit balance of the related accounts. If there is difference between appropriation of special reserve and net amount of deduction in other stockholder's equity, the Company should appropriate on additional amount of special reserve in the first-time adoption of IFRSs. Afterwards, if there is any reversal in of the deduction in other stockholder's equity, the Company is allowed to appropriating retained earnings from the reversal amount.

Under the Company Law, legal reserve should be appropriated until the reserve equals the Bank's paid-in capital. This reserve should only be used to offset a deficit. When the reserve exceeds 25% of the Bank's paid-in capital, the excess may be used to issue new shares or distribute cash dividends.

Under the Income Tax Law, 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. Effective from January 1, 2015, ROC resident shareholders receiving the dividends are allowed half of original tax credit equal to their proportionate share of the income tax paid by the Bank according to the revised Income Tax Law.

The appropriations from the earnings of 2014 and 2013 were approved in the stockholders' meetings on May 25, 2015 and May 26, 2014, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2014	2013	2014	2013
Legal reserve	\$ 3,038,246	\$ 2,406,618		
Cash dividends	7,089,000	5,600,000	\$ 0.872031	\$ 0.818324

The appropriation from the earnings of 2015 was waiting for the approval of the Bank's board of directors.

Information on the appropriation of earnings or deficit offsetting can be accessed through the website of the Taiwan Stock Exchange (<http://emops.tse.com.tw>).

e. Non-controlling interest

	For the Year Ended December 31	
	2015	2014
Balance, January 1	\$ 197,112	\$ 200,385
Attributable to non-controlling interest		
Net income	10,977	9,711
Exchange differences in translation of financial statements of foreign operations	<u>(13,189)</u>	<u>(12,984)</u>
Balance, December 31	<u>\$ 194,900</u>	<u>\$ 197,112</u>

35. RELATED-PARTY TRANSACTIONS

Taiwan Cooperative Financial Holding Co., Ltd. is the ultimate parent of the Company, and the Ministry of Finance is the major government stockholder. Based on IAS 24 "Related Party Disclosures", the Company's transactions with government-related parties are exempt from disclosure requirements. All transactions, account balances, earnings, expenses and gains (losses) on transactions between the Company and subsidiaries have all been excluded from consolidation and are not disclosed in this note.

In addition to those mentioned in other notes, the related-party transactions are summarized as follows:

a. Related parties

Related Party	Relationship with the Bank
Taiwan Cooperative Financial Holding Company, Ltd. (TCFHC)	Parent company
Co-operative Assets Management Co., Ltd.	Sister company
Taiwan Cooperative Bills Finance Co., Ltd.	Sister company
Taiwan Cooperative Securities Co., Ltd. (TCS)	Sister company

(Continued)

Related Party	Relationship with the Bank
BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTLI)	Sister company
Taiwan Cooperative Securities Investment Trust Co., Ltd. (former name: BNP Paribas TCB Asset Management Co., Ltd.)	Sister company
Cooperative I Asset Management Co., Ltd.	Sister company (before December 2014)
Taiwan Cooperation Venture Capital Co., Ltd. (TCVC)	Sister company
United Real Estate Management Co., Ltd.	Associated enterprise
TCB Fund of Emerging Markets Bond Fund (former name: BNP Paribas TCB Elite Fund of Emerging Markets Bond Fund)	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB Global High Yield Bond fund (former name: BNP Paribas TCB Elite Global High Yield Bond Fund)	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
Giga Solution Tech. Co., Ltd.	Giga's independent director is also the parent company's independent director.
Others	Main management of the parent company and other related parties. (Concluded)

b. Significant transactions between the Company and related parties:

1) Due from banks (part of cash and cash equivalents)

	December 31	
	2015	2014
Main management	\$ <u>1</u>	\$ <u>966</u>

2) Call loans to banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended <u>December 31, 2015</u>				
Sister companies	\$ 4,400,000	\$ 3,500,000	\$ 14,560	0.350-0.650
Main management	7,880,660	-	783	0.010-0.400
Others	<u>9,000,000</u>	<u>1,000,000</u>	<u>21,276</u>	0.280-0.600
	<u>\$ 21,280,660</u>	<u>\$ 4,500,000</u>	<u>\$ 36,619</u>	
For the year ended <u>December 31, 2014</u>				
Sister companies	\$ 5,000,000	\$ 1,800,000	\$ 14,042	0.390-0.650
Main management	10,356,090	-	2,729	0.130-1.250
Others	<u>7,000,000</u>	<u>2,600,000</u>	<u>10,785</u>	0.390-0.600
	<u>\$ 22,356,090</u>	<u>\$ 4,400,000</u>	<u>\$ 27,556</u>	

3) Due to banks

	For the Year Ended December 31			
	2015		2014	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Main management	\$ 167,114	\$ 2,620	\$ 599,742	\$ 9,155
Others	<u>24,747,119</u>	<u>304,369</u>	<u>24,001,686</u>	<u>332,769</u>
	<u>\$ 24,914,233</u>	<u>\$ 306,989</u>	<u>\$ 24,601,428</u>	<u>\$ 341,924</u>

4) Call loans from banks

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
For the year ended <u>December 31, 2015</u>				
Main management	\$ 18,779,577	\$ 1,532,092	\$ 10,103	0.100-3.000
Others	<u>3,000,000</u>	<u>-</u>	<u>32</u>	0.388
	<u>\$ 21,779,577</u>	<u>\$ 1,532,092</u>	<u>\$ 10,135</u>	
For the year ended <u>December 31, 2014</u>				
Main management	<u>\$ 4,909,587</u>	<u>\$ 792,487</u>	<u>\$ 6,447</u>	0.180-1.600

5) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended <u>December 31, 2015</u>				
Sister companies	\$ 12,697	\$ -	\$ 6	2.475-2.545
Main management	192,304	126,978	2,030	1.470-2.708
Others	<u>99,024</u>	<u>78,959</u>	<u>1,457</u>	1.500-2.700
	<u>\$ 304,025</u>	<u>\$ 205,937</u>	<u>\$ 3,493</u>	
For the year ended <u>December 31, 2014</u>				
Sister companies	\$ 85,137	\$ -	\$ 6	2.545
Main management	208,026	130,808	2,041	1.525-2.708
Others	<u>116,282</u>	<u>76,119</u>	<u>1,476</u>	1.417-2.810
	<u>\$ 409,445</u>	<u>\$ 206,927</u>	<u>\$ 3,523</u>	

Under the Banking Law, except for customer 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.

6) Securities purchased under resell agreements

	Ending Balance	Interest Revenue	Interest Rate (%)
<u>For the year ended December 31, 2015</u>			
Sister companies	\$ <u>199,597</u>	\$ <u>4,280</u>	0.440-0.810
<u>For the year ended December 31, 2014</u>			
Sister companies	\$ <u>898,819</u>	\$ <u>3,906</u>	0.600-0.700

7) Securities sold under repurchase agreements

	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the year ended December 31, 2015</u>			
Parent company	\$ <u>-</u>	\$ <u>48</u>	0.400

8) Deposits

	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the year ended December 31, 2015</u>			
Parent company	\$ 34,739	\$ 1,139	0-0.170
Sister companies	4,405,864	6,261	0-1.360
Associates	189,203	866	0-1.130
Main management	534,878	10,910	0-13.000
Others	<u>10,923,024</u>	<u>34,821</u>	0-13.000
	\$ <u>16,087,708</u>	\$ <u>53,997</u>	
<u>For the year ended December 31, 2014</u>			
Parent company	\$ 23,659	\$ 152	0-0.170
Sister companies	1,199,420	8,376	0-1.360
Associates	181,242	806	0-1.130
Main management	530,003	11,647	0-13.000
Others	<u>14,518,535</u>	<u>41,028</u>	0-13.000
	\$ <u>16,452,859</u>	\$ <u>62,009</u>	

		December 31	
		2015	2014
9) Accrued income (part of receivables)			
Sister companies	\$ 102,298	\$ 81,173	
Main management	-	1	
Others	<u>300</u>	<u>90</u>	
	<u>\$ 102,598</u>	<u>\$ 81,264</u>	
10) Accrued interest (part of receivables)			
Sister companies	\$ 316	\$ 315	
Others	<u>85</u>	<u>57</u>	
	<u>\$ 401</u>	<u>\$ 372</u>	
11) Tax receivable - consolidated tax return (part of current tax assets)			
Parent company	<u>\$ 744,306</u>	<u>\$ 743,899</u>	
12) Accrued interest (part of payables)			
Sister companies	\$ 14	\$ 81	
Main management	<u>2,113</u>	<u>52</u>	
	<u>\$ 2,127</u>	<u>\$ 133</u>	
13) Accrued expense (part of payables)			
Sister companies	\$ 3,900	\$ 192	
Main management	805	1,167	
Others	<u>891</u>	<u>334</u>	
	<u>\$ 5,596</u>	<u>\$ 1,693</u>	
14) Tax payable - consolidated tax return (part of current tax liability)			
Parent company	<u>\$ 1,251,673</u>	<u>\$ -</u>	
15) Guarantee deposits received (part of other financial liabilities)			
Parent company	\$ 1,520	\$ 1,440	
Sister companies	<u>13,777</u>	<u>13,360</u>	
	<u>\$ 15,297</u>	<u>\$ 14,800</u>	

	For the Year Ended December 31	
	2015	2014
16) Service fee (part of service fee income, net)		
Sister companies	\$ 1,182,324	\$ 927,869
Associates	65	-
Main management	350	281
Others	<u>626</u>	<u>360</u>
	<u>\$ 1,183,365</u>	<u>\$ 928,510</u>
17) Service charge (part of service fee income, net)		
Sister companies	\$ 7,599	\$ 776
Main management	5,593	21,011
Others	<u>11,471</u>	<u>7,219</u>
	<u>\$ 24,663</u>	<u>\$ 29,006</u>
18) Rental income (part of other noninterest gain, net)		
Parent company	\$ 6,080	\$ 5,787
Sister companies	53,560	51,733
Others	<u>12,708</u>	<u>12,708</u>
	<u>\$ 72,348</u>	<u>\$ 70,228</u>
19) Rental expense (part of general and administration)		
Sister companies	<u>\$ 7,086</u>	<u>\$ 20,460</u>
20) Information service fee (part of general and administration)		
Sister companies	<u>\$ 38,554</u>	<u>\$ -</u>
21) Other income (part of other noninterest gain, net)		
Parent company	\$ 1,340	\$ 1,340
Sister companies	306	306
Associates	24	104
Others	<u>2,950</u>	<u>2,985</u>
	<u>\$ 4,620</u>	<u>\$ 4,735</u>
22) Donation (part of other noninterest gain, net)		
Main management	<u>\$ 2,000</u>	<u>\$ 2,000</u>

Terms of other transactions with related parties were similar to those for third parties, except for the more favorable interest rate for managers' savings within a prescribed limit. The Bank has operating lease contracts with related parties, which cover certain office spaces within the Bank's building. The monthly rentals were based on rentals for buildings near the Bank.

23) Purchases and sales of securities

For the Year Ended December 31, 2015				
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Parent company	\$ -	\$ -	\$ 1,093,873	\$ -
Sister companies	-	-	-	17,117,728
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,093,873</u>	<u>\$ 17,117,728</u>
For the Year Ended December 31, 2014				
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	<u>\$ 2,153,222</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,340,829</u>

24) Derivatives

For the Year Ended December 31, 2015						
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Consolidated Balance Sheet	
					Account	Amounts
Sister company - BPCTLI	Currency swap	2015.12.22-2016.03.22	US\$ 4,935	\$ 146	Financial assets at fair value through profit or loss	\$ 146
	Currency swap	2015.12.22-2016.03.22	US\$ 10,033	296	Financial assets at fair value through profit or loss	296
	Currency swap	2015.12.22-2016.03.22	US\$ 13,000	383	Financial assets at fair value through profit or loss	383
	Currency swap	2015.05.06-2016.05.06	US\$ 3,187	6,744	Financial assets at fair value through profit or loss	6,744
	Currency swap	2015.11.09-2016.01.11	US\$ 6,981	3,672	Financial assets at fair value through profit or loss	3,672
	Currency swap	2015.10.13-2016.01.13	US\$ 9,989	3,201	Financial assets at fair value through profit or loss	3,201
	Currency swap	2015.12.31-2016.01.29	US\$ 11,219	842	Financial assets at fair value through profit or loss	842
	Currency swap	2015.11.09-2016.01.11	US\$ 3,499	1,841	Financial assets at fair value through profit or loss	1,841
	Currency swap	2015.12.31-2016.01.29	US\$ 10,897	817	Financial assets at fair value through profit or loss	817
	Currency swap	2015.11.09-2016.01.11	US\$ 1,699	894	Financial assets at fair value through profit or loss	894
	Currency swap	2015.10.15-2016.01.15	US\$ 11,386	4,890	Financial assets at fair value through profit or loss	4,890
	Currency swap	2015.12.31-2016.01.29	US\$ 6,722	504	Financial assets at fair value through profit or loss	504
	Currency swap	2015.12.31-2016.01.29	US\$ 3,000	225	Financial assets at fair value through profit or loss	225

(Continued)

For the Year Ended December 31, 2015						
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Consolidated Balance Sheet	
					Account	Amounts
	Currency swap	2015.12.31-2016.01.29	US\$ 5,000	\$ 375	Financial assets at fair value through profit or loss	\$ 375
	Currency swap	2015.04.07-2016.04.07	US\$ 10,259	16,125	Financial assets at fair value through profit or loss	16,125
	Currency swap	2015.04.15-2016.04.15	US\$ 3,129	5,194	Financial assets at fair value through profit or loss	5,194
	Currency swap	2015.04.15-2016.04.15	US\$ 3,129	5,194	Financial assets at fair value through profit or loss	5,194
	Currency swap	2015.04.15-2016.04.15	US\$ 4,850	8,051	Financial assets at fair value through profit or loss	8,051
	Currency swap	2015.05.08-2016.05.09	US\$ 20,579	43,673	Financial assets at fair value through profit or loss	43,673
	Currency swap	2015.05.13-2016.05.13	US\$ 10,443	22,640	Financial assets at fair value through profit or loss	22,640
	Currency swap	2015.10.13-2016.01.13	US\$ 1,920	615	Financial assets at fair value through profit or loss	615
	Currency swap	2015.09.15-2016.03.15	US\$ 10,488	5,124	Financial assets at fair value through profit or loss	5,124
	Currency swap	2015.11.27-2016.01.27	US\$ 2,000	742	Financial assets at fair value through profit or loss	742
Other - TCB Fund of Emerging Markets Bond Fund	Currency swap	2015.12.16-2016.01.19	US\$ 7,300	-	Financial assets at fair value through profit or loss	-
Other - TCB Global High Yield Bond Fund	Currency swap	2015.12.16-2016.01.19	US\$ 2,200	-	Financial assets at fair value through profit or loss	-
	Currency swap	2015.12.16-2016.01.19	US\$ 730	-	Financial assets at fair value through profit or loss	-
	Currency swap	2015.12.16-2016.01.19	US\$ 3,000	-	Financial assets at fair value through profit or loss	-
	Currency swap	2015.12.16-2016.01.19	US\$ 520	(271)	Financial liabilities at fair value through profit or loss	(271)
Other - Giga solution tech. Co., Ltd.	Forward	2015.10.22-2016.01.26	US\$ 500	240	Financial assets at fair value through profit or loss	240
	Forward	2015.10.30-2016.02.03	US\$ 500	169	Financial assets at fair value through profit or loss	169
	Forward	2015.11.09-2016.02.16	US\$ 500	118	Financial assets at fair value through profit or loss	118
	Forward	2015.11.16-2016.02.18	US\$ 200	15	Financial assets at fair value through profit or loss	15
	Forward	2015.11.27-2016.02.01	US\$ 500	147	Financial assets at fair value through profit or loss	147
	Forward	2015.12.02-2016.03.07	US\$ 300	55	Financial assets at fair value through profit or loss	55
	Forward	2015.12.31-2016.03.04	US\$ 500	22	Financial assets at fair value through profit or loss	22

(Concluded)

For the Year Ended December 31, 2014

Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Consolidated Balance Sheet	
					Account	Amounts
Sister company - BPCTLI	Cross-currency swap	2010.11.17-2015.09.08	US\$ 5,000	\$ 10,184	Financial assets at fair value through profit or loss	\$ 9,133
	Cross-currency swap	2010.11.24-2015.01.20	US\$ 5,000	9,033	Financial assets at fair value through profit or loss	8,414
	Cross-currency swap	2010.12.10-2015.09.28	US\$ 5,000	8,999	Financial assets at fair value through profit or loss	10,445
	Currency swap	2014.12.22-2015.06.22	US\$ 10,036	2,799	Financial assets at fair value through profit or loss	2,799
	Currency swap	2014.12.22-2015.09.22	US\$ 4,935	1,390	Financial assets at fair value through profit or loss	1,390
	Currency swap	2014.12.22-2015.06.22	US\$ 10,029	2,797	Financial assets at fair value through profit or loss	2,797
	Currency swap	2014.12.22-2015.12.22	US\$ 10,033	2,916	Financial assets at fair value through profit or loss	2,916
	Currency swap	2014.12.22-2015.12.22	US\$ 13,000	3,779	Financial assets at fair value through profit or loss	3,779
	Currency swap	2014.11.06-2015.02.06-	US\$ 3,187	3,802	Financial assets at fair value through profit or loss	3,802
	Currency swap	2014.12.08-2015.04.08	US\$ 6,981	3,584	Financial assets at fair value through profit or loss	3,584
	Currency swap	2014.12.10-2015.09.10	US\$ 9,989	4,561	Financial assets at fair value through profit or loss	4,561
	Currency swap	2014.11.28-2015.05.29	US\$ 11,219	8,435	Financial assets at fair value through profit or loss	8,435
	Currency swap	2014.12.08-2015.09.08	US\$ 3,499	1,818	Financial assets at fair value through profit or loss	1,818
	Currency swap	2014.12.26-2015.01.26	US\$ 10,897	(2,454)	Financial liabilities at fair value through profit or loss	(2,454)
	Currency swap	2014.10.02-2015.01.05	US\$ 1,699	2,020	Financial assets at fair value through profit or loss	2,020
	Currency swap	2014.12.11-2015.04.13	US\$ 5,147	2,051	Financial assets at fair value through profit or loss	2,051
	Currency swap	2014.12.15-2015.09.15	US\$ 11,386	4,919	Financial assets at fair value through profit or loss	4,919
	Currency swap	2014.12.29-2015.01.29	US\$ 6,722	(1,223)	Financial liabilities at fair value through profit or loss	(1,223)
	Currency swap	2014.12.31-2015.01.30	US\$ 5,000	(466)	Financial liabilities at fair value through profit or loss	(466)
	Currency swap	2014.12.31-2015.01.30	US\$ 10,000	(933)	Financial liabilities at fair value through profit or loss	(933)
	Currency swap	2014.12.31-2015.03.31	US\$ 3,000	(283)	Financial liabilities at fair value through profit or loss	(283)
	Currency swap	2014.12.31-2015.03.31	US\$ 5,000	(471)	Financial liabilities at fair value through profit or loss	(471)
	Currency swap	2014.12.31-2015.04.30	US\$ 5,000	(460)	Financial liabilities at fair value through profit or loss	(460)

(Continued)

For the Year Ended December 31, 2014						
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Consolidated Balance Sheet	
					Account	Amounts
Other - TCB Fund of Emerging Markets Bond Fund	Currency swap	2014.11.20-2015.01.20	US\$ 4,000	\$ 3,977	Financial assets at fair value through profit or loss	\$ 3,977

(Concluded)

The realized profit on the currency swaps and cross-currency swaps transactions with related parties were as follows:

For the Year Ended December 31		
	2015	2014
Financial assets and liabilities at fair value through profit or loss		
Sister companies	\$ 181,029	\$ 210,875
Others	41,353	4,587
	<u>\$ 222,382</u>	<u>\$ 215,462</u>

25) Loans

December 31, 2015

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2015 (Note)	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	48	\$ 151,434	\$ 95,322	\$ 95,322	\$ -	Land and buildings,	None
Self-used housing mortgage loans	28	139,894	110,615	110,615	-	Land and buildings	None
Other	Taiwan Cooperative Securities Co., Ltd.	12,697	-	-	-	Bonds and time deposits	None

December 31, 2014

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2014 (Note)	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	43	\$ 118,407	\$ 85,481	\$ 85,481	\$ -	Land and buildings	None
Self-used housing mortgage loans	40	205,901	121,446	121,446	-	Land and buildings	None
Other	Taiwan Cooperative Securities Co., Ltd.	85,137	-	-	-	Bonds and time deposits	None

Note: The highest balance is the largest sum in the year of all daily accounts for each type.

- 26) On December 30, 2013, the Bank's board of directors approved a property sale and leaseback transaction with Co-operative Assets Management Co., Ltd. The selling price was \$962,000 thousand and the net gain on this disposal was \$580,423 thousand after the deduction of a land revaluation increment tax of \$17,792 thousand. The gain on disposal should be deferred and amortized over the lease period. The Bank recognized \$154,779 thousand and \$425,644 thousand as realized gain (part of gains/losses on disposal of properties and equipment, net) for the years ended December 31, 2015 and 2014, respectively.

c. Salaries, bonuses and remunerations to main management

	For the Year Ended December 31	
	2015	2014
Salaries and other short-term employment benefits	\$ 122,406	\$ 118,066
Post-employment benefits	12,959	12,894
Interest arising from the employees' preferential rate in excess of normal rates	<u>7,845</u>	<u>7,012</u>
	<u>\$ 143,210</u>	<u>\$ 137,972</u>

36. PLEDGED ASSETS

- a. In addition to those mentioned in other notes, the face values of the pledged bonds and certificates of deposit are summarized as follows:

	December 31	
	2015	2014
Collaterals for call loans of foreign currency	\$ 40,000,000	\$ 40,000,000
Collaterals for day-term overdraft	30,000,000	30,000,000
Collaterals for overdraft of domestic U.S. dollar settlement	11,000,000	11,000,000
Collaterals for overdraft of domestic RMB settlement	3,994,400	7,648,500
Guarantee deposits for provisional collateral seizure for loan defaults and others	675,200	769,100
Collaterals for overdraft of domestic JPY settlement	500,000	-
Overseas branches' capital adequate reserve	305,784	446,547
Guarantee deposits for the trust business compensation reserve	180,000	160,000
Guarantee deposits for bills finance business	50,000	50,000
Guarantee deposits for securities operation	50,000	50,000
Collaterals for overseas branch U.S. dollar settlement	36,168	28,503
Collaterals for handling the government treasury affairs	-	90,200,000
Others	<u>4,400</u>	<u>4,400</u>
	<u>\$ 86,795,952</u>	<u>\$ 180,357,050</u>

To comply with the Central Bank of the Republic of China's (CBC) clearing system for real-time gross settlement (RTGS), the Bank provided certificates of deposit as collateral for day-term overdraft (part of due from the Central Bank and call loans to other banks). The pledged amount may be adjusted anytime, and the unused overdraft amount at the end of a day can also be treated as the Bank's liquidity reserve.

- b. To expand their capital sourcing and enhance their liquidity position, the Bank's Seattle Branch and Los Angeles Branch obtained access privileges at the Discount Window of the Federal Reserve Bank of San Francisco. For this access, the two branches pledged the following assets:

	(In Thousands of U.S. Dollars)			
Date	Outstanding Balance			Collateral Value
	Loan	Bond	Total	
December 31, 2015	<u>\$ 316,666</u>	<u>\$ 22,000</u>	<u>\$ 338,666</u>	<u>\$ 227,840</u>
December 31, 2014	<u>\$ 278,096</u>	<u>\$ 62,000</u>	<u>\$ 340,096</u>	<u>\$ 247,340</u>

37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those mentioned in other notes, the significant contingencies and commitments as of December 31, 2015 were as follows:

a. Taiwan Cooperative Bank, Ltd.

- 1) Lease agreements on premises occupied by the Bank's branches are operating lease. Rentals are calculated on the basis of the leased areas and are payable monthly, quarterly or semiannually. As of December 31, 2015, refundable deposits on these leases totaled \$163,796 thousand (part of refundable deposits). Minimum future annual rentals are as follows:

	December 31	
	2015	2014
Within one year	\$ 592,570	\$ 633,697
One to five years	1,016,771	1,109,710
Over five years	<u>36,656</u>	<u>14,027</u>
	<u>\$ 1,645,997</u>	<u>\$ 1,757,434</u>

The lease payments recognized as expenses are as follows:

	For the Year Ended December 31	
	2015	2014
Minimum lease payments	\$ 656,073	\$ 662,980
Contingent rentals	<u>1,199</u>	<u>1,095</u>
	<u>\$ 657,272</u>	<u>\$ 664,075</u>

- 2) Lease agreements on investment properties owned by the Bank and rent to others are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly, quarterly or semiannually. The lessees have no preemptive rights to buy properties at the end of the lease agreements. As of December 31, 2015, refundable deposits on these leases totaled \$53,408 thousand (part of guarantee deposits received). Minimum future annual rentals are as follows:

	December 31	
	2015	2014
Within one year	\$ 177,565	\$ 144,649
One to five years	<u>391,877</u>	<u>184,048</u>
	<u>\$ 569,442</u>	<u>\$ 328,697</u>

- 3) As of December 31, 2015, the Bank's outstanding major construction and procurement contracts amounted to \$5,687,178 thousand, of which \$1,013,309 thousand was still unpaid.
- 4) According to the joint venture contract signed with BNP Paribas Assurance (BNPPA), the Bank signed the tri-party agreement with BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTLI) and Cooperative Insurance Brokers Co., Ltd. (CIB) on April 13, 2010, which identified BPCTLI as the sole supplier of life insurance products for the Bank and CIB, also applying the Bank's marketing channels to sell life insurance products exclusively.

- 5) For the Bank's income tax returns (ITRs) from 2006 to 2011, the Taipei National Tax Administration (TNTA) claimed that the appraisal of goodwill was not reasonable and that there were no unrecognized losses on the sale of nonperforming loans in the Bank's records on the date of the merger with the Farmers Bank of China (FBC). Thus, TNTA denied the expenses for the goodwill amortization of \$3,170,005 thousand and the deferred loss amortization of \$3,105,522 thousand on the sale of nonperforming loans. The Bank disagreed with the TNTA's decision and initiated administrative litigations. On December 30, 2014, TNTA allowed the partial amortization of goodwill expenses and of the losses on sales of nonperforming loans in the tax returns of 2006 to 2011 after negotiating with the Bank. The Bank recognized related income tax expenses of \$228,990 thousand in 2014. On February 25, 2015 and April 9, 2015, TNTA reassessed the Bank's 2006 to 2010 ITRs application. Because the Bank did not file an administrative appeal, the final court decision has been determined. Thus, ITRs have been returned (part of tax refund receivable of current tax assets). Besides the administrative litigation of the Bank's 2011 ITRs application is still in process.

b. United Taiwan Bank S.A.

United Taiwan Bank S.A. has operating lease agreements with unrelated parties on its office premises. The rentals payable in the next five years are as follows:

	December 31	
	2015	2014
Within one year	\$ 3,914	\$ 3,656
One to five years	<u>16,865</u>	<u>16,159</u>
	<u>\$ 20,779</u>	<u>\$ 19,815</u>

c. Cooperative Insurance Brokers Co., Ltd.

- 1) The Cooperative Insurance Brokers Co., Ltd. (CIB) entered into insurance agent contracts with various insurance companies. The contract's effective period is one year after the contract signed, if either party of contract makes no notice to terminate the contract after contract expired, then the contract automatically extend for one year. The commission charge with every insurance company is according with the contents of contract.
- 2) CIB and Land Bank signed a contract. Under this contract, CIB should pay Land Bank at 90% of the commission revenue after paying tax that CIB receives from insurance companies. As of December 31, 2015, the unpaid amount to Land Bank was \$805 thousand.
- 3) CIB and Tamsui Credit-Cooperative Association signed a contract. Under this contract, CIB should pay Tamsui Credit-Cooperative Association at 90% of the after tax commission revenue that CIB receives from insurance companies. As of December 31, 2015, the unpaid amount to Tamsui Credit-Cooperative Association was \$891 thousand.
- 4) CIB and Hsinchu Credit-Cooperative Association signed a contract. Under this contract, CIB should pay Hsinchu Credit-Cooperative Association at 90% of the after tax commission revenue that CIB receives from insurance companies. As of December 31, 2015, the unpaid amount to Hsinchu Credit-Cooperative Association was \$1 thousand.
- 5) CIB and Taichung Credit-Cooperative Association signed a contract. Under this contract, CIB should pay Taichung Credit-Cooperative Association at 90% of the after tax commission revenue that CIB receives from insurance companies. As of December 31, 2015, the unpaid amount to Taichung Credit-Cooperative Association was \$183 thousand.

- 6) CIB and Taiwan Cooperative Securities Corp. signed a contract. Under this contract, CIB should pay Taiwan Cooperative Securities Corp. at 90% of the after tax commission revenue that CIB receives from insurance companies. As of December 31, 2015, the unpaid amount to Taiwan Cooperative Securities Corp. was \$502 thousand.

38. FINANCIAL INSTRUMENTS

- a. Fair values of financial instruments that are not measured at fair value.

Except for the financial assets and liabilities shown in the following table, management considers that either the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or the fair values of the financial instruments cannot be reasonably measured.

	December 31			
	2015		2014	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Held-to-maturity financial assets	\$ 42,397,377	\$ 43,223,477	\$ 20,049,579	\$ 20,089,002
Debt instruments with no active market	84,539,585	85,416,393	84,850,371	84,839,101
<u>Financial liabilities</u>				
Bank debentures	69,610,000	70,258,774	92,110,000	92,416,474

Fair value hierarchy as at December 31, 2015

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Held-to-maturity financial assets	\$ 43,223,477	\$ 6,024,163	\$ 37,199,314	\$ -
Debt investments with no active market	85,416,393	-	85,416,393	-
<u>Financial liabilities</u>				
Bank debentures	70,258,774	-	70,258,774	-

- b. The valuation techniques and assumptions the Company uses for determining fair values are as follows:

The fair values of financial instruments traded on active markets are based on quoted market prices. However, in many instances where there are no quoted market prices for the Company's various financial instruments, fair values are based on estimates using other financial data and appropriate valuation methodologies. Fair values of forward contracts, currency swap contracts, foreign-currency margin contracts, cross-currency swap contracts and interest rate swap contracts are calculated using the discounted cash flow method, unless the fair values are provided by counter-parties. Fair values of option contracts are based on estimates using the Black Scholes pricing model.

The Company estimates the fair value of each forward contract on the basis of the swap points quoted by Reuters on each settlement date. Fair values of interest rate swap contracts and cross-currency swap contracts are calculated using the Bloomberg information system, unless the fair values are provided by counterparties. The calculation of the fair value of each option contract is based on the mid-price (the average of bid and ask prices) quoted by Reuters.

For debt instruments with no active market, if there are theoretical prices from GreTai Securities Market (GTSM, an over-the-counter securities exchange) on the balance sheet date, they are used as the basis for evaluating the fair value of debt instruments with no active market. Otherwise, the latest trade prices and quoted prices by major markets are used. The fair values of bank debentures are recorded as follows: (a) debentures with no maturity dates - at book values; (b) debentures with floating interest rates - at theoretical prices quoted by the GTSM; and (c) debentures with fixed interest rates - at estimates reached using the discounted cash flow method. The discount rates used were between 0.7361% and 1.0960%, between 0.8567% and 1.5995% as of December 31, 2015 and 2014, respectively, and were comparable with interest rates for loans with similar terms and characteristics.

- c. The fair value hierarchies of the Company's financial instruments as of December 31, 2015 and 2014 were as follows:

Financial Instrument Measured at Fair Value	December 31, 2015			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Held-for-trading financial assets				
Stocks	\$ 82,461	\$ 82,461	\$ -	\$ -
Others	10,497,699	-	10,497,699	-
Available-for-sale financial assets				
Stocks	3,975,015	3,423,360	551,655	-
Debt instruments	91,590,575	19,974,353	71,616,222	-
Others	319,261	319,261	-	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(12,703,063)	-	(12,703,063)	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	4,355,916	4,029	4,351,887	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(2,003,859)	-	(2,003,859)	-

Financial Instrument Measured at Fair Value	December 31, 2014			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Held-for-trading financial assets				
Stocks	\$ 89,606	\$ 89,606	\$ -	\$ -
Debt instruments	250,519	250,519	-	-
Others	33,541,140	-	33,541,140	-
Financial assets designated as at FVTPL	417,727	417,727	-	-
Available-for-sale financial assets				
Stocks	3,507,963	3,507,963	-	-
Debt instruments	66,113,701	14,256,114	51,857,587	-
Others	152,837	152,837	-	-

Derivative financial instruments

Assets

Financial assets at FVTPL	9,370,331	5,092	9,365,239	-
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Liabilities

Financial liabilities at FVTPL	(6,082,468)	-	(6,082,468)	-
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- d. Information on financial assets designated as at fair value through profit or loss that should be originally measured at amortized cost is as follows:

	December 31	
	2015	2014
Carrying amounts of debt instruments designated as at fair value through profit or loss	\$ -	\$ 90,734
		Change in Fair Values Resulting from Credit Risk Variations
Change in amount in the year		
2015		<u>\$ 6,311</u>
2014		<u>\$ (5,322)</u>
Accumulated amount of change		
As of December 31, 2015		<u>\$ -</u>
As of December 31, 2014		<u>\$ (6,311)</u>

The change in fair value of debt instruments designated as at fair value through profit or loss resulting from credit risk variation is the difference between the total change in fair value and the change in fair value due to market risk variations on these debt instruments. The change in fair value resulting from market risk variations is calculated using the benchmark yield rate plus a fixed credit spread. The fair value of debt instruments is the present value of future cash flows discounted by the benchmark yield rate quoted in the market as of the balance sheet date plus the credit spread estimated using the interest rates for the debt issuers' financial assets with similar maturities.

As of the balance sheet date, the debt instruments designated as at fair value through profit or loss have no concentration of credit risk. Their carrying amounts are the amount of the maximum exposure to credit risks of these debt instruments.

- e. Information on financial liabilities designated as at fair value through profit or loss is as follows:

	December 31, 2015
Difference between carrying amount and contractual amount at maturity:	
Fair value	\$ 12,703,063
Amount payable at maturity	<u>13,152,000</u>
	<u>\$ (448,937)</u>
	Change in Fair Values Resulting from Credit Risk Variations
Change in amount in the year 2015	<u>\$ 2,168</u>
Accumulated amount of change As of December 31, 2015	<u>\$ 2,168</u>

The change in fair value attributable to change in credit risk was calculated as the difference between total change in fair value of bank debentures and the change in fair value due to change in market risk factors alone. The change in fair value due to market risk factors was calculated using benchmark interest yield curves as at the end of the reporting period holding. The fair value of bank debentures was estimated by discounting future cash flows using quoted benchmark interest yield curves as at the end of the reporting period and by obtaining lender quotes for borrowing of similar maturity to estimate credit risk margin.

- f. Information on financial risk management

1) Risk management

The objective of risk management is to develop a sound risk management mechanism, and on the basis of the risk tolerance level and the expected return level, pursue the maximum value of stockholders' investments. The main risks faced by the Bank include the business credit risk in- and off- balance-sheet, market risks (including interest, exchange, equity security, and commodity risks) and liquidity risk.

The Bank has risk management policies and risk monitoring procedures, which have been reviewed and approved by the Board and are used to effectively identify, measure, monitor and control credit, market, and operating and liquidity risks.

The Board, the highest decision-making unit for the risk management, takes charge of approving the risk management policy and system and building the risk management culture. It also takes ultimate responsibility for overall risk management.

Under the risk management decision approved by the Board, the risk management committee takes charge of and reviews all the Bank's risk management implementation, capital adequacy assessment, and risk exposure management. It also communicates and the inter-departmental risk management issues and coordinates issue handling and continually monitor the execution of risk management procedures. The risk management department is responsible for planning and designing the risk management system, deliberating capital allocation, setting up the instruments for risk measurement and capital provision, and monitoring risk control. This department also regularly prepares reports for submission to senior management, the risk management committee and the Board.

Under the business management regulation and risk policy, the business supervising unit manages and oversees each business unit toward proper risk management and carries out risk review and control. In addition, the Audit Department independently audits at least once a year all risk-related businesses and timely provides suggestions for improvement.

2) Credit risk

Credit risk refers to a borrower, a financial instrument issuer or a transaction counterparty undergoing financial difficulty or other adverse situations (such as a dispute between the borrower and its business partner), which could result in loss due to breach of contract. Credit risk can come from in- and off-balance-sheet items. On-balance sheet items are mainly lending, due from bank and call loans to other banks, security investment and derivatives. Off-balance sheet items are mainly guarantees, acceptance, letters of credit and loan commitments.

The risk management policy, which is founded on the basic principles of safety, liquidity, profitability, welfare and growth, is implemented by the credit risk management division toward the cultivation of a risk management culture. All on- and off- balance sheet transactions are should be detailed analyzed in detail to identify existing and potential credit risk. Based on the Bank's business characteristics and the principle of risk diversification, risk status is analyzed and evaluated, centralized limits are set, and a risk monitoring and alert mechanism has been developed and operated. For a more effective credit risk evaluation, an internal rating system has been created to enhance the ability to quantify risk.

The Company's main business items that are measured and managed for credit risks are as follows:

a) Loans business (including loan commitment and guarantees):

Credit assets are classified into five categories. In addition to normal credit assets that are classified as sound assets, the unsound assets are classified, on the basis of the valuation of collaterals and the length of time the payments become overdue, as special mention, substandard, with collectability high doubtful and uncollectible. The Company also sets up policies for the management of doubtful credits and the collection of overdue debts to deal with collection problems.

The Company applies to its credit business the so-called "5Ps of credit analysis" as the basis for lending approval and evaluation of its counterparties. These 5Ps are: People (know customers' background and their credit status well); purpose (what will the fund be used for); payment (the borrower's ability to repay an obligation when it falls due); protection (the Company's recourse on repayment defaults); and perspective (how the credit is seen in light of rewards and risks). After a loan is granted, the transaction is reviewed and monitored to ensure creditor's rights of the Company.

To quantify credit risk, the Company applies statistical methods using with customers' qualitative data and lending history to develop a rating module for corporate finance and consumer finance. This module is used to create an internal credit rating system for risk evaluation, in which 9 is the base grade of the credit quality of corporate customers, and 8 or 10 on the business segment consumer customers.

The 5P credit analysis and the module rating specifically apply to corporate customers. Micro credits and residential mortgages are assessed by using the credit rating model, and consumer loans are assessed individually for default risks.

b) Due from and call loans to other banks

The Company evaluates the credit status of counterparties before closing deals. The Company grants different limits to the counterparties on the basis of their respective credit ratings as suggested by domestic and foreign credit rating agencies.

c) Investments in debt instruments and derivatives

The Company identifies and manages credit risks from debt instruments through the use of external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparty risks.

The Company conducts derivative transactions with other banks and sets the credit limits (including lending limits) at their credit rating and the ranking given by the Banker magazine. The credits extended to general customers are monitored in accordance with the related contract terms and conditions and the credit limits for derivatives established through normal credit granting processes.

The Company has a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collaterals from the borrowers. To secure a debt, the Company manages and assesses the collaterals following the procedures that determine the scope of collateralization and valuation of collaterals and the process of disposition. In credit contracts, the Company stipulates the security mechanism for debts; the conditions and terms for collaterals; and the terms and conditions of offsetting to state clearly that the Company reserves the right to reduce the granted quota, to reduce the repayment period, to demand immediate settlement or to offset the debts of the borrowers by their deposits in the Company in order to reduce the credit risks.

To avoid the concentration of credit risks, the Company sets up centralized credit limits for business segments, countries, collaterals, groups, and construction financing. Monthly, or more frequently, as needed, the Company reviews credit limits, monitors the actual risk-exposure condition and whether the usage rate of limits meets relevant regulations and reports the review results to superior management, risk management committee and the Board periodically. If there is a possibility of breach of the credit limits, the related department or division will apply appropriate procedures to ensure that the credit limits are followed.

The Company settles most of its transactions at gross amounts. For further reduction of credit risks, settlement netting is used for some counterparties or in some circumstances where the transactions are terminated because of counterparty's default.

The maximum exposures to credit risks of assets on the consolidated balance sheets without consideration of guarantees or other credit enforcement instruments approximate the assets' carrying amounts. The maximum exposures of off-balance sheet items to credit risks without consideration of guarantees or other credit enforcement instruments are as follows:

	December 31	
	2015	2014
Irrevocable loan commitments issued	\$ 101,337,530	\$ 87,234,668
Irrevocable credit card commitments	37,667,998	36,224,758
Letters of credit issued yet unused	17,365,650	21,907,342
Other guarantees	75,846,447	72,135,567

The Company's management believes its ability to minimize credit risk exposures on off-balance sheet items is mainly due to its rigorous evaluation of credit extended and the periodic reviews of these credits.

Concentration of credit risk exists when counterparties to financial transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The profile by group or industry, regions and collaterals of obligations that were 10% or more of total outstanding loans is as follows:

	December 31			
Credit Risk Profile by Group or Industry	2015		2014	
	Amount	%	Amount	%
Natural person	\$ 811,865,538	39	\$ 766,147,304	39
Manufacturing	322,834,983	16	317,386,644	16

Some financial assets held by the Company, such as cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at fair value through profit or loss, securities purchased under resell agreements and refundable deposits, are exposed to low credit risks because the counterparties have high credit ratings.

In addition to the above assets, credit quality analysis of other financial assets are as follows:

a) Credit quality analysis of discounts, loans and receivables

December 31, 2015	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables							
Credit cards	\$ 2,549,807	\$ 27,980	\$ 74,336	\$ 2,652,123	\$ 34,983	\$ 18,435	\$ 2,598,705
Others	10,828,753	26,551	519,669	11,374,973	323,002	220,344	10,831,627
Discounts and loans	1,968,578,879	8,385,747	25,749,526	2,002,714,152	7,016,444	14,445,553	1,981,252,155

December 31, 2014	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables							
Credit cards	\$ 2,431,203	\$ 24,752	\$ 89,248	\$ 2,545,203	\$ 45,339	\$ 14,181	\$ 2,485,683
Others	10,611,364	24,558	453,368	11,089,290	278,219	183,459	10,627,612
Discounts and loans	1,841,768,677	6,661,544	34,696,716	1,883,126,937	9,648,688	12,622,033	1,860,856,216

b) Credit quality analysis of discounts and loans not past due and not impaired

Items	December 31, 2015	December 31, 2014
Loans		
Secured	\$ 1,393,174,736	\$ 1,293,517,863
Unsecured	575,404,143	548,250,814
Total	1,968,578,879	1,841,768,677

c) Credit quality analysis of securities

December 31, 2015	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)	Net (A)+(B)+ (C)-(D)
Available-for-sale financial assets						
Debt instruments	\$ 91,593,863	\$ -	\$ -	\$ 91,593,863	\$ 3,288	\$ 91,590,575
Equities	3,975,015	-	-	3,975,015	-	3,975,015
Others	319,261	-	-	319,261	-	319,261
Held-to-maturity financial assets						
Debt instruments	42,106,395	-	-	42,106,395	14,802	42,091,593
Others	305,784	-	-	305,784	-	305,784
Other financial assets						
Debt instruments	84,539,585	-	-	84,539,585	-	84,539,585
Equities	4,092,383	-	-	4,092,383	-	4,092,383
Others	14,030,137	-	-	14,030,137	-	14,030,137

December 31, 2014	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)	Net (A)+(B)+ (C)-(D)
Available-for-sale financial assets						
Debt instruments	\$ 66,113,701	\$ -	\$ -	\$ 66,113,701	\$ -	\$ 66,113,701
Equities	3,507,963	-	-	3,507,963	-	3,507,963
Others	152,837	-	-	152,837	-	152,837
Held-to-maturity financial assets						
Debt instruments	17,613,230	-	-	17,613,230	10,198	17,603,032
Others	2,446,547	-	-	2,446,547	-	2,446,547
Other financial assets						
Debt instruments	84,853,538	-	-	84,853,538	3,167	84,850,371
Equities	3,397,849	-	48,769	3,446,618	23,835	3,422,783
Others	34,968,885	-	-	34,968,885	-	34,968,885

The processing delays by the borrowers and other administrative reasons may cause financial assets to become past due but not impaired. As defined in the internal rules governing the Company' risk management, financial asset that are past due within 90 days are not deemed as impaired, unless there are evidences that indicate impairment.

The vintage analysis of financial assets that are past due but not impaired is as follows:

Item	December 31, 2015		
	Past Due Up to 1 Month	Past Due by Over 1 Month-3 Months	Total
Receivables			
Credit cards	\$ 22,337	\$ 5,643	\$ 27,980
Others	16,298	10,253	26,551
Loans			
Secured	5,879,070	1,356,697	7,235,767
Unsecured	902,419	247,561	1,149,980
Available-for-sale financial assets			
Debt instruments	-	-	-
Others	-	-	-
Held-to-maturity financial assets			
Debt instruments	-	-	-
Others	-	-	-
Other financial assets			
Debt instruments	-	-	-
Others	-	-	-

Item	December 31, 2014		
	Past Due Up to 1 Month	Past Due by Over 1 Month-3 Months	Total
Receivables			
Credit cards	\$ 19,109	\$ 5,643	\$ 24,752
Others	13,763	10,795	24,558
Loans			
Secured	4,819,281	1,332,310	6,151,591
Unsecured	401,927	108,026	509,953
Available-for-sale financial assets			
Debt instruments	-	-	-
Others	-	-	-
Held-to-maturity financial assets			
Debt instruments	-	-	-
Others	-	-	-
Other financial assets			
Debt instruments	-	-	-
Others	-	-	-

3) Market risks

Market risk refers to the risk of losses in positions arising from adverse movements of market prices. It refers to interest rates, exchange rates, equity security prices, commodity prices, etc.

The main market risks that the Company faces are equity security, interest rate, and exchange rate risks. The market risk position of equity security mainly includes domestic listed and OTC stocks, domestic stock index options and stock market index futures; the position of interest rate mainly includes short-term bills, bonds and interest rate derivative instruments; and the instruments exposed to exchange rate risk mainly include spot contracts and forward contracts and derivatives denominated in foreign currency.

Under the market risk management policies approved by the board of directors, the new Basel Capital Accord and regulations implemented by relevant authorities and in consideration of the Bank's own market risk management system and its overall risk management goals and product features, the Company has set all types of investment authorization limits and stop-loss rules, regularly reviews the customers' credit status and compiles management information reports to control all types of market risks effectively.

The Company's market risk management procedures include risk identification, evaluation, measurement, monitoring, and reporting. Every units' risk management personnel analyze data on market risk position and evaluate measurement methods, including the statistical basic measurement method, sensitivity analysis, and situational analysis. Monitoring content includes trading processes, collective and individual, of all transaction units and all financial instruments, such as change of position, change of profit and loss, trading pattern, and if trading objects are transacted within the authorized scope and limits.

The Company's business units and risk management unit have established market risk factors for identifying risk exposure positions and use these factors to measure market risks. The market risk factors refer to the components of financial instruments' position, such as profit and loss and sensitivity to risk, which might be affected by interest rates, exchange rates and equity security market prices.

The Company's risk management unit reports to management periodically the execution status of measures on market risk management, investment positions, and profit and loss control so that management can fully understand the status of market risk management. The Company also has cleared reporting procedures and rules for all types of transaction limits and the stop-loss order. If any transaction amount reaches the limit, the stop-loss order is executed immediately; if the stop-loss order is not executed, the transaction unit is required to explain the reasons for non-execution and prepare a response plan for management's approval.

The Bank applies market risk sensitivity as a risk control instrument. Market risk sensitivity position refers to the change in the value of a position due to a change in a certain market risk factor. Market risk factors include interest rates, exchange rates, and equity security prices. The Bank's position sensitivity exposure trading book contains all types of positions exposed to market risk and the range of change to which sensitivity analysis applied under various pressure scenarios for all types of risk factors.

Assuming all other factors are held constant, the effects of risks within defined change scenarios are shown below:

Main Risk	Change Scenario	December 31, 2015	December 31, 2014
Interest rate risk	Interest rate curve increased 100 basis points	\$ (25,435)	\$ (94,508)
	Interest rate curve fell 100 basis points	25,524	96,870
Exchange rate risk	USD/NT\$, EUR/NT\$ increased 3%	(86,027)	(82,661)
	USD/NT\$, EUR/NT\$ fell 3%	86,027	82,194
	Others (RMB, AUD etc.)/NT\$ increased 5%	(18,673)	35,485
	Others (RMB, AUD etc.)/NT\$ fell 5%	18,673	(36,846)
Equity security price risk	Equity security price increased by 15%	12,369	13,441
	Equity security price fell by 15%	(12,369)	(13,441)

Average amount and average interest rate of interest-earning assets and interest-bearing liabilities are as follows:

Average balance is calculated by the daily average balances of interest-earning assets and interest-bearing liabilities.

a) Taiwan Cooperative Bank, Ltd.

	For the Year Ended December 31			
	2015		2014	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from banks and other financial assets - due from banks	\$ 32,145,426	2.35	\$ 39,147,531	3.68
Due from the Central Bank	602,415,776	0.75	599,027,661	0.77
Call loans to banks	82,635,880	1.17	72,043,662	1.21
Held-for-trading financial assets	31,818,557	0.76	35,488,190	0.74
Financial assets designated as at fair value through profit or loss	140,102	5.99	280,079	6.28
Securities purchased under resell agreements	1,894,914	0.46	1,150,187	0.62
Discounts and loans	1,908,703,823	2.12	1,920,309,106	2.08
Available-for-sale financial assets	79,494,683	1.80	57,435,929	1.64
Held-to-maturity financial assets	31,668,410	1.81	16,489,401	1.82
Debt instruments with no active market	81,837,519	1.79	85,412,305	1.73
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	223,584,339	0.40	248,756,371	0.63
Financial liabilities designated as at fair value through profit or loss	9,686,723	4.18	-	-
Securities sold under repurchase agreements	21,520,863	0.45	25,506,195	0.49
Demand deposits	441,434,653	0.14	398,559,146	0.14
Savings - demand deposits	718,931,183	0.39	681,221,574	0.40
Time deposits	459,583,913	1.18	469,369,599	1.21
Time savings deposits	695,132,173	1.33	715,754,182	1.35
Treasury deposits	73,684,825	0.85	77,410,304	0.81
Negotiable certificates of deposits	1,739,192	0.39	2,063,198	0.39
Structured products	6,623,598	1.39	11,506,151	1.96
Bank debentures	76,956,575	1.56	98,957,589	1.79

b) United Taiwan Bank S.A.

	For the Year Ended December 31			
	2015		2014	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from banks	\$ 478,676	-	\$ 142,752	0.03
Due from the Central Bank	156,856	0.03	136,074	0.08
Call loans to banks	28,446	0.01	5,888	0.66
Discounts and loans	7,478,201	2.22	6,927,579	2.22
Debt instruments with no active market	2,104,437	1.33	2,215,294	2.23
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	8,008,106	0.60	6,914,510	1.28
Demand deposits	74,404	-	69,486	-
Time deposits	88,023	0.57	101,905	0.51

The exchange rate risk of the Company is as follows:

(In Thousands)

	December 31, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 9,438,349	32.8800	\$ 310,332,926
RMB	9,443,309	4.9930	47,150,444
EUR	431,528	35.9200	15,500,469
AUD	627,564	23.9750	15,045,854
JPY	48,863,783	0.2730	13,339,813
HKD	1,465,852	4.2420	6,218,146
ZAR	972,188	2.1200	2,061,039
GBP	28,763	48.7500	1,402,194
CAD	27,447	23.7200	651,032
NZD	19,499	22.5000	438,733
CHF	3,627	33.2350	120,544
SGD	2,417	23.2500	56,207
SEK	4,358	3.9100	17,040
THB	10,234	0.9168	9,383
KHR	751,603	0.0081	6,068
PHP	2,581	0.7007	1,809
MYR	7	7.6510	54

(Continued)

December 31, 2015			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 10,105,448	32.8800	\$ 332,267,122
RMB	9,190,733	4.9930	45,889,329
AUD	678,335	23.9750	16,263,088
JPY	32,415,488	0.2730	8,849,428
GBP	157,243	48.7500	7,665,610
EUR	186,511	35.9200	6,699,476
ZAR	2,568,244	2.1200	5,444,677
HKD	593,004	4.2420	2,515,523
NZD	85,355	22.5000	1,920,493
CAD	69,632	23.7200	1,651,680
CHF	5,251	33.2350	174,523
SGD	6,124	23.2500	142,383
SEK	14,172	3.9100	55,413
THB	11,050	0.9168	10,131
PHP	133	0.7007	93
KHR	2,885	0.0081	23
MYR	-	7.6510	3
			(Concluded)

(In Thousands)

December 31, 2014			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 8,662,353	31.6700	\$ 274,336,710
RMB	9,162,316	5.0990	46,718,650
AUD	479,193	26.0250	12,471,003
JPY	45,043,385	0.2656	11,963,523
EUR	239,531	38.5400	9,231,482
HKD	2,143,327	4.0820	8,749,061
ZAR	454,326	2.7400	1,244,852
NZD	23,968	24.8500	595,594
GBP	10,415	49.3400	513,878
CAD	7,878	27.3200	215,235
CHF	4,550	32.0450	145,797
SGD	2,058	24.0000	49,383
SEK	6,309	4.1000	25,868
THB	9,566	0.9683	9,262
KHR	538,571	0.0078	4,203
PHP	2,030	0.7074	1,436
MYR	7	9.0680	64
			(Continued)

December 31, 2014			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 8,840,908	31.6700	\$ 279,991,557
RMB	7,539,054	5.0990	38,441,637
AUD	505,968	26.0250	13,167,816
JPY	30,812,811	0.2656	8,183,883
ZAR	2,400,419	2.7400	6,577,147
EUR	167,324	38.5400	6,448,640
HKD	768,642	4.0820	3,137,597
SEK	569,636	4.1000	2,335,507
CAD	72,509	27.3200	1,980,933
GBP	33,545	49.3400	1,655,112
NZD	49,455	24.8500	1,228,962
SGD	5,415	24.0000	129,971
CHF	3,464	32.0450	111,001
THB	8,812	0.9683	8,532
PHP	1,111	0.7074	786
KHR	2,883	0.0078	22
MYR	-	9.0680	3
			(Concluded)

4) Liquidity risk

Liquidity risk is inherent in all bank operations and might be affected by specific or general industry and environmental events. These events include credit-related events, mergers or acquisitions, systemic changes and natural disasters. The Company defines liquidity risk as the inability to realize assets or to obtain financing for meeting obligations when they fall due, resulting in loss.

The liquidity risk management strategy is based on the overall risk management objectives and involves liquidity risk, identification, measurement, monitoring and control to maintain the Bank's appropriate liquidity and ensure adequate funding for meeting liability obligations or for capital growth.

The liquidity risk management procedures cover all types of business activities and financing products.

For adequate liquidity for all types of deposits, the Bank follows the relevant regulations issued by the Central Bank to estimate the liquidity reserves and calculates and controls daily the liquidity reserve ratios.

For the Bank's operating liquidity, the fund disbursement unit performs daily cash flow management and monitoring of the payments schedule on the basis of detailed reports by different departments and relevant rules.

The risk management department regularly generates risk reports, which include the liquidity reserve ratios and the maturity analysis of instruments and transactions denominated in major foreign currencies, and submits them to the Asset and Liability Management Committee and the Board as reference for decision making.

The Bank stipulates liquidity risk limits, which are regularly monitored and reviewed by the risk management department. If a liquidity risk limit is exceeded or other exception situations occur, the business supervising unit immediately develops appropriate contingency measures and submits them to the Asset and Liability Management Committee for approval and implementation.

The Bank contingency measures for business emergency or sudden liquidity crisis are aimed at quick crisis resolution and resumption of normal operations.

The Bank's liquidity reserve ratios were 23.48% and 20.44% in December 2015 and 2014, respectively.

The Company disclosed the analysis of cash outflows on non-derivative financial liabilities by their residual maturities as of the balance sheet dates. The amounts of cash outflows are based on contractual cash flows, so some amounts may not correspond to those shown in the consolidated balance sheets.

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 129,943,568	\$ 61,620,412	\$ 499,880	\$ 8,181,954	\$ -	\$ 200,245,814
Financial liabilities at FVTPL	-	-	-	-	13,152,000	13,152,000
Securities sold under repurchase agreements	11,324,769	4,138,888	1,961,817	27,006	-	17,452,480
Payables	26,641,525	1,250,741	3,724,904	1,642,602	1,574,763	34,834,535
Deposits and remittances	238,906,777	349,548,292	356,297,049	608,264,851	951,494,918	2,504,511,887
Bank debentures	-	-	-	-	69,610,000	69,610,000
Other items of cash outflow on maturity	6,944,010	51,121	28,891	76,156	609,190	7,709,368

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 101,945,027	\$ 49,770,769	\$ 15,298,404	\$ 10,006,496	\$ -	\$ 177,020,696
Securities sold under repurchase agreements	17,825,644	3,208,667	2,143,891	1,503	-	23,179,705
Payables	32,602,250	1,451,036	4,148,507	2,360,923	676,658	41,239,374
Deposits and remittances	239,241,979	343,567,766	333,392,499	605,650,196	875,424,031	2,397,276,471
Bank debentures	-	4,000,000	18,500,000	-	69,610,000	92,110,000
Other items of cash outflow on maturity	7,549,966	690,785	34,799	81,459	704,058	9,061,067

In the above table, the maturity analysis of deposits and remittances by residual-maturity period was based on the Company's historical experience. Assuming that all demand deposits as of December 31, 2015 and 2014 must be repaid soon, the capital expenditure will be increased by \$1,265,775,142 thousand and \$1,159,478,601 thousand, respectively, within 30 days these balance sheet dates.

The Company assesses the maturity dates of contracts to understand the basic elements of all derivative financial instruments shown in the balance sheets. The amounts used in the maturity analyses of derivative financial liabilities are based on contractual cash flows, so some of these amounts may not correspond to the amounts shown in the consolidated balance sheets. The maturity analysis of derivative financial liabilities is as follows:

a) Derivative financial liabilities to be settled at net amounts

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency	\$ 1,452	\$ 3,668	\$ 2,279	\$ 1,360	\$ -	\$ 8,759
Interest	(2,141)	(435)	(2,810)	(4,510)	(11,384)	(21,280)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency	\$ 30,182	\$ 17,701	\$ 49,514	\$ 110,225	\$ 4,700	\$ 212,322
Interest	(2,593)	(543)	(4,292)	(3,424)	43,697	32,845

b) Derivative financial liabilities to be settled at gross amounts

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 121,940,698	\$ 61,218,639	\$ 8,332,811	\$ 6,721,102	\$ 139,693	\$ 198,352,943
Cash inflow	122,438,787	61,450,896	8,404,151	6,782,455	139,717	199,216,006
Interest derivatives						
Cash outflow	136,070	1,887,838	1,394,754	140,160	851,454	4,410,276
Cash inflow	136,452	1,754,559	1,321,384	136,070	1,026,649	4,375,114
Total cash outflow	122,076,768	63,106,477	9,727,565	6,861,262	991,147	202,763,219
Total cash inflow	122,575,239	63,205,455	9,725,535	6,918,525	1,166,366	203,591,120
Net cash flow	498,471	98,978	(2,030)	57,263	175,219	827,901

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 99,402,667	\$ 68,577,981	\$ 55,598,467	\$ 23,656,876	\$ 1,696,359	\$ 248,932,350
Cash inflow	145,125,350	50,949,366	26,825,975	17,301,318	2,349,112	242,551,121
Interest derivatives						
Cash outflow	332,525	1,183,200	106,693	20,866,476	3,109,322	25,598,216
Cash inflow	332,628	1,184,847	106,906	20,875,704	3,109,339	25,609,424
Total cash outflow	99,735,192	69,761,181	55,705,160	44,523,352	4,805,681	274,530,566
Total cash inflow	145,457,978	52,134,213	26,932,881	38,177,022	5,458,451	268,160,545
Net cash flow	45,722,786	(17,626,968)	(28,772,279)	(6,346,330)	652,770	(6,370,021)

The Company conducted maturity analysis of off-balance sheet items based on the residual maturities as of the balance sheet dates. For the financial guarantee contracts issued, the maximum amounts of the guarantees are included in the earliest periods that the guarantee obligation might have been required to be fulfilled. The amounts used in the maturity analysis of off-balance sheet items are based on contractual cash flows, so some of these amounts may not correspond to those shown in the balance sheets.

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 1,175,415	\$ 6,237,551	\$ 7,763,379	\$ 11,348,130	\$ 74,813,055	\$ 101,337,530
Irrevocable credit card commitments	13,900	128,504	755,729	1,347,700	35,422,165	37,667,998
Letters of credit issued yet unused	4,430,340	8,766,697	2,230,412	483,024	1,455,177	17,365,650
Other guarantees	3,023,999	6,402,251	6,562,665	9,228,210	50,629,322	75,846,447

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 1,380,298	\$ 4,522,267	\$ 10,127,928	\$ 6,081,353	\$ 65,122,822	\$ 87,234,668
Irrevocable credit card commitments	46,720	373,476	400,932	1,994,668	33,408,962	36,224,758
Letters of credit issued yet unused	4,688,231	10,902,026	3,070,995	1,851,105	1,394,985	21,907,342
Other guarantees	5,501,045	7,439,428	5,155,563	6,263,807	47,775,724	72,135,567

g. Transfers of financial assets

Under the Company operations, most of derecognized financial assets are securities sold under repurchase agreements, and the contractual cash flows have been transferred to others. The Company has the responsibility to repurchase transferred financial assets at fixed prices, and can not use, sell and pledge transferred financial assets. However, the Company is still in the risk exposure of interest rate and credit, so the transferred financial assets can not be removed entirely. The information on derecognized financial assets and liabilities is as follows:

December 31, 2015					
Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL - securities sold under repurchase agreements	\$ 5,124,914	\$ 5,126,880	\$ 5,124,914	\$ 5,126,880	\$ (1,966)
Available-for-sale financial assets - securities sold under repurchase agreements	11,559,296	12,325,600	11,559,296	12,325,600	(766,304)

h. Offsetting financial assets and financial liabilities

The Company is eligible to present in the balance sheet on a net basis certain derivative assets and derivative liabilities pertaining to transactions with counterparties under enforceable master netting arrangements or similar agreements and there is an intention either to make settlements on a net basis or to realize the asset and settle the liability simultaneously. A master netting agreement provides for a single net settlement of all financial instruments covered by the agreement if the counterparty defaults on any contract. Parties may also settle transactions at gross amounts if a single settlement results in cash flows being equivalent to a single net amount.

The tables below present the quantitative information on financial assets and financial liabilities that have been offset in the balance sheets or that are covered by enforceable master netting arrangements or similar agreements.

December 31, 2015

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Resell agreements	\$ 209,592	\$ -	\$ 209,592	\$ (209,592)	\$ -	\$ -

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Repurchase agreements	\$ 17,452,480	\$ -	\$ 17,452,480	\$ (16,684,210)	\$ -	\$ 768,270

December 31, 2014

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Resell agreements	\$ 1,851,763	\$ -	\$ 1,851,763	\$ (1,851,763)	\$ -	\$ -

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Repurchase agreements	\$ 23,179,705	\$ -	\$ 23,179,705	\$ (21,178,875)	\$ -	\$ 2,000,830

39. CAPITAL MANAGEMENT

In according to the authority's regulation for principles of capital adequacy management, the Bank lists all the risks into the capital adequacy evaluation scope. In accordance with the operation plans and budget targets, which approved by the board of directors, also considering the Bank's development strategy, capital adequacy, liabilities ratios, and dividend policy, the Bank proposes capital adequacy evaluation plan, which include stress testing, estimation for each season's capital adequacy ratio, etc. to ensure the capital adequacy ratio can be reached and capital structure is sound.

To monitor capital adequacy, the risk management department regularly reports capital adequacy ratios every month and also quarterly reviews the execution status of and actual operation data variation on the Bank's capital adequacy evaluation plan. When the actual capital adequacy ratio might go lower than target, the Bank immediately reviews the causes, prepares a report and proposes a response strategy to maintain the appropriate capital adequacy levels.

The Banking Law and related regulations require that the Bank maintain the minimum requirement for unconsolidated and consolidated capital adequacy ratios (CAR), including the common equity Tier 1 ratio, Tier 1 capital ratio, and total capital adequacy ratio.

Information on the Bank's CAR is as follows:

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

Items			Year	December 31, 2015	
			Standalone	Consolidated	
Eligible capital	Common equity		\$ 169,179,043	\$ 170,222,272	
	Other Tier 1 capital		-	-	
	Tier 2 capital		60,385,900	61,546,641	
	Eligible capital		229,564,943	231,768,913	
Risk-weighted assets	Credit risk	Standardized approach	1,737,278,354	1,739,194,177	
		Internal ratings based approach	-	-	
		Securitization	750,679	750,679	
	Operational risk	Basic indicator approach	-	-	
		Standardized approach/alternative standardized approach	63,325,942	65,270,944	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	14,616,127	14,634,941	
		Internal model approach	-	-	
	Risk-weighted assets		1,815,971,102	1,819,850,741	
	Capital adequacy ratio			12.64	12.74
Ratio of the common equity to risk-weighted assets			9.32	9.35	
Ratio of Tier 1 capital to risk-weighted assets			9.32	9.35	
Ratio of leverage			5.25	5.28	

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

Items			Year	December 31, 2014		
			Standalone	Consolidated		
Eligible capital	Common equity		\$	137,511,724	\$	138,532,074
	Other Tier 1 capital			-		-
	Tier 2 capital			76,451,804		77,587,128
	Eligible capital			213,963,528		216,119,202
Risk-weighted assets	Credit risk	Standardized approach		1,611,020,652		1,612,742,538
		Internal ratings based approach		-		-
		Securitization		-		-
	Operational risk	Basic indicator approach		-		-
		Standardized approach/alternative standardized approach		58,820,779		59,992,738
		Advanced measurement approach		-		-
	Market risk	Standardized approach		9,675,842		9,670,778
		Internal model approach		-		-
	Risk-weighted assets			1,679,517,273		1,682,406,054
	Capital adequacy ratio				12.74	
Ratio of the common equity to risk-weighted assets				8.19		8.23
Ratio of Tier 1 capital to risk-weighted assets				8.19		8.23
Ratio of leverage				3.62		3.63

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

Note 2: Formulas used were as follows:

- 1) Eligible capital = The common equity + Other Tier 1 capital + Tier 2 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 the common equity to risk-weighted assets = The common equity ÷ Risk-weighted assets.
- 5) Ratio of Tier 1 capital to risk-weighted assets = (The common equity + Other Tier 1 capital) ÷ Risk-weighted assets.
- 6) Ratio of leverage = Tier 1 capital ÷ Exposure measurement.

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

a. Asset quality: Table 2 (attached).

b. Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	December 31, 2015		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of Bank's Equity
1	Group A Railway transportation	\$ 52,676,426	28.82
2	Group B Petroleum and coal products manufacturing	23,325,210	12.76
3	Group C Harbor services	21,666,561	11.86
4	Group D Computers and peripheral equipment manufacturing	13,234,917	7.24
5	Group E Shipping agency	11,241,157	6.15
6	Group F Cotton and textile	10,795,986	5.91
7	Group G Liquid crystal panel and component manufacturing	9,763,984	5.34
8	Group H Cotton and textile	8,991,608	4.92
9	Group I Other electronic parts and components manufacturing not classified elsewhere	8,856,290	4.85
10	Group J Iron and steel smelting	6,177,585	3.38

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	December 31, 2014		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of Bank's Equity
1	Group A Railway transportation	\$ 53,351,408	35.49
2	Group B Petroleum and coal products manufacturing	23,745,035	15.80
3	Group C Harbor services	20,471,293	13.62
4	Group F Cotton and textile	12,544,042	8.35
5	Group E Shipping agency	11,536,425	7.68
6	Group I Other electronic parts and components manufacturing not classified elsewhere	10,255,611	6.82
7	Group G Liquid crystal panel and component manufacturing	10,244,921	6.82
8	Group K Cement manufacturing	9,720,061	6.47
9	Group L Harbor services	8,767,179	5.83
10	Group M Iron and steel smelting	8,109,260	5.40

Note 1: The list shows rankings by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate-General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: Group enterprise refers to a group of corporate entities as defined by Article 6 of "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note 3: Total amount of credit, endorsement or other transactions is the sum of various loans (including import and export negotiations, discounts, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans and overdue loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances and guarantees.

c. Interest rate sensitivity information

1) Taiwan Cooperative Bank, Ltd.

**Interest Rate Sensitivity
December 31, 2015**

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,224,055,786	\$ 87,672,073	\$ 11,322,931	\$ 159,928,135	\$ 2,482,978,925
Interest rate-sensitive liabilities	909,691,528	1,199,678,568	122,411,693	52,746,552	2,284,528,341
Interest rate sensitivity gap	1,314,364,258	(1,112,006,495)	(111,088,762)	107,181,583	198,450,584
Net worth					172,638,090
Ratio of interest rate-sensitive assets to liabilities					108.69
Ratio of interest rate sensitivity gap to net worth					114.95

**Interest Rate Sensitivity
December 31, 2014**

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,135,164,538	\$ 73,465,284	\$ 11,949,803	\$ 145,431,870	\$ 2,366,011,495
Interest rate-sensitive liabilities	947,553,098	1,122,120,375	119,175,955	50,439,303	2,239,288,731
Interest rate sensitivity gap	1,187,611,440	(1,048,655,091)	(107,226,152)	94,992,567	126,722,764
Net worth					138,104,503
Ratio of interest rate-sensitive assets to liabilities					105.66
Ratio of interest rate sensitivity gap to net worth					91.76

Note 1: The above amounts included only New Taiwan dollar amounts held by the head office and branches of the Bank (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs that are 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
December 31, 2015**

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 10,149,865	\$ 698,630	\$ 151,491	\$ 565,159	\$ 11,565,145
Interest rate-sensitive liabilities	10,403,374	993,494	1,109,895	15,000	12,521,763
Interest rate sensitivity gap	(253,509)	(294,864)	(958,404)	550,159	(956,618)
Net worth					307,844
Ratio of interest rate-sensitive assets to liabilities					92.36
Ratio of interest rate sensitivity gap to net worth					(310.75)

**Interest Rate Sensitivity
December 31, 2014**

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 10,710,125	\$ 870,911	\$ 132,636	\$ 394,389	\$ 12,108,061
Interest rate-sensitive liabilities	10,639,807	727,954	827,580	-	12,195,341
Interest rate sensitivity gap	70,318	142,957	(694,944)	394,389	(87,280)
Net worth					385,484
Ratio of interest rate-sensitive assets to liabilities					99.28
Ratio of interest rate sensitivity gap to net worth					(22.64)

Note 1: The above amounts included only U.S. dollar amounts held by the head office, domestic branches, OBU and overseas branches of the Bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs that are 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).

2) United Taiwan Bank S.A.

**Interest Rate Sensitivity
December 31, 2015**

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 267,543	\$ 72,167	\$ -	\$ -	\$ 339,710
Interest rate-sensitive liabilities	186,779	77,691	9,684	-	274,154
Interest rate sensitivity gap	80,764	(5,524)	(9,684)	-	65,556
Net worth					59,218
Ratio of interest rate-sensitive assets to liabilities					123.91
Ratio of interest rate sensitivity gap to net worth					110.70

**Interest Rate Sensitivity
December 31, 2014**

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 326,434	\$ 42,423	\$ -	\$ -	\$ 368,857
Interest rate-sensitive liabilities	245,248	45,815	8,817	-	299,880
Interest rate sensitivity gap	81,186	(3,392)	(8,817)	-	68,977
Net worth					62,247
Ratio of interest rate-sensitive assets to liabilities					123.00
Ratio of interest rate sensitivity gap to net worth					110.81

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

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs that are 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).

d. Profitability

Unit: %

Items		December 31, 2015	December 31, 2014
Return on total assets	Before income tax	0.47	0.40
	After income tax	0.41	0.35
Return on equity	Before income tax	8.47	8.05
	After income tax	7.28	6.99
Net income ratio		30.74	25.50

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 each period-end date.

Note 5: The above profitability ratios are calculated that based on the amount of consolidated financial report.

e. Maturity analysis of assets and liabilities

1) Taiwan Cooperative Bank, Ltd.

Maturity Analysis of Assets and Liabilities
December 31, 2015

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 2,874,376,823	\$ 459,449,410	\$ 337,684,146	\$ 143,910,031	\$ 189,898,631	\$ 301,915,264	\$ 1,441,519,341
Main capital outflow on maturity	3,383,426,314	201,323,422	196,212,659	423,094,927	423,237,179	685,429,837	1,454,128,290
Gap	(509,049,491)	258,125,988	141,471,487	(279,184,896)	(233,338,548)	(383,514,573)	(12,608,949)

Maturity Analysis of Assets and Liabilities
December 31, 2014

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 2,772,108,302	\$ 462,739,262	\$ 342,538,297	\$ 139,189,722	\$ 165,210,515	\$ 269,912,009	\$ 1,392,518,497
Main capital outflow on maturity	3,307,736,387	193,886,553	186,919,821	422,515,601	428,533,810	708,230,989	1,367,649,613
Gap	(535,628,085)	268,852,709	155,618,476	(283,325,879)	(263,323,295)	(438,318,980)	24,868,884

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

**Maturity Analysis of Assets and Liabilities
December 31, 2015**

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 19,969,621	\$ 7,751,534	\$ 3,450,908	\$ 2,294,517	\$ 1,535,694	\$ 4,936,968
Main capital outflow on maturity	24,145,661	10,778,451	4,407,558	2,491,497	3,621,382	2,846,773
Gap	(4,176,040)	(3,026,917)	(956,650)	(196,980)	(2,085,688)	2,090,195

**Maturity Analysis of Assets and Liabilities
December 31, 2014**

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 20,360,556	\$ 8,068,975	\$ 3,377,144	\$ 2,813,229	\$ 1,150,089	\$ 4,951,119
Main capital outflow on maturity	25,023,200	11,386,542	4,539,872	2,945,370	3,405,229	2,746,187
Gap	(4,662,644)	(3,317,567)	(1,162,728)	(132,141)	(2,255,140)	2,204,932

Note: The above amounts included only U.S. dollar amounts held by the Bank.

2) United Taiwan Bank S.A.

**Maturity Analysis of Assets and Liabilities
December 31, 2015**

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 339,710	\$ 39,047	\$ 5,020	\$ 8,900	\$ 44,693	\$ 242,050
Main capital outflow on maturity	280,492	80,737	106,042	77,691	9,683	6,339
Gap	59,218	(41,690)	(101,022)	(68,791)	35,010	235,711

**Maturity Analysis of Assets and Liabilities
December 31, 2014**

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 368,857	\$ 69,433	\$ 5,324	\$ 6,998	\$ 37,663	\$ 249,439
Main capital outflow on maturity	306,610	100,238	145,010	45,815	8,817	6,730
Gap	62,247	(30,805)	(139,686)	(38,817)	28,846	242,709

Note: The above amounts included only U.S. dollar amounts held by the United Taiwan Bank S.A.

41. TAIWAN COOPERATIVE BANK, LTD.'S TRUST BUSINESS UNDER THE TRUST LAW

- a. Trust-related items are those shown in the following balance sheets, statements of income and trust property list

These items were managed by the Bank's Trust Department. However, these items were not included in the financial statements.

Balance Sheets of Trust Accounts December 31, 2015 and 2014					
Trust Assets	2015	2014	Trust Liabilities	2015	2014
Cash in banks	\$ 1,459,189	\$ 2,073,843	Payables		
Short-term investments			Accrued expense	\$ 3,238	\$ 1,290
Mutual funds	155,580,004	143,206,066	Others	2,403	2,605
Stocks	1,628,673	1,128,249		5,641	3,895
	157,208,677	144,334,315	Accounts payable on securities under custody	67,632,891	62,177,011
Securities lending	804,036	149,781	Trust capital		
Receivables	6,377	3,902	Cash	157,015,238	145,258,269
Real estate			Real estate	35,583,450	25,788,673
Land	31,454,680	25,431,949	Securities	2,219,984	1,211,634
Buildings	15,948	10,585	Others	176,070	133,798
Construction in process	4,287,799	476,255		194,994,742	172,392,374
	35,758,427	25,918,789	Reserves and retained earnings		
Securities under custody	67,632,891	62,177,011	Net income	252,803	64,141
			Appropriation	(60,145)	-
			Retained earnings	43,665	20,220
				236,323	84,361
Total	\$ 262,869,597	\$ 234,657,641	Total	\$ 262,869,597	\$ 234,657,641

Trust Property List December 31, 2015 and 2014

Investment Items	2015	2014
Cash in banks	\$ 1,459,189	\$ 2,073,843
Short-term investments		
Mutual funds	155,580,004	143,206,066
Stocks	1,628,673	1,128,249
Securities lending	804,036	149,781
Receivables		
Accrued interest	2,623	2,938
Cash dividends	-	4
Mutual funds	-	500
Others	3,754	460
Real estate		
Land	31,454,680	25,431,949
Buildings	15,948	10,585
Construction in process	4,287,799	476,255
Securities under custody	67,632,891	62,177,011
Total	\$ 262,869,597	\$ 234,657,641

Statements of Income on Trust Accounts
For the Years Ended December 31, 2015 and 2014

	2015	2014
Revenues		
Interest revenue	\$ 4,193	\$ 4,554
Cash dividends	42,705	18,823
Realized gain on investment - stocks	14,373	1,733
Unrealized gain on investment - stocks	354,349	62,536
Realized gain on investment - mutual funds	576	438
Unrealized gain on investment - mutual funds	1,284	2,653
Rentals	9,929	1,297
Others	<u>-</u>	<u>215</u>
Total revenues	<u>427,409</u>	<u>92,249</u>
Expenses		
Management fees	3,674	1,890
Taxes	335	373
Insurance fees	-	42
Service charge	318	121
Postage	11	13
Unrealized loss on investment - stocks	163,465	22,009
Realized loss on investment - mutual funds	465	76
Unrealized loss on investment - mutual funds	5,069	3,213
Others	<u>1,269</u>	<u>371</u>
Total expenses	<u>174,606</u>	<u>28,108</u>
Income before income tax	252,803	64,141
Income tax expense	<u>-</u>	<u>-</u>
Net income	<u>\$ 252,803</u>	<u>\$ 64,141</u>

b. Nature of trust business operations under the Trust Law: Note 1.

42. ALLOCATION OF REVENUE, COST AND EXPENSE THAT RESULTED FROM THE SHARING OF RESOURCES BETWEEN TAIWAN COOPERATIVE FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

Under cooperation arrangements, the Bank and Taiwan Cooperative Securities (TCS) promoted securities brokerage business together, thus, related revenues received by the Bank were calculated as follows: (a) from the first year to fifth year (before January 1, 2015, it was first and second year), revenue based on 20% of the net revenue derived from security transactions; (b) related revenues from utilizing some operating sites and equipment by the TCS; and (c) receiving cross-selling service fees of \$2,000 thousand annually.

To promote the credit card business together, the Bank and TCS signed cooperation arrangements, marketing expenses paid by the Bank were based on the arrangements.

As of December 31, 2015 and 2014, the accrued receivables were \$2,690 thousand and \$2,871 thousand (part of receivable), respectively. The revenues from cross-selling transactions were \$7,060 thousand and \$6,653 thousand (part of other noninterest gains, net) in 2015 and 2014, respectively.

To promote the insurance business together, the Bank and BNP Paribas Cardif TCB Life Insurance Co., Ltd. signed cooperation arrangements. The service fees earned by the Bank were based on the agreed percentage of the premiums from the insurance companies' products sold by the Bank.

As of December 31, 2015 and 2014, the accrued receivables were \$2,111 thousand and \$2,914 thousand, respectively (part of receivables). The revenues from cross-selling transactions were \$26,219 thousand and \$29,386 thousand (part of service fee income, net) in 2015 and 2014, respectively.

43. NON-CASH FINANCING ACTIVITIES

Undistributed cash dividends approved by shareholders' meeting are \$178,980 thousand and \$181,542 thousand as of December 31, 2015 and 2014, respectively.

44. OTHER SIGNIFICANT TRANSACTIONS

The Bank's application to set up the Changsha Branch in Mainland China was approved by the Financial Supervisory Commission on December 31, 2015. The Bank will invest RMB600,000 thousand in the Changsha Branch, under the "Regulations Governing Approvals of Banks to Engage in Financial Activities between the Taiwan Area and the Mainland Area." As of the date of the accompanying independent auditors' report, the approval of the investment in the Changsha Branch by the Investment Commission under Mainland China's Ministry of Economic Affairs and relevant authorities was being awaited.

To enhance financial cooperation between China and Taiwan, the board of directors of the Bank approved a memorandum on August 25, 2014, which was signed with Ping An Pay and Chinapay. Details of this cooperation will be shown in a contract.

To enhance the financial cooperation between the banks in China and those in Taiwan, the Bank's board of directors approved on December 22, 2014 the signing of a memorandum of understanding (MOU) between five Taiwan banks (Taiwan Bank, etc.) and five Chinese banks (China Bank, etc.), and the Bank signed this MOU.

On February 22, 2015, The Bank's board of directors approved the Bank's merger with its own subsidiary, Cooperative Insurance Brokers Co., Ltd. The effective date of this merger is to be determined by management. In this merger, The Bank will be the survivor entity.

45. ADDITIONAL DISCLOSURES

a. Related information of significant transactions and b. investees:

- 1) Financing provided: The Bank - not applicable; investee company - None or not applicable.
- 2) Endorsement/guarantee provided: The Bank - Not applicable; investee company - none or not applicable.
- 3) Marketable securities held: The Bank and United Taiwan Bank S.A. - Not applicable; investee company - Table 3 (attached)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital (the Bank disclosed its investments acquired or disposed of): Table 4 (attached)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: None.
- 6) Disposal of individual real estates at costs of at least NT\$300 million or 10% of the paid-in capital: None.

- 7) Allowance of service fees to related parties amounting to at least NT\$5 million: None.
 - 8) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: Table 5 (attached)
 - 9) Sale of nonperforming loans: None.
 - 10) Financial asset securitization: None.
 - 11) Other significant transactions which may affect the decisions of users of financial reports: Note 44 to the consolidated financial statements.
 - 12) Percentage share in investees and related information: Table 6 (attached)
 - 13) Derivative transactions: The Bank - Notes 8, 35 and 38 to the consolidated financial statements; investee company - None.
- c. Investment in Mainland China:
- Based on “Regulations Governing Approvals of Banks to Engage in Financial Activities between the Taiwan Area and the Mainland Area,” the Bank set up the Suzhou Branch, Tianjin Branch and Fuzhou Branch in Mainland China. This investment had been approved by the Financial Supervisory Commission. The 3 branches’ information - major operating items, capital stock, the way of investment, investment inflows and outflows, the holding percentage, the investment income or loss, the book value at year-end, the remitted investment profits and the limit on the amount of investment in Mainland China - can be seen in Table 7 (attached)
- d. Business relationships and significant transactions among the parent company and subsidiaries: Table 8 (attached)

46. OPERATING SEGMENTS

The information reported to the Company’s chief operating decision makers for the assessment of segment performance focuses mainly on business and profit or loss. The Company’s reportable segments are as follows:

- a. Deposit and loan section, including savings, loans and remittances;
- b. Credit section, including legal person and personal credit business;
- c. Funding section, including funding management with domestic and foreign currencies, securities, investments and other financial management;
- d. Trust section, including development, promotion and management of trust transactions;
- e. Other noncore business.

The accounting policies of the reportable segments are the same as the Company’s accounting policies described in Note 4. Segment profit is measured at income before income tax, and this measure is reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance. The terms of transactions between segments are similar to those for third parties.

The revenue, expenses and related information of the Company's reportable segments are as follows:

For the Year Ended December 31, 2015							
	Deposit and Loan Section	Credit Section	Funding Section	Trust Section	Others	Eliminate	Total
Net interest	\$ 9,166,948	\$ 18,788,962	\$ 419,627	\$ -	\$ 1,676,985	\$ -	\$ 30,052,522
Net revenues and gains other than interest	<u>366,728</u>	<u>1,507,295</u>	<u>2,991,787</u>	<u>3,428,337</u>	<u>1,426,397</u>	<u>(284,880)</u>	<u>9,435,664</u>
Net revenues	9,533,676	20,296,257	3,411,414	3,428,337	3,103,382	(284,880)	39,488,186
Bad-debt expenses and provision for losses on guarantees	-	(2,188,590)	-	-	40,317	-	(2,148,273)
Operating expenses	<u>(9,036,853)</u>	<u>(9,101,603)</u>	<u>(786,870)</u>	<u>(2,611,305)</u>	<u>(1,677,153)</u>	<u>3,594</u>	<u>(23,210,190)</u>
Income before income tax	<u>\$ 496,823</u>	<u>\$ 9,006,064</u>	<u>\$ 2,624,544</u>	<u>\$ 817,032</u>	<u>\$ 1,466,546</u>	<u>\$ (281,286)</u>	<u>\$ 14,129,723</u>
For the Year Ended December 31, 2014							
	Deposit and Loan Section	Credit Section	Funding Section	Trust Section	Others	Eliminate	Total
Net interest	\$ 9,676,008	\$ 16,694,602	\$ (380,233)	\$ -	\$ 1,777,825	\$ -	\$ 27,768,202
Net revenues and gains other than interest	<u>331,802</u>	<u>1,382,656</u>	<u>3,681,003</u>	<u>2,862,543</u>	<u>3,994,079</u>	<u>(257,260)</u>	<u>11,994,823</u>
Net revenues	10,007,810	18,077,258	3,300,770	2,862,543	5,771,904	(257,260)	39,763,025
Bad-debt expenses and provision for losses on guarantees	-	(3,189,588)	-	-	(3,104,660)	45,895	(6,248,353)
Operating expenses	<u>(9,283,073)</u>	<u>(7,624,239)</u>	<u>(591,867)</u>	<u>(2,711,155)</u>	<u>(1,627,951)</u>	<u>2,090</u>	<u>(21,836,195)</u>
Income before income tax	<u>\$ 724,737</u>	<u>\$ 7,263,431</u>	<u>\$ 2,708,903</u>	<u>\$ 151,388</u>	<u>\$ 1,039,293</u>	<u>\$ (209,275)</u>	<u>\$ 11,678,477</u>

TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARIES

**CONSOLIDATED ENTITIES
DECEMBER 31, 2015 AND 2014**

Subsidiaries included in the consolidated financial statements:

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership		Note
				December 31, 2015	December 31, 2014	
Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A. Cooperative Insurance Brokers Co., Ltd.	Belgium Taipei City	Banking Life and property insurance agent	90.02 100.00	90.02 100.00	

Subsidiaries not included in the consolidated financial statements:

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership		Note
				December 31, 2015	December 31, 2014	
None	-	-	-	-	-	

TABLE 2**TAIWAN COOPERATIVE BANK, LTD.****ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES****DECEMBER 31, 2015 AND 2014****(In Thousands of New Taiwan Dollars, %)**

Period			December 31, 2015					December 31, 2014				
Items			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		\$ 3,362,084	\$ 666,713,093	0.50	\$ 6,133,312	182.43	\$ 4,154,033	\$ 618,295,520	0.67	\$ 6,288,619	151.39
	Unsecured		1,753,741	551,608,460	0.32	7,008,984	399.66	1,388,211	526,873,204	0.26	7,269,553	523.66
Consumer banking	Housing mortgage (Note 4)		1,031,851	508,940,536	0.20	5,857,699	567.69	1,146,239	492,647,006	0.23	6,520,035	568.82
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		47,115	12,544,692	0.38	204,713	434.50	39,567	12,290,737	0.32	210,711	532.54
	Other (Note 6)	Secured	592,128	245,391,020	0.24	1,896,174	320.23	354,000	217,296,569	0.16	1,621,616	458.08
		Unsecured	18,278	9,442,950	0.19	151,983	831.51	27,174	8,804,715	0.31	146,525	539.21
Loan			6,805,197	1,994,640,751	0.34	21,252,865	312.30	7,109,224	1,876,207,751	0.38	22,057,059	310.26
			Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Credit cards			8,207	2,660,556	0.31	74,750	910.81	17,950	2,562,450	0.70	98,857	550.74
Accounts receivable factored without recourse (Note 7)			-	216,084	-	3,552	-	-	384,088	-	4,432	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)			15,462					17,683				
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)			17,085					23,871				
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)			22,322					27,225				
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)			61,678					70,215				

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: $\text{Nonperforming loans} \div \text{Outstanding loan balance}$.
Ratio of nonperforming receivables: $\text{Nonperforming receivables} \div \text{Outstanding receivable balance}$.

Note 3: Coverage ratio of loans: $\text{Allowance for credit losses for loans} \div \text{Nonperforming loans}$.
Coverage ratio of receivables: $\text{Allowance for credit losses for receivables} \div \text{Nonperforming receivables}$.

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

Note 5: Based on the Banking Bureau’s letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts and exclude credit cards and cash cards.

Note 6: Other consumers banking loans refer to secured or unsecured loans that exclude housing mortgage, cash and credit card, and small-scale credit loans.

(Continued)

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), accounts receivable factored 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 8: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are disclosed to the public in accordance with the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 9: Amounts of executed debt-restructuring projects not reported as nonperforming loans or receivables are disclosed to the public in accordance with the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940).

(Concluded)

TABLE 3

TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Cooperative Insurance Brokers Co., Ltd.	<u>Bonds</u> Government Bonds - 88 A3	-	Held-to-maturity financial assets	-	\$ 3,350	-	\$ 3,427	Note

Note: Pledged bonds as collaterals for public guarantee at Financial Supervisory Commission.

TABLE 4

TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars/In Thousands of Shares)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
Taiwan Cooperative Bank, Ltd.	Taipei Financial Center Corp.	financial assets carried at cost	Cathay United Bank Company Limited	-	-	\$ -	24,000	\$ 669,600	-	\$ -	\$ -	\$ -	24,000	\$ 669,600
	Taiwan High Speed Rail Corporation	available-for-sale financial assets	-	-	-	-	53,300	551,655 (Note)	-	-	-	-	53,300	551,655

Note: Acquisition consists of \$533,000 thousand of cash investment and unrealized gain of \$18,655 thousand on available-for-sale financial assets.

TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Company, Ltd.	Parent company	\$ 744,306 (Note)	-	\$ -	-	\$ -	\$ -

Note: Receivable - consolidated tax return.

TABLE 6**TAIWAN COOPERATIVE BANK, LTD.****PERCENTAGE SHARE IN INVESTEEES AND RELATED INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015****(In Thousands of New Taiwan Dollars)**

Investee Company (Note 1)	Location	Main Businesses and Products	Percentage of Ownership	Carrying Value	Investment Gain (Loss)	Percentage Share of the Bank and Its Affiliates in Investees (Note 1)				Note
						Shares	Pro Forma Shares (Note 2)	Total		
								Shares	Percentage of Ownership	
<u>Finance-related business</u>										
United Taiwan Bank S.A.	Belgium	Banking	90.02	\$ 1,758,876	\$ 99,060	2,639,659	-	2,639,659	90.02	Note 3
Cooperative Insurance Brokers Co., Ltd.	Taipei City	Life and property insurance agent	100.00	219,104	182,226	1,000,000	-	1,000,000	100.00	Note 3
Taiwan Asset Management Co., Ltd.	Taipei City	Acquisition of delinquent loans	17.03	2,370,934	182,511	225,000,000	-	225,000,000	17.03	
Financial Information Service Co., Ltd.	Taipei City	Information service	2.89	135,405	33,863	15,107,985	-	15,107,985	2.89	
Taiwan Financial Asset Service Co., Ltd.	Taipei City	Property auction	5.88	101,125	-	10,000,000	-	10,000,000	5.88	
Taiwan Depository & Clearing Co., Ltd.	Taipei City	Custody of securities and short-term bills	0.84	60,694	4,213	3,449,563	-	3,449,563	1.00	
Taiwan Futures Exchange Co., Ltd.	Taipei City	Futures clearing	1.75	53,468	9,891	5,199,035	-	5,199,035	1.75	
Financial eSolution Co., Ltd.	Taipei City	Office machine wholesaling	9.92	24,934	-	2,181,617	-	2,181,617	9.92	
Taipei Forex Inc.	Taipei City	Foreign exchange brokering	7.06	19,198	5,600	1,400,000	-	1,400,000	7.06	
Sunny Asset Management Co., Ltd.	Taipei City	Acquisition of delinquent loans	0.72	431	47	43,088	-	43,088	0.72	
Taiwan Mobile Payment Company	Taipei City	IT software service	4.00	24,000	-	2,400,000	-	2,400,000	4.00	
<u>Non-finance related business</u>										
United Real Estate Management Co., Ltd.	Taipei City	Real estate appraisal	30.00	122,023	13,432	9,543,048	-	9,543,048	30.00	
Taiwan Power Company	Taipei City	Power development and supply	0.24	631,153	-	78,754,764	-	78,754,764	0.24	
Taiwan Sugar Company	Tainan City	Sugar manufacturing	0.08	-	3,387	4,233,752	-	4,233,752	0.08	
Lien-An Service Co., Ltd.	Taipei City	Leasing	5.00	1,250	125	125,000	-	125,000	5.00	
Taipei Rapid Transit Co., Ltd.	Taipei City	Public transportation	-	139	9	13,363	-	13,363	-	
China Daily News	Tainan City	Newspaper publishing	0.04	52	-	16,768	-	16,768	0.04	
Taipei Financial Center Corp.	Taipei City	Residence and buildings lease construction and development	1.63	669,600	-	24,000,000	-	24,000,000	1.63	
Taiwan High Speed Rail Cooperation	Taipei City	High speed railroad transportation business	0.95	551,655	-	53,308,000	-	53,308,000	0.95	

Note 1: Shares or pro forma shares held by the Bank, directors, supervisors, president, vice president and affiliates in accordance with the Company Law have been included.

Note 2: a. Pro forma shares are shares that are assumed to be obtained through buying equity-based securities or entering into equity-linked derivative contracts for purposes defined in Article 74 of the Banking Law.
b. Equity-based securities, such as convertible bonds and warrants, are covered by Article 11 of the “Securities and Exchange Law Enforcement Rules.”
c. Derivative contracts, such as those on stock options, are those conforming to the definition of derivatives in Statement of International Accounting Standards No. 39 - “Financial Instruments.”

Note 3: When preparing the consolidated financial statements, the amount had been eliminated.

TABLE 7

TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARIES

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

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	Investee Net Income (Loss)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of December 31, 2015	Accumulated Inward Remittance of Earnings as of December 31, 2015
					Outflow	Inflow						
Suzhou Branch	Deposits, loans, import and export, exchange and foreign exchange business	\$ 4,547,235 (US\$ 154,395) (Note 1)	Direct	\$ 4,547,235 (US\$ 154,395) (Note 1)	\$ -	\$ -	\$ 4,547,235 (US\$ 154,395) (Note 1)	\$ (93,408)	100	\$ (93,408)	\$ 5,433,226	\$ -
Tianjin Branch	Deposits, loans, import and export, exchange and foreign exchange business	2,947,314 (US\$ 97,387) (Note 1)	Direct	2,947,314 (US\$ 97,387) (Note 1)	-	-	2,947,314 (US\$ 97,387) (Note 1)	(51,337)	100	(51,337)	3,138,529	-
Fuzhou Branch	Deposits, loans, import and export, exchange and foreign exchange business	2,950,882 (US\$ 97,549) (Note 1)	Direct	2,950,882 (US\$ 97,549) (Note 1)	-	-	2,950,882 (US\$ 97,549) (Note 1)	(83,662)	100	(83,662)	3,092,672	-

Accumulated Investment in Mainland China as of December 31, 2015	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
\$ 10,445,431 (US\$ 349,331) (Note 1)	\$ 10,445,431 (US\$ 349,331) (Note 1)	\$ 109,772,941

Note 1: Translation into New Taiwan dollars at the exchange rates on the date of each outflow of investment.

Note 2: Based on the Investment Commission’s “Regulation on the Examination of Investment or Technical Cooperation in Mainland China,” investments are limited to the largest of 60% of the Bank’s net asset value or 60% of the Bank’s consolidated net asset value.

TABLE 8**TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARIES****BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE PARENT COMPANY AND SUBSIDIARIES****FOR THE YEAR ENDED DECEMBER 31, 2015****(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Transacting Company	Counter-party	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
0	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Due from banks	\$ 582,372	Note 4	0.02
1	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Due to banks	582,372	Note 4	0.02
0	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Call loans to banks	6,435,789	Note 4	0.21
1	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Call loans from banks	6,435,789	Note 4	0.21
0	Taiwan Cooperative Bank, Ltd.	Cooperative Insurance Brokers Co., Ltd.	a	Deposits and remittance	242,200	Note 4	0.01
2	Cooperative Insurance Brokers Co., Ltd.	Taiwan Cooperative Bank, Ltd.	b	Cash and cash equivalents, refundable deposits	242,200	Note 4	0.01
0	Taiwan Cooperative Bank, Ltd.	Cooperative Insurance Brokers Co., Ltd.	a	Receivables	198,226	Note 4	0.01
2	Cooperative Insurance Brokers Co., Ltd.	Taiwan Cooperative Bank, Ltd.	b	Payables	198,226	Note 4	0.01
0	Taiwan Cooperative Bank, Ltd.	Cooperative Insurance Brokers Co., Ltd.	a	Service fee income	2,196,255	Note 4	5.56
2	Cooperative Insurance Brokers Co., Ltd.	Taiwan Cooperative Bank, Ltd.	b	Service charge	2,196,255	Note 4	5.56

Note 1: These companies listed in Table 8 are identified as follows:

- a. Parent company: 0.
- b. Subsidiaries are numbered sequentially from 1.

Note 2: Transaction flows are as follows:

- a. From parent company to subsidiary.
- b. From subsidiary to parent company.
- c. Between subsidiaries.

Note 3: For calculating the percentages, asset or liability account is divided by the consolidated total assets and revenue or expense account is divided by the total consolidated net revenue of the same year.

Note 4: The terms for the transactions between the transacting company and related parties are similar to those for unrelated parties.

Note 5: Referring to transactions exceeding New Taiwan dollars \$100 million.