(2) To coordinate with the statement of cash flows this period, the bank reclassifies the "Due from the Central Bank and Other Banks" of previous period that meet the definition of "Cash and Cash Equivalents" in IAS 7 which were ratified by the FSC as follows:

Date	Before the reclassification	Adjustment	After the Reclassification
Dec. 31, 2013	$24,310,989	($1,273,418)	$23,037,571

6.2 Due from Central Bank and Call Loans to Banks

Item	Dec. 31, 2014	Dec. 31, 2013
Deposit reserve:		
Category A	$6,301,201	$2,229,126
Category B	5,979,927	5,102,088
Foreign currency deposits	15,803	10,180
Due from Central Bank－National Treasury	407	178
Subtotal	$12,297,338	$7,341,572
NCD issued by Central Bank	9,900,000	15,500,000
Due from Central Bank－interbank settlement funds	815,773	370,314
Call loans to banks	158,025	8,388
Total	$23,171,136	$23,220,274

(1) The deposit reserves deposited at the Central Bank of China are determined monthly at prescribed rates based on the average balances of deposits. Category A deposit reserve account is non-interest bearing and withdrawals may be made at any time. Category B reserve account is interest-bearing and no withdrawal is permitted unless upon monthly adjustment of the account or otherwise specifically provided by law.

(2) Please refer to Note 11 for details of NCD issued by the Central Bank of China as security over the various businesses of the Bank and subsidiaries as of December 31, 2014 and 2013.

6.3 Financial Assets at Fair Value Through Profit or Los

Item	Dec. 31, 2014	Dec. 31, 2013
Financial assets held for trading:		
Short-term notes	$10,691,968	$1,510,437
Fund	7,375	－
Stocks	－	1,235
Bonds (government, financial and corporate)	271,177	72,110
Subtotal	$10,970,520	$1,583,782
Derivative instruments		
Forwards	$3,429	$1,789
Foreign exchange swaps	1,765	4,850
Subtotal	$5,194	$6,639
Total	$10,975,714	$1,590,421

(1) Please refer to Note 6.16 for details of derivative contracts that have yet to mature as of December 31, 2014 and 2013.

(2) Please refer to Note 11 for details of financial assets held for trading of the Bank and its subsidiaries provided as collateral for the various businesses.

6.4 Available-For-Sale Financial Assets－Net

Item	Dec. 31, 2014	Dec. 31, 2013
Bonds (government, financial and corporate)	$2,948,972	$2,969,893
Stocks	244,964	192,515
Beneficiary securities	56,303	60,923
NCD issued by the Central Bank	19,700,132	10,200,678
Foreign bonds	3,251,142	5,825,593
Subtotal	$26,201,513	$19,249,602
Less: accumulated impairment	(60,264)	－
Total	$26,141,249	$19,249,602

(1) Please refer to Note 11 for details of available-for-sale financial assets held by the Bank and its subsidiaries provided as collateral for the various businesses as of December 31, 2014 and 2013.

(2) The above available-for-sale financial assets of the Bank and its subsidiaries provided as the underlying securities for RP/RS trading as of December 31, 2014 and 2013 amounted to NT$55,700 thousand and $62,200 thousand, respectively.

6.5 Bills and Bonds with Agreements to Resell

Item	Dec. 31, 2014	Dec. 31, 2013
Bills	$12,630,902	$3,350,499
Government bonds	754,416	110,059
Total	$13,385,318	$3,460,558

Bills and bonds with agreements to resell held by the Bank and its subsidiaries will be sold at agreed prices of $13,389,557 thousand and $3,461,566 thousand, respectively after December 31, 2014 and 2013. As of December 31, 2014 and 2013, bonds with resell agreements were not provided as underlying securities for repurchase agreements.

6.6 Accounts Receivable－Net

Item	Dec. 31, 2014	Dec. 31, 2013
Credit card fees receivable	$198,824	$164,681
Accounts receivables from credit card issuers	9,825	15,280
Subtotal	$208,649	$179,961
Interest receivable	372,456	381,552
Revenues receivable	135,240	136,273
Acceptances receivable	118,283	34,778
Other receivable	74,321	79,469
Total	$908,949	$812,033
Less: allowance for doubtful accounts	(53,663)	(54,533)
Net	$855,286	$757,500

6.7 Current Income Tax Assets/Liabilities

(1) Income tax expense

Item	2014	2013
Current income tax		
Current tax expense	$30,740	$42,625
10% Surtax on undistributed retained earnings	623	11,532
Adjustment for prior periods	6,385	(5,411)
Subtotal	$37,748	$48,746
Deferred tax expense		
Origination and reversal of temporary differences	($36,309)	$11,268
Subtotal	($36,309)	$11,268
Income tax expense (benefit)	$1,439	$60,014

The Bank and its subsidiaries expect to recover current income tax assets within 12 months of December 31, 2014 and 2013 in the amounts of 25,981 thousand and $19,862 thousand; No current asset is expected to be recovered beyond 12 months of the respective balance sheet dates. Current tax liabilities that will be repaid within 12 months of the balance sheet dates were $4,847 thousand and $9,811 thousand, respectively; no tax liability was due beyond 12 months of the respective balance sheet dates.

(2) Differences between pre-tax income and taxable income are reconciled as follows:

An income tax rate of 17% was applicable to the Bank and its subsidiaries for the years ended December 31, 2014 and 2013. Please refer to Note 6.8 for details of deferred income tax items.

the Bank and its subsidiaries pre-tax income multiplied by the statutory tax rate and income tax expense were reconciled as follows:

Item	2014	2013
Pre-tax income	$511,330	$479,119
Income tax from pre-tax income calculated at a statutory rate of 17%	$86,926	$81,450
Adjustments:		
Effects of income tax exemption	25,136	(39,926)
Effects of other tax adjustments		
Tax-book difference on the disposal of debt investments without an active market	(82,835)	—
Loss deductible	—	(14,727)
other	1,513	(10,064)
Differences in general tax amounts and basic tax amounts	—	25,892
10% Surtax on undistributed retained earnings	623	11,532
Income tax adjustment for prior period	6,385	(5,411)
Net changes in deferred tax assets	(36,309)	11,268
Income tax expense (benefit)	$1,439	$60,014

(3) Please see Note 6 (24)- other equity for details of tax effects of other comprehensive income items.

(4) As of December 31, 2014, the income tax returns of the Bank, Insurance Agency and General Insurance Agency have been assessed by the tax authorities through to 2012.

(5) Imputation Tax System and Other Information:

Item	Dec. 31, 2014	Dec. 31, 2013
Balance of imputation tax credit	$200,053	$170,660
Unappropriated earnings-before June 30, 1998	—	—
Unappropriated earnings-July 1, 1998 & thereafter	494,005	214,246

Item	2014	2013
Ratio of deductible tax credit for the appropriation of earnings	20.48% (Estimated)	20.48% (Actual)

The tax credit distributed to individual shareholders is computed based on the balance of the imputation credit account as of the dividend distribution date. As such, the Bank anticipates that the imputation tax credit rate used for appropriation of the 2014 earnings may differ from the tax credit rate applicable when distributed.

(6) Details of income tax credits the Bank and its subsidiaries were entitled to pursuant to the Statue for Upgrading Industry as of December 31, 2014: None.

6.8 Deferred Tax Assets/Liabilities

(1) Deferred income tax assets and liabilities are offset on the balance sheet when the Bank and its subsidiaries have a legally enforceable right to do so and that they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities for years 2014 and 2013 were calculated by multiplying all temporary differences by the weighted-average effective tax rate of 17%.

Item	Dec. 31, 2014	Dec. 31, 2013
Deferred tax assets		
Deferred tax assets- recoverable in more than 12 months		
—Unrealized expense on provision of employees' pension	$144,803	$132,629
—Allowance for bad debt in excess of the limit	10,646	—
—Unrealized amount of impairment loss	10,245	—
—Other	2,142	1,364
Subtotal	$167,836	$133,993
Deferred tax assets- recoverable in less than 12 months		
—Other	$3,067	($172)
Subtotal	$3,067	($172)
Deferred income tax assets-net	$170,903	$133,821

(2) Unrecognised deferred income tax assets

As of December 31, 2014 and 2013, the balance of unrecognized deferred income tax assets was nil as of the respective balance sheet dates.

(3) Changes in deferred income tax assets

Item	2014	2013
Balance, January 1	$133,821	$141,926
Amount recognised in current income	36,309	(11,268)
Amount recognised in other comprehensive income	773	3,163
Balance, December 31	$170,903	$133,821

(4) Deferred income tax assets recognized in current income:

Item	2014	2013
Unrealized expense on provision of employees' pension	$7,730	$5,459
Carry-forward loss	—	(13,620)
Allowance for bad debt in excess of the limit	10,646	—
Impairment loss	10,245	—
Other	7,688	(3,107)
Deferred tax benefit (expense)	$36,309	($11,268)

(5) Deductible temporary difference and unused tax losses within the scope that are probable to offset taxable income are recognized by the Bank and subsidiaries as deferred income tax. The recoverability of deferred income tax assets recognized by the Bank and its subsidiaries as of in December 31, 2014 was assessed on the basis of profitability projections for the next 10 years. The Bank and its subsidiaries shall make adjustments to the recognized deferred tax asset amounts accordingly shall there be subsequent changes in the profitability assumptions. As of December 31, 2014, tax losses or amounts recoverable recognised as deferred income tax assets were both nil.

6.9 Discounts and Loans—Net

Item	Dec. 31, 2014	Dec. 31, 2013
Discounts	$20,033	$1,001
Overdrafts	40,597	464,145
Short-term loans	44,674,961	54,386,478
Short-term secured loans	18,664,846	15,569,546
Medium-term loans	23,849,278	21,941,064
Medium-term secured loans	23,608,922	24,546,631
Long-term loans	12,894,780	13,192,243
Long-term secured loans	60,250,945	48,526,499
Import/export negotiations	124,617	31,304
Overdue loans	603,285	883,659
Subtotal	$184,732,264	$179,542,570
Less: allowance for doubtful accounts	(1,849,247)	(1,281,095)
Net	$182,883,017	$178,261,475

(1) Please see Note 8.3 (8) for details of evaluation on impairment of discounts and loans and receivables as of December 31, 2014 and 2013.

(2) The Bank and its subsidiaries made appropriate allowance for credit losses arising from discounts, loans and receivables. As of December 31, 2014 and 2013, details for allowance for credit losses in respect of discounts, loans and receivables are as follows:

A. Changes in allowance for credit losses with respect to discounts and loans:

Item	2014	2013
Balance, January 1	$1,281,095	$1,352,574
Provision	646,529	347,737
Write-offs	(217,050)	(505,706)
Recovery of written-off credits	175,401	174,015
Effects of exchange rate changes and others	(36,728)	(87,525)
Balance, December 31	$1,849,247	$1,281,095

B. Changes in allowance for credit losses with respect to accounts receivable:

Item	2014	2013
Balance, January 1	$54,533	$43,341
Provision	(3,422)	14,338
Write-offs	(678)	(3,498)
Recovery of written-off credits	3,452	1,114
Effects of exchange rate changes and others	(222)	(762)
Balance, December 31	$53,663	$54,533

C. Changes allowance for credit losses with respect to overdue accounts other than loans:

Item	2014	2013
Balance, January 1	$9,679	$11,520
Provision	18,972	2,463
Write-offs	(7,608)	(3,872)
Recovery of written-off credits	—	—
Effects of exchange rate changes and others	340	(432)
Balance, December 31	$21,383	$9,679

D. The Bank and its subsidiaries recognized $691,079 thousand bad debt expenses for the year ended December 31, 2014, of which $662,079 thousand were included in allowance for credit losses and $29,000 thousand in guarantee reserves. The Bank and its subsidiaries recognized $400,838 thousand bad debt expenses for the year ended December 31, 2013, of which $364,538 thousand were included in allowance for credit losses and $36,300 thousand in guarantee reserves.

6.10 Held-to-Maturity Financial Assets－Net

Item	Dec. 31, 2014	Dec. 31, 2013
Foreign bonds	$2,551,765	$ —
Bonds	194,574	—
Subtotal	$2,746,339	$ —
Less: accumulated impairment	—	—
Total	$2,746,339	$ —

None the held-to-maturity financial assets used as collateral held by the Bank and subsidiaries as of December 31, 2014 and 2013.

6.11 Other Financial Assets－Net

Item	Dec. 31, 2014	Dec. 31, 2013
Equity investments carried at cost	$1,161,567	$1,118,567
Bond investments with no active market	329,557	555,850
Non-performing loans transferred from accounts other than loans	41,426	19,180
Short-term advances	12,872	29,118
Remittances purchased	—	627
Subtotal	$1,545,422	$1,723,342
Less: allowance for doubtful accounts	(21,383)	(9,679)
Less: Accumulated Impairment- bond investment	(75,899)	(147,332)
Net	$1,448,140	$1,566,331

Changes in accumulated impairment:

Item	2014	2013
Balance, January 1	$147,332	$161,983
Provisions	41,640	27,937
Write-off	(123,503)	(43,570)
Effects of exchange rate changes	10,430	982
Balance, December 31	$75,899	$147,332

6.12 Property and Equipment－Net

	Dec. 31, 2014			
Name of Asset	Cost	Accumulated Depreciation	Accumulated Impairment	Carrying Amount
Land	$2,031,893	$ —	$ —	$2,031,893
Building	1,218,188	426,680	—	791,508
Machinery equipment	605,941	482,890	—	123,051
Transportation equipment	20,851	17,725	—	3,126
Miscellaneous equipment	88,481	79,068	—	9,413
Leasehold improvement	268,852	249,341	—	19,511
Total	$4,234,206	$1,225,704	$ —	$2,978,502

	Dec. 31, 2013			
Name of Asset	Cost	Accumulated Depreciation	Accumulated Impairment	Carrying Amount
Land	$2,031,893	$ —	$190,198	$1,841,695
Building	1,218,188	404,934	—	813,254
Machinery equipment	530,460	480,206	—	50,254
Transportation equipment	22,270	18,285	—	3,985
Miscellaneous equipment	87,547	78,262	—	9,285
Leasehold improvement	268,852	243,243	—	25,609
Total	$4,159,210	$1,224,930	$190,198	$2,744,082

(1) Changes in property and equipment:

Item	Land	Building	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Total
Cost							
Balance, Jan. 1, 2014	$2,031,893	$1,218,188	$530,460	$22,270	$87,547	$268,852	$4,159,210
Additions	—	—	99,175	146	2,559	—	101,880
Disposals	—	—	(23,768)	(1,565)	(1,626)	—	(26,959)
Foreign exchange differences	—	—	74	—	1	—	75
Balance, Dec. 31, 2014	$2,031,893	$1,218,188	$605,941	$20,851	$88,481	$268,852	$4,234,206
Accumulated Depreciation							
Balance, Jan. 1, 2014	$ —	$404,934	$480,206	$18,285	$78,262	$243,243	$1,224,930
Depreciation	—	21,746	26,391	1,005	2,430	6,098	57,670
Disposals	—	—	(23,768)	(1,565)	(1,626)	—	(26,959)
Foreign exchange differences	—	—	61	—	2	—	63
Balance, Dec. 31, 2014	$ —	$426,680	$482,890	$17,725	$79,068	$249,341	$1,255,704
Accumulated Impairment							
Balance, Jan. 1, 2014	$190,198	$ —	$ —	$ —	$ —	$ —	$190,198
Impairment loss reversal in this period	(190,198)	—	—	—	—	—	(190,198)
Balance, Dec. 31, 2014	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Net							
Balance, Dec. 31, 2014	$2,031,893	$791,508	$123,051	$3,126	$9,413	$19,511	$2,978,502

Item	Land	Building	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Total
Cost							
Balance, Jan. 1, 2013	$2,031,893	$1,218,188	$621,583	$24,558	$92,562	$245,641	$4,234,425
Additions	—	—	16,236	539	2,180	23,211	42,166
Disposals	—	—	(107,394)	(2,827)	(7,196)	—	(117,417)
Foreign exchange differences	—	—	35	—	1	—	36
Balance, Dec. 31, 2013	$2,031,893	$1,218,188	$530,460	$22,270	$87,547	$268,852	$4,159,210
Accumulated Depreciation							
Balance, Jan. 1, 2013	$ —	$383,188	$564,260	$20,016	$83,118	$235,647	$1,286,229
Depreciation	—	21,746	23,307	1,096	2,340	7,596	56,085
Disposals	—	—	(107,393)	(2,827)	(7,196)	—	(117,416)
Foreign exchange differences	—	—	32	—	—	—	32
Balance, Dec. 31, 2013	$ —	$404,934	$480,206	$18,285	$78,262	$243,243	$1,224,930
Accumulated Impairment							
Balance, Jan. 1, 2013	$190,198	$ —	$ —	$ —	$ —	$ —	$190,198
Impairment loss	—	—	—	—	—	—	—
Balance, Dec. 31, 2013	$190,198	$ —	$ —	$ —	$ —	$ —	$190,198
Net							
Balance, Dec. 31, 2013	$1,841,695	$813,254	$50,254	$3,985	$9,285	$25,609	$2,744,082

(2) Reconciliation of property and equipment additions with the cash flow:

Item	Dec. 31, 2014	Dec. 31, 2013
Property and equipment additions	$101,880	$42,166
Foreign exchange differences	12	4
Decommissioning liabilities	—	(2,777)
Consideration paid for property and equipment	$101,892	$39,393

(3) The land situated at Hsin Hsing District owned by the Bank and its subsidiaries was a land acquired by the Bank prior to privatization of the Bank, and was planned to be used as the business premise of the Bank and subsidiaries. However, after privatization of the Bank, the Bank is no longer a governmental institution and due to the zoning restrictions, the Bank and subsidiaries had applied to the Kaohsiung Municipal Government in writing to alter the zoning registration, which was approved in March, 2013.

(4) As of December 31, 2014 and 2013, the insured amounts for property and equipment were $1,973,286 thousand and $ 1,944,849 thousand, respectively.

6.13 Intangible Assets－Net

Item	Dec. 31, 2014	Dec. 31, 2013
Cost of computer software	$197,519	$159,760
Less: Aaccumulated amortisation	(133,202)	(118,445)
Accumulated impairment	—	—
Net	$64,317	$41,315

Changes in intangible assets:

Item	2014	2013
Cost		
Balance, January 1	$159,760	$151,619
Additions	37,759	8,141
Disposals	—	—
Balance, December 31	$197,519	$159,760
Accumulated amortisation		
Balance, January 1	$118,445	$101,382
Amortisation expense	14,757	17,063
Disposals	—	—
Balance, December 31	$133,202	$118,445
Accumulated Impairment		
Balance, January 1	$ —	$ —
Impairment loss	—	—
Balance, December 31	$ —	$ —
Intangible assets, net	$64,317	$41,315

6.14 Other Assets－Net

Item	Dec. 31, 2014	Dec. 31, 2013
Refundable deposits	$31,431	$32,337
Miscellaneous assets	8,780	4,136
Prepayments	28,941	22,508
Total	$69,152	$58,981

6.15 Due to Central Bank of China and Other Banks

Item	Dec. 31, 2014	Dec. 31, 2013
Due to the Central Bank	$75,801	$74,907
Due to banks	194,617	112,487
Due to Chunghwa Post	783,072	794,472
Overdrafts on banks	557,576	534,499
Calls loan from other (central) banks	7,908,063	13,508,300
Total	$9,519,129	$15,024,665

6.16 Financial Liabilities at Fair Value Through Profit or Loss

Item	Dec. 31, 2014	Dec. 31, 2013
Derivatives		
Forwards	$2,385	$857
Foreign exchange swaps	20,852	4,764
Total	$23,237	$5,621

The Bank and subsidiaries engaged in derivative transactions for the years ended December 31, 2014 and 2013 for the purpose of meeting clients' trading needs, squaring the Bank's positions, meeting the Bank's funding requirements in different currencies and hedging against risks arising from interest rate fluctuations. The hedging strategy of the Bank and subsidiaries primarily aims at hedging against risks arising from market price or cash flow fluctuations. As of December 31, 2014 and 2013, the contractual amounts (notional principal) of the derivative contracts held by the Bank and subsidiaries were as follows:

Item	Contractual Amount	
	Dec. 31, 2014	Dec. 31, 2013
Forward exchange contracts	225,908	246,395
Foreign exchange swap contracts	2,518,919	1,162,657

6.17 Bills and Bonds Sold with Agreement to Repurchase

Item	Dec. 31, 2014	Dec. 31, 2013
Bills	$ —	$ —
Government bonds	61,121	68,019
Total	$61,121	$68,019

The purchase considerations for bills and bonds sold with agreement to repurchase after December 31, 2014 and 2013 were $61,199 thousand and $68,136 thousand.

6.18 Payables

Item	Dec. 31, 2014	Dec. 31, 2013
Payroll transfers payable	$1,123,991	$1,122,257
Checks for clearing	592,723	505,160
Interest payable	375,147	356,429
Accrued expenses	233,596	194,051
Outstanding bills for collection	203,055	205,641
Acceptances	118,283	34,778
Collections for others	72,910	218,872
Accounts payable	8,866	13,488
Other payables	143,492	96,543
Total	$2,872,063	$2,747,219

6.19 Deposits and Remittances

Item	Dec. 31, 2014	Dec. 31, 2013
Checking account deposits	$2,414,512	$2,158,202
Public treasury deposits	13,470,305	12,323,322
Demand deposits	24,943,820	21,236,799
Time deposits	83,681,036	58,184,960
Negotiable certificate of deposits	411,800	404,300
Demand savings deposits	49,790,165	47,034,166
Time savings deposits	62,215,645	57,343,514
Remittances	168	4,681
Total	$236,927,451	$198,689,944

6.20 Bank Debentures

Item	Offering Period Interest Rate	Dec. 31, 2014	Dec. 31, 2013
Subordinate financial debentures First issue, 2007	2007.6.12-2014.6.12 / 1.263%	$ —	$1,000,000
Subordinate financial debentures First issue, 2009	2009.1.20-2016.1.20 / 3.4%	3,000,000	3,000,000
Subordinate financial debentures First issue, 2013	2013.8.6-2020.8.6 / 2.1%	1,300,000	1,300,000
Subordinate financial debentures Second issue, 2013	2013.9.5-2020.9.5 / 2.1%	700,000	700,000
Subordinate financial debentures First issue, 2014	2014.3.25-2021.3.25 / 1.72%-1.738%	1,200,000	—
Subordinate financial debentures Second issue, 2014	2014.10.29-2021.10.29 / 2.35%	650,000	—
Subordinate financial debentures Third issue, 2014	2014.12.3-2021.12.3 / 2.35%	150,000	—
Total		$7,000,000	$6,000,000

6.21 Other Financial Liabilities

Item	Dec. 31, 2014	Dec. 31, 2013
Appropriated loans	$178,408	$131,439
Appropriated loan funds	—	7,264
Total	$178,408	$138,703

Appropriated loan funds described above refer to the various special syndicated loans organized by the Bank and subsidiaries, the Small and Medium Enterprise Development Fund, the National Youth Commission of the Executive Yuan and the Development Fund of the Executive Yuan. The collected funds were entrusted to the Bank by the respective committees to fund special project loans.

6.22 Reserves for Liabilities

Item	Dec. 31, 2014	Dec. 31, 2013
Reserve for employee benefit liabilities	$859,942	$788,335
Reserve for guarantee liabilities	80,300	51,300
Other	15,855	15,855
Total	$956,097	$855,490

(1) Reserves for Employee Benefits

Item	Dec. 31, 2014	Dec. 31, 2013
Recognised in consolidated balance sheet:		
— Defined benefit plan	$816,687	$749,336
— Employee preferential savings plan	43,255	38,999
Total	$859,942	$788,335

A. Defined benefit plan:

(A) The Bank and its subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Bank and its subsidiaries contribute monthly an amount equal to 8% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

(B) The amounts recognized in the consolidated balance sheet were determined as follows:

Item	Dec. 31, 2014	Dec. 31, 2013
Defined benefit obligation	$1,424,209	$1,334,212
Fair value of plan assets	607,522	584,876
Unrecognised past service costs	—	—
Net liabilities recognised in balance sheet	$816,687	$749,336

(C) Changes in the present value of defined benefit obligation:

Item	2014	2013
Defined benefit obligation as of January 1	$1,334,212	$1,258,053
Service cost	89,740	91,697
Interest cost	26,277	24,823
Actuarial gain or loss	24,048	24,339
Benefits paid	(50,068)	(64,700)
Defined benefit obligation as of December 31	$1,424,209	$1,334,212

(D) Changes in the fair value of plan assets:

Item	2014	2013
Fair value of plan assets as of January 1	$584,876	$568,846
Expected return on plan assets	11,786	11,711
Actuarial gain or loss	1,998	(4,434)
Employer contributions	48,424	48,643
Benefits paid	(39,562)	(39,890)
Fair value of plan assets as of December 31	$607,522	$584,876

(E) Total amount of expenses recognised in the consolidated comprehensive income statement:

Item	2014	2013
Service cost	$89,740	$91,697
Interest cost	26,277	24,823
Expected return on plan assets	(11,786)	(11,711)
Pension cost	$104,231	$104,809

Details of pension expenses recognised in the consolidated comprehensive income statement:

Item	2014	2013
Employee benefit expense	$104,231	$104,809

(F) Actuarial loss (gain) recognised in other comprehensive income:

Item	2014	2013
Accumulated balance, January 1	$47,788	$19,015
Increase	22,050	28,773
Accumulated balance, December 31	$69,838	$47,788

(G) The Bank of Taiwan was commissioned to manage the Fund of the Bank's and subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and Article 6 of the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (including deposits in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of fair value of plan assets as of December 31, 2014 and 2013 is given in the Annual Labor Retirement Fund Utilization Report published by the government. Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilization by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

(H) The principal actuarial assumptions used were as follows:

Item	2014	2013
Discount rate	2.00%	2.00%
Future salary increases	2.00%	2.00%
Expected long-term return on plan assets	2.00%	2.00%

(I) Historical information of experience adjustments was as follows:

Item	Dec. 31, 2014	Dec. 31, 2013
Present value of defined benefit obligation	($1,424,209)	($1,334,212)
Fair value of plan assets	607,522	584,876
Surplus/(deficit) in the plan	($816,687)	($749,336)
Experience adjustments on plan liabilities	$24,048	$24,339
Experience adjustments on plan assets	($1,998)	$4,434

B. Defined contribution plan:

(A) Effective July 1, 2005, the Bank and its subsidiaries have established a funded defined contribution pension plan

(the "New Plan") under the Labor Pension Act (the "Act"). Employees have the option to be covered under the New Plan. Under the New Plan, the Bank contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The payment of pension benefits is based on the employees' individual pension fund accounts and the cumulative profit in such accounts, and the employees can choose to receive such pension benefits monthly or in lump sum.

(B) The pension costs under the defined contribution pension plan recognized by the Bank and its subsidiaries for the years ended December 31, 2014 and 2013 were $14,776 thousand and $13,330 thousand, respectively.

C. Employee preferential savings plan:

(A) Please refer to Note 4.19 for details of the payment obligations of fixed-amount preferential savings of the Bank's and subsidiaries' retired employees and current employees after retirement. The employee preferential savings plan is administered in accordance with internal policies.

(B) The amounts recognized in the consolidated balance sheet were determined as follows:

Item	Dec. 31, 2014	Dec. 31, 2013
Defined benefit obligation	$43,255	$38,999
Fair value of plan assets	—	—
Unrecognized past service cost	—	—
Net liabilities recognized in balance sheet	$43,255	$38,999

(C) Changes in fair value of defined benefit obligation:

Item	2014	2013
Defined benefit obligation as of January 1	$38,999	$38,931
Interest cost	1,280	1,277
Actuarial loss (gain)	4,088	(693)
Recognise deficiency in pension expense	14,128	13,945
Benefits paid	(15,240)	(14,461)
Defined benefit obligation as of December 31	$43,255	$38,999

(D) Total amount of expenses recognized in comprehensive income statement

Item	2014	2013
Interest cost	$1,280	$1,277
Adjustments required	14,128	13,945
Pension cost	$15,408	$15,222

Details of the above expenses recognized in the consolidated statement of income:

Item	2014	2013
Employee benefit expense	$15,408	$15,222

(E) Actuarial loss (gain) recognized in other comprehensive income:

Item	2014	2013
Accumulated balance, January 1	($8,718)	($8,025)
Increase	4,088	(693)
Accumulated balance, December 31	($4,630)	($8,718)

(F) The principal actuarial assumptions used were as follows:

Item	2014	2013
Discount rate	4.00%	4.00%
Future pay rise rate	2.00%	2.00%
Expected return on funds deposited	2.00%	2.00%
Annual decreasing ratio for account balance	4.593%	5.837%
Probability of cancellation of preferential savings system in the future	50.00%	50.00%
Deposit rate offered to general clients for similar deposits	2.00%	2.00%

(G) Historical information of experience adjustments was as follows:

Item	Dec. 31, 2014	Dec. 31, 2013
Present value of defined benefit obligation	$43,255	$38,999
Fair value of plan assets	—	—
Surplus/(deficit) in the plan	$43,255	$38,999
Experience adjustments on plan liabilities-loss(gain)	$4,088	($693)
Experience adjustments on plan assets-loss(gain)	$ —	$ —

(2) Changes in reserve for guarantee liabilities:

	2014	2013
Balance at beginning of period	$51,300	$15,000
Provisions (reversals)	29,000	36,300
Balance at end of period	$80,300	$51,300

6.23 Other Liabilities

Item	Dec. 31, 2014	Dec. 31, 2013
Guarantee deposits received	$47,568	$42,132
Advance receipts	96,026	95,565
Temporary receipts and suspense accounts	6,222	7,063
Other	79	89
Total	$149,895	$144,849

6.24 Equity

(1) Ordinary share and capital increase

As of December 31, 2014 and 2013, the Bank's and subsidiaries' authorized capital was $15,000,000 thousand as of the balance sheet dates, while the issued capital was $7,403,514 thousand and $7,210,492 thousand, respectively represented by 740,351 thousand shares and 721,049 thousand shares, respectively, with a par value of $10 per share.

Shareholders of the Bank, in the shareholders' meeting held on June 19, 2014, adopted the proposal for appropriation of the 2013 earnings, which involved capital increase by capitalising shareholders' bonus in the amount of $43,263 thousand, capital surplus in the amount of $144,210 thousand and employee profit sharing in the amount of $5,127 thousand (The number of shares, 554 thousand at NT$9.24 per share was issued with a face value of NT$5,549 thousand, which was determined by the closing price, NT$9.51, of the day before the resolution date of the Shareholders' Meeting, after taking into account the influence of the ex-right and ex-dividend factors.). The aforesaid capital increase proposal was approved by the FSC on July 31, 2014 authorizing the Bank to issue a total of 19,302 common shares with a par value of $10. The ex-dividend date for the capital increase was scheduled to be August 26, 2014.

(2) Capital surplus

Item	Dec. 31, 2014	Dec. 31, 2013
Surplus arising from issuance of new shares at a premium	$1,872,334	$2,016,544
Endowment received	61	61
Surplus arising from employee bonus	—	—
Total	$1,872,395	$2,016,605

The Company Act provides that capital surplus arising from issuance of new shares at a premium and endowment received may be used to offset accumulated loss. Where a company incurs no loss, it may, distribute its capital surplus by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash. The Securities and Exchange Act also prescribes that the total amount of capital surplus capitalized for issuance of new shares shall not exceed 10% of the total issued capital per year. A company shall not use the capital reserve to recover its capital loss, unless the surplus reserve is insufficient to recover such loss.

(3) Legal reserve

A company shall set aside a legal reserve until its balance equals the amount of total issued capital. Legal reserve may be used to offset loss. Amendments to the Company Act announced on January 4, 2012 provide that the portion of the legal reserve exceeding 25% of paid-in capital may be capitalized or distributed by cash. On the other hand, the Banking Law provides that prior to the balance of legal reserve reaching total paid-in capital, the maximum amount distributed by cash shall not exceed 15% of total paid-in capital.

(4) Special reserve

In addition to the legal reserve, the Bank shall set aside a special reserve in accordance with the Articles of Incorporation or regulatory requirements. As of December 31, 2014 and 2013, the Company's special surplus amounted to $86,057 thousand and $0, respectively.

(5) Other equity items

Item	Exchange differences on translation of financial statements of foreign operations	Available-for-sale financial assets	Other	Total
Balance, January 1, 2014	$1,822	($88,333)	$454	($86,057)
Foreign currency translation adjustments				
—Gain or loss on translating the financial statements of foreign operating entities in the period	21,592	—	—	21,592
—Tax effects on Gain or loss on translating the financial statements of foreign operating entities in the period	(3,670)	—	—	(3,670)
Available-for-sale financial assets				
—Unrealized (loss) gain on available- for-sale financial assets	—	125,749	—	125,749
—Reclassification of accumulated (gain) or loss on disposal of available- for-sale financial assets to income statement	—	(40,845)	—	(40,845)
Other				
—Movements in current period	—	—	(48)	(48)
Balance, December 31, 2014	$19,744	($3,429)	$406	$16,721

Item	Exchange differences on translation of financial statements of foreign operations	Available-for-sale financial assets	Other	Total
Balance, January 1, 2013	($6,042)	$107,961	$487	$102,406
Foreign currency translation adjustments				
—Gain or loss on translating the financial statements of foreign operating entities in the period	9,475	—	—	9,475
—Tax effects on Gain or loss on translating the financial statements of foreign operating entities in the period	(1,611)	—	—	(1,611)
Available-for-sale financial assets				
—Unrealized (loss) gain on available- for-sale financial assets	—	(141,605)	—	(141,605)
—Reclassification of accumulated (gain) or loss on disposal of available- for-sale financial assets to income statement	—	(54,689)	—	(54,689)
Other				
—Movements in current period	—	—	(33)	(33)
Balance, December 31, 2013	$1,822	($88,333)	$454	($86,057)

A. Unrealized gains or losses arising from available-for-sale financial assets refer to accumulated gains or losses arising from available-for-sale financial assets revalued at fair value, which were recognized in other comprehensive income, less any amount that was reclassified to income statement upon disposal or impairment of such assets.

B. The income tax effects of other comprehensive income items:

FY 2014:

Item	Exchange differences on translation of financial statements of foreign operations	Available-for-sale financial assets	Actuarial gain or loss arising from defined benefit plan	Total
Pre-tax amount	$21,592	$84,904	($26,138)	$80,358
Income tax effects	(3,670)	—	4,443	773
Net of tax	$17,922	$84,904	($21,695)	$81,131

FY 2013:

Item	Exchange differences on translation of financial statements of foreign operations	Available-for-sale financial assets	Actuarial gain or loss arising from defined benefit plan	Total
Pre-tax amount	$9,475	($196,294)	($28,080)	($214,899)
Income tax effects	(1,611)	—	4,774	3,163
Net of tax	$7,864	($196,294)	($23,306)	($211,736)

6.25 Retained Earnings and Dividend Policy

Item	2014	2013
Unappropriated earnings at beginning of period	$214,246	$75,776
Recognized the legal reserve	(64,274)	(115,861)
Recognized the special reserve	(86,057)	—
Stock dividend	(43,263)	(127,251)
Cash dividend	(14,421)	(14,139)
Employee bonuses capitalized	(422)	(78)
Actuarial gain or loss — employee pension liabilities	(18,302)	(23,881)
Actuarial gain or loss — employee preferential savings	(3,393)	575
Net income(loss)	509,891	419,105
Unappropriated earnings at end of period	$494,005	$214,246

(1) According to the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating loss, and 30% of the remaining amount should then be set aside as legal reserve. A provision for or reversal of the special reserve shall be determined in accordance with provisions under the applicable laws and regulations and according to actual business requirements. The remaining earnings are then distributed as follows: (1) 2% to as remuneration to directors; (2) 8% as bonuses to employees; and (3) 90% for distribution of dividends to shareholders. The Board of directors may, depending on future business requirements and profitability, retain all or part of earnings. Distribution of dividends to shareholders may be determined according to current earnings and business development requirements with the Board of Directors proposing to the shareholders' meeting to make adjustments to the percentage of earnings to be distributed as cash dividends and stock dividends, to the extent that cash dividends shall be no less than 5% of stock dividends distributed in the current year. The maximum amount of earnings that may be distributed prior to the legal reserve reaching the total amount of paid-in capital or prior to the capital adequacy level reaching the required standard as set out in the Banking Law, shall be subject to the provisions of the Banking Law and laws and regulations prescribed by the competent authority.

(2) Legal reserve may not be appropriated unless used to offset prior year's loss or the portion of the legal reserve exceeding 25% of paid-in capital may be distributed by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash.

(3) A. In accordance with Article 41 of the Securities and Exchange Act, in addition to provision for legal reserve, a company is required to set aside a portion of earnings as special reserve equivalent to the balance of contra equity accounts (such as unrealized gain or loss of financial instruments, cumulative translation adjustments etc). Subsequent reversal of any contra equity amounts may be distributed.

B. Reversal of special reserve set aside in accordance with Gin-Guan-Zheng-Fa letter No. 1010012865 of FSC dated on April 6, 2012 upon the first-time adoption of IFRSs to retained earnings shall be based on the proportion of the original ratio of special reserve upon subsequent use, disposal or reclassification of related assets.

(4) The Bank estimates the percentage of earnings that will be distributed as employee bonuses or remuneration to directors and supervisors in accordance with the Articles of Incorporation and with reference to the average percentage of distribution for prior years as resolved by shareholders' meeting. The Bank recognized the estimated costs of $32,900 thousand and $13,200 thousand as employees' bonuses and $8,220 thousand and $3,300 thousand as remuneration to directors and supervisors for years 2014 and 2013, respectively. The difference, if any, is treated as changes in accounting estimates and will be adjusted in the year in which shareholders approved the actual amounts to be distributed.

(5) Appropriation of earnings for 2013 and 2012 resolved by the shareholders' meeting in June 2014 and June 2013, respectively and earnings per share:

Item	Earnings Appropriation		EPS ($)	
	2013	2012	2013	2012
Legal reserve	$64,274	$115,861		
Special reserve	86,057	—		
Common shares cash dividend	14,421	14,139	0.02	0.02
Common shares stock dividend	43,263	127,251	0.06	0.18
Total	$208,015	$257,251		

Information on the appropriation of the Bank's earnings as approved by the Board of Directors and in the shareholders' meeting is posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(6) In 2014, shareholders resolved in the shareholders' meeting to distribute $5,127 thousand and $1,282 thousand as employee bonuses and remuneration to directors and supervisors, respectively, resulting in differences of $13,200 thousand in employee bonuses and $3,300 thousand in remuneration to directors and supervisors compared to amounts recognized in the 2013 financial statements which were, $8,073 thousand and $2,018 thousand, respectively. The aforesaid differences will be adjusted in the year of shareholders' resolution.

(7) The profit distribution proposed by the Board of Directors on March 26, 2015 was as follows:

Item	2014	
	Amount	EPS ($)
Legal reserve	$148,202	
Common shares cash dividend	22,211	0.03
Common shares stock dividend	347,965	0.47
Total	$518,378	

The employee bonus sharing was NT$32,905 thousand and the compensation for directors was NT$8,226 thousand according to the profit distribution proposed by the Board of Directors on March 26, 2015. The aforementioned proposal for the 2014 compensation of the directors and employee bonuses and the distribution of profits has not been resolved by the Shareholders' Meeting up to March 26, 2015.

6.26 Net interest Income

Item	2014	2013
Interest income		
Interest from bills discounted and loans	$3,937,652	$3,591,204
Interest from deposits and call loans from other banks	203,200	178,458
Interest from securities investment	402,147	348,293
Credit card revolving interest income	938	1,114
Other interest income	69,743	40,270
Subtotal	$4,613,680	$4,159,339
Interest expense		
Interest expenses from deposits	$1,787,313	$1,617,178
Interest expenses from interbank overdraft and call loans	188,486	139,857
Interest expenses on financial debentures	168,604	130,702
Other interest expenses	1,396	2,275
Subtotal	$2,145,799	$1,890,012
Net interest income	$2,467,881	$2,269,327

Interest accrued on financial assets on which an impairment has occurred for the years 2014 and 2013 was $11,787 thousand and $14,511 thousand, respectively.

6.27 Commission and Fee Revenues－Net

Item	2014	2013
Service fee revenue		
Service fee revenue－trust business	$123,294	$109,718
Service fee revenue－guarantees	47,115	41,421
Service fee revenue－foreign exchange	8,737	9,203
Service fee revenue－loans	65,898	54,671
Credit card service fee revenue	13,441	13,943
Agency fee revenue	251,880	234,201
Deposit and remittance service fee revenue and other service fee revenue	37,481	36,631
Subtotal	$547,846	$499,788
Service fee expense		
Service fee expense- foreign exchange	$6,575	$6,129
Deposit and remittance service fee expense and other service fee expenses	42,053	35,350
Subtotal	$48,628	$41,479
Net service fee revenue	$499,218	$458,309

The Bank and its subsidiaries provide custodian, trust, investment management and consulting services to third parties, which involve the planning, management and decision-making in determining the use of financial instruments. Assets managed under a trust fund or in an investment portfolio are separately presented in separate accounts and financial statements and are not included in the Bank's and subsidiaries' financial statements.

6.28 Financial Assets or Financial Liabilities at Fair Value Through Profit or Loss

Item	2014	2013
Gain and loss from disposal of financial assets and liabilities at fair value through profit or loss		
Interest income	$31,596	$15,020
Stock dividends	70	1,639
Gain (loss) on disposal－non-derivative instruments	2,487	3,753
Gain (loss) on disposal－derivative instruments	(137,342)	41,546
Subtotal	($103,189)	$61,958
Valuation gains and losses on financial assets and liabilities at fair value through profit or loss		
Non-derivative instruments	($1,347)	($6,405)
Derivative instruments	(19,060)	301
Subtotal	($20,407)	($6,104)
Total	($123,596)	$55,854

6.29 Realized Gain or (Loss) on Available-for-Sale Financial Assets－Net

Item	2014	2013
Stock dividend	$4,083	$4,225
Gain on disposal		
Bond	32,597	103,633
Stock and funds	12,629	6,386
Subtotal	$45,226	$110,019
Loss on disposal		
Bond	$18,821	$51,722
Stock and funds	6,986	3,608
Subtotal	$25,807	$55,330
Total	$23,502	$58,914

6.30 Impairment (Reversal Gain) of Assets

Item	2014	2013
Gain on reversal of impairment loss on property, plant and equipment	$190,198	$ —
Impairment loss on available-for-sale financial assets	(60,264)	—
Loss on impairment of financial assets with no active market	(41,640)	(9,367)
Loss on impairment of financial assets carried at cost	—	(18,570)
Total	$88,294	($27,937)

6.31 Other Net Non-Interest Income

Item	2014	2013
Compensation income	$36,051	$ —
Revenues from converting unpaid accounts payable	11,554	10,702
Revenues from converting Lehman Brothers Distribution	6,810	51,267
Rent revenues	6,436	5,023
Other net gain or (loss)	14,229	12,725
Total	$75,080	79,717

Please refer to Note 12.2 for details of amounts received with respect to the Lehman Brothers investments that were transferred to income.

6.32 Net gain (loss) on financial assets carried at cost

Item	2014	2013
Gain on financial assets carried at cost—		
Dividend income	$51,537	$36,097
Compensation for directors and supervisors	1,251	484
Total	$52,788	36,581

6.33 Net investment gain (loss) on debts investment without an active market

Item	2014	2013
Gain (loss) on disposal—bonds	$89,499	$ —

6.34 Employee Benefit Expense

Item	2014	2013
Wages and salaries	$1,203,240	$1,150,859
Labor and health insurance fees	95,255	90,837
Pensions costs (Note)	134,759	136,352
Other employee benefits	10,670	10,081
Total	$1,443,924	$1,388,129

The numbers of employees at the Bank and its subsidiaries as of December 31, 2014 and 2013 were 949 and 960, respectively.

(Note): Included compensation payments amounting to $344 thousand and $2,991 thousand, respectively.

6.35 Depreciation and Amortization Expense

Item	2014	2013
Depreciation expense- property and equipment	$57,670	$56,085
Amortisation expense- intangible assets and other assets	17,119	18,990
Total	$74,789	$75,075

6.36 Other Business and Administrative Expense

Item	2014	2013
Taxes and dues (Note)	$190,211	$114,719
Rental expense	121,488	119,273
Insurance expenses	85,454	81,230
Professional service fees	52,258	49,201
Repair expense	36,051	41,233
Utility expense	25,574	24,145
Consumables	21,139	24,147
Business promotion and advertising expenses	17,644	17,594
Postage & handling	13,345	13,877
Other	115,733	108,685
Total	$678,897	$594,104

(Note): The gross business tax rate of the sales amount in the banking industry was restored from 2% to 5% since July 1, 2014 according to Article 11 of the Value-added and Non-value-added Business Tax Act.