# KGI Bank and Subsidiaries

## Consolidated Financial Statements for the Six Months Ended June 30, 2015 and 2014 and Independent Auditors' Report

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
KGI Bank

We have audited the accompanying consolidated balance sheets of KGI Bank (the "Bank") and subsidiaries as of June 30, 2015, and December 31, 2014 as restated, and the related consolidated statements of comprehensive income for the three and six months ended June 30, 2015, and changes in equity and cash flows for the six months ended June 30, 2015. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. As stated in the note 1 of consolidated financial report, the business transfer for the Bank and its affiliate, China Development Industrial Bank, is pertaining to the organization restructuring under common control, regarding the date China Development Financial Holding Corporation had control over the Bank as the date for consolidation and retroactively restated the prior years' financial statements which audited by other certified public accountants. Therefore, we express opinion according to other certified public accountants' audit report toward the restated consolidated financial statements. The Bank's consolidated financial statements as of June 30, 2014 were audited by other certified public accountants which issue an unqualified opinion on August 11, 2014.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those regulations 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, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Bank and subsidiaries as of June 30, 2015 and December 31 2014 as restated, their consolidated financial performance for the three and six months ended June 30, 2015, and their cash flows for the six months ended June 30, 2015, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of the Bank as of and for the six months ended June 30, 2015 and 2014 on which we have issued a modified unqualified opinion thereon, respectively.

August 20, 2015

*Notice to Readers*

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

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

## KGI BANK AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**
**(In Thousands of New Taiwan Dollars)**

| | June 30, 2015 | | December 31, 2014 (After Restated) | | June 30, 2014 | |
|---|---|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| CASH AND CASH EQUIVALENTS (Notes 6 and 41) | $ 9,024,605 | 2 | $ 10,017,697 | 2 | $ 2,887,775 | 2 |
| DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 7 and 42) | 75,433,971 | 14 | 31,265,022 | 6 | 9,571,540 | 6 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Note 8) | 44,513,563 | 8 | 53,033,387 | 10 | 243,538 | - |
| SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 9) | 30,346,398 | 5 | 23,414,342 | 4 | - | - |
| RECEIVABLES, NET (Notes 10, 11, 41 and 42) | 49,498,130 | 9 | 58,502,227 | 10 | 9,271,105 | 6 |
| CURRENT TAX ASSETS (Note 38) | 66,531 | - | 82,754 | - | 73,079 | - |
| DISCOUNTS AND LOANS, NET (Notes 12 and 41) | 221,182,539 | 40 | 225,777,475 | 40 | 99,620,463 | 59 |
| AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 13 and 42) | 104,467,021 | 19 | 119,149,063 | 21 | 10,457,567 | 6 |
| HELD-TO-MATURITY FINANCIAL ASEETS, NET (Note 14) | - | - | 18,600,000 | 3 | 19,700,000 | 12 |
| INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Note 15) | 703,687 | - | 710,350 | - | 42,706 | - |
| OTHER FINANCIAL ASSETS (Notes 16 and 42) | 356,849 | - | 4,282,840 | 1 | 4,288,001 | 2 |
| PROPERTY AND EQUIPMENT, NET (Note 17) | 5,804,889 | 1 | 5,804,333 | 1 | 6,165,076 | 4 |
| INVESTMENT PROPERTY, NET (Notes 18 and 42) | 562,255 | - | 564,101 | - | 19,564 | - |
| INTANGIBLE ASSETS, NET | 182,765 | - | 185,373 | - | 136,109 | - |
| DEFERRED TAX ASSETS | 5,062,050 | 1 | 5,293,992 | 1 | 5,365,815 | 3 |
| OTHER ASSETS, NET (Notes 19 and 42) | 4,209,984 | 1 | 6,799,108 | 1 | 609,152 | - |
| TOTAL | $ 551,415,237 | 100 | $ 563,482,064 | 100 | $ 168,451,490 | 100 |
| **LIABILITIES AND EQUITY** | | | | | | |
| LIABILITIES | | | | | | |
| Deposits from the Central Bank and banks (Notes 20 and 41) | $ 2,861,426 | 1 | $ 12,680,778 | 2 | $ 1,562,718 | 1 |
| Financial liabilities at fair value through profit or loss (Note 8) | 15,167,796 | 3 | 24,353,584 | 5 | 604 | - |
| Notes and bonds issued under repurchase agreements (Notes 8, 13 and 21) | 60,806,888 | 11 | 68,828,445 | 12 | 2,970,694 | 2 |
| Payables (Notes 22 and 41) | 5,379,326 | 1 | 4,327,750 | 1 | 3,286,855 | 2 |
| Current tax liabilities (Notes 38 and 41) | 34,646 | - | 15,249 | - | 11,272 | - |
| Deposits and remittances (Notes 23 and 41) | 354,771,515 | 64 | 316,576,347 | 56 | 141,760,860 | 84 |
| Bank debentures payable (Note 24) | 2,575,943 | 1 | 12,540,304 | 2 | - | - |
| Principal received on structured notes | 44,603,142 | 8 | 60,671,951 | 11 | - | - |
| Commercial paper payable, net (Note 25) | 1,065,521 | - | 906,537 | - | - | - |
| Other borrowings (Notes 26 and 41) | 5,210,947 | 1 | 5,051,655 | 1 | - | - |
| Other financial liabilities | 7,418 | - | 12,114 | - | 14,173 | - |
| Provisions (Notes 27 and 28) | 288,116 | - | 514,347 | - | 157,739 | - |
| Deferred tax liabilities | 109,911 | - | 90,441 | - | 65,978 | - |
| Other liabilities (Note 29) | 1,726,731 | - | 1,760,677 | - | 796,069 | - |
| Total liabilities | 494,609,326 | 90 | 508,330,179 | 90 | 150,626,962 | 89 |
| EQUITY (Note 30) | | | | | | |
| Equity attributable to owners of parent | | | | | | |
| Capital | | | | | | |
| Common stock | 46,061,623 | 8 | 15,307,334 | 3 | 15,262,249 | 9 |
| Advance receipts for capital stock | - | - | - | - | 7,629 | - |
| Total capital | 46,061,623 | 8 | 15,307,334 | 3 | 15,269,878 | 9 |
| Capital surplus | | | | | | |
| Additional paid-in capital | 7,245,710 | 1 | 21,275 | - | 5,961 | - |
| Other capital surplus | 445 | - | 116,056 | - | 147,983 | - |
| Total capital surplus | 7,246,155 | 1 | 137,331 | - | 153,944 | - |
| Retained earnings | | | | | | |
| Legal reserve | 1,626,036 | 1 | 915,755 | - | 915,755 | 1 |
| Special reserve | - | - | 142,987 | - | 142,987 | - |
| Unappropriated earnings | 1,076,972 | - | 2,405,405 | 1 | 1,364,450 | 1 |
| Total retained earnings | 2,703,008 | 1 | 3,464,147 | 1 | 2,423,192 | 2 |
| Exchange differences on translation of foreign financial statements | 58,060 | - | 36,313 | - | (1,149) | - |
| Unrealized gains (losses) on available-for-sale financial assets | 530,765 | - | (31,466) | - | (21,337) | - |
| Total equity of parent company | 56,599,611 | 10 | 18,913,659 | 4 | 17,824,528 | 11 |
| Equity to the former owner of business combination under common control | - | - | 36,018,251 | 6 | - | - |
| Non-controlling interests | 206,300 | - | 219,975 | - | - | - |
| Total equity | 56,805,911 | 10 | 55,151,885 | 10 | 17,824,528 | 11 |
| TOTAL | $ 551,415,237 | 100 | $ 563,482,064 | 100 | $ 168,451,490 | 100 |

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

(With Deloitte & Touche audit report dated August 20, 2015)

## KGI BANK AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | For the Three Months Ended June 30 | | | | For the Six Months Ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | 2015 | | 2014 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| INTEREST REVENUES (Notes 31 and 41) | $ 2,918,624 | 102 | $ 1,552,184 | 103 | $ 6,015,585 | 109 | $ 3,103,833 | 103 |
| INTEREST EXPENSES (Notes 31 and 41) | (984,260) | (34) | (392,986) | (26) | (2,043,259) | (37) | (782,362) | (26) |
| NET INTEREST | 1,934,364 | 68 | 1,159,198 | 77 | 3,972,326 | 72 | 2,321,471 | 77 |
| NET REVENUES OTHER THAN INTEREST | | | | | | | | |
| Service fee income, net (Notes 32 and 41) | 363,717 | 13 | 320,941 | 21 | 739,467 | 13 | 614,182 | 20 |
| Gains on financial assets or liabilities measured at fair value through profit or loss, net (Note 33) | 64,969 | 2 | 2,006 | - | 4,333 | - | 33,592 | 1 |
| Realized gains (losses) on available-for-sale financial assets, net (Note 34) | 368,659 | 13 | (5,419) | - | 541,848 | 10 | (35,042) | (1) |
| Foreign exchange gain, net | 67,918 | 2 | 15,581 | 1 | 166,993 | 3 | 60,359 | 2 |
| Share of the profit of associates for using equity method | 7,942 | - | 6,921 | - | 21,209 | - | 12,073 | - |
| Other non-interest income, net (Notes 35 and 41) | 51,803 | 2 | 10,441 | 1 | 96,202 | 2 | 19,636 | 1 |
| Total net revenues other than interest | 925,008 | 32 | 350,471 | 23 | 1,570,052 | 28 | 704,800 | 23 |
| TOTAL NET REVENUE | 2,859,372 | 100 | 1,509,669 | 100 | 5,542,378 | 100 | 3,026,271 | 100 |
| REVERSAL OF BAD DEBTS EXPENSE AND GUARANTEE LIABILITY PROVISION | 447,993 | 16 | 274,743 | 18 | 610,753 | 11 | 463,688 | 15 |
| OPERATING EXPENSES (Notes 28, 36, 37 and 41) | | | | | | | | |
| Employee benefits expense | (804,825) | (28) | (524,299) | (35) | (1,585,774) | (29) | (1,057,550) | (35) |
| Depreciation and amortization expense | (64,925) | (2) | (45,862) | (3) | (122,996) | (2) | (92,294) | (3) |
| Other general and administrative expenses | (500,998) | (18) | (335,558) | (22) | (986,066) | (18) | (656,226) | (22) |
| Total operating expenses | (1,370,748) | (48) | (905,719) | (60) | (2,694,836) | (49) | (1,806,070) | (60) |
| INCOME BEFORE INCOME TAX | 1,936,617 | 68 | 878,693 | 58 | 3,458,295 | 62 | 1,683,889 | 55 |
| INCOME TAX EXPENSE (Note 38) | (244,808) | (9) | (181,101) | (12) | (440,442) | (8) | (319,439) | (11) |
| NET INCOME | 1,691,809 | 59 | 697,592 | 46 | 3,017,853 | 54 | 1,364,450 | 44 |

(Continued)

# KGI BANK AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | For the Three Months Ended June 30 | | | | For the Six Months Ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | 2015 | | 2014 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| OTHER COMPREHENSIVE INCOME | | | | | | | | |
| Items that will be reclassified subsequently to profit or loss, net of tax | | | | | | | | |
| Exchange differences on translation of foreign financial statements | $ (9,061) | - | $ (1,353) | - | $ (22,949) | - | $ (2,260) | - |
| Unrealized gains (losses) on available-for-sale financial assets | (295,737) | (11) | 20,672 | 1 | 523,659 | 9 | 122,761 | 4 |
| Share of the other comprehensive income of associates | (7,786) | - | - | - | (3,629) | - | - | - |
| Other comprehensive income (loss), net of tax | (312,584) | (11) | 19,319 | 1 | 497,081 | 9 | 120,501 | 4 |
| TOTAL COMPREHENSIVE INCOME, NET OF TAX | $ 1,379,225 | 48 | $ 716,911 | 47 | $ 3,514,934 | 63 | $ 1,484,951 | 49 |
| NET PROFIT ATTRIBUTABLE TO: | | | | | | | | |
| Shareholders of parent company | $ 1,249,000 | 44 | $ 697,592 | 46 | $ 1,842,520 | 33 | $ 1,364,450 | 44 |
| Former owner of business combination under common control | 438,288 | 15 | - | - | 1,165,910 | 21 | - | - |
| Non-controlling interests | 4,521 | - | - | - | 9,423 | - | - | - |
| | $ 1,691,809 | 59 | $ 697,592 | 46 | $ 3,017,853 | 54 | $ 1,364,450 | 44 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | | | | | |
| Shareholders of parent company | $ 911,801 | 32 | $ 716,911 | 47 | $ 1,523,678 | 27 | $ 1,484,951 | 48 |
| Former owner of business combination under common control | 462,781 | 16 | - | - | 1,981,749 | 36 | - | - |
| Non-controlling interests | 4,643 | - | - | - | 9,507 | - | - | - |
| | $ 1,379,225 | 48 | $ 716,911 | 47 | $ 3,514,934 | 63 | $ 1,484,951 | 48 |
| EARNINGS PER SHARE (NEW TAIWAN DOLLAR; Note 39) | | | | | | | | |
| Basic | $0.37 | | $0.46 | | $0.65 | | $0.89 | |
| Diluted | | | $0.46 | | | | $0.89 | |

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

(With Deloitte & Touche audit report dated August 20, 2015) (Concluded)

## KGI BANK AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**(In Thousands of New Taiwan Dollars)**

| | Equity Attributable to Owners of Parent: Capital: Common Stock | Equity Attributable to Owners of Parent: Capital: Advance Receipts for Capital Stock | Equity Attributable to Owners of Parent: Capital Surplus | Equity Attributable to Owners of Parent: Retained Earnings: Legal Reserve | Equity Attributable to Owners of Parent: Retained Earnings: Special Reserve | Equity Attributable to Owners of Parent: Retained Earnings: Unappropriated Earnings | Equity Attributable to Owners of Parent: Other Equity: Exchange Differences on Translation of Foreign Financial Statements | Equity Attributable to Owners of Parent: Other Equity: Unrealized Gains (Losses) on Available-for-sale Financial Assets | Equity Attributable to Owners of Parent: Total | Equity to former Owner of Business Combination under Common Control | Non-controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BALANCE AT JANUARY 1, 2014 | $ 15,256,136 | $ 1,544 | $ 143,846 | $ - | $ - | $ 3,059,655 | $ 1,111 | $ (144,098) | $ 18,318,194 | $ - | $ - | $ 18,318,194 |
| Appropriation of earnings | | | | | | | | | | | | |
| Legal reserve | - | - | - | 915,755 | - | (915,755) | - | - | - | - | - | - |
| Special reserve | - | - | - | - | 142,987 | (142,987) | - | - | - | - | - | - |
| Cash dividends - common stocks | - | - | - | - | - | (2,000,913) | - | - | (2,000,913) | - | - | (2,000,913) |
| Net income for the period | - | - | - | - | - | 1,364,450 | - | - | 1,364,450 | - | - | 1,364,450 |
| Other comprehensive income (loss) for the period, net of income tax | - | - | - | - | - | - | (2,260) | 122,761 | 120,501 | - | - | 120,501 |
| Total comprehensive income (loss) for the period | - | - | - | - | - | 1,364,450 | (2,260) | 122,761 | 1,484,951 | - | - | 1,484,951 |
| Share-based payments | 6,113 | 6,085 | 10,098 | - | - | - | - | - | 22,296 | - | - | 22,296 |
| BALANCE AT JUNE 30, 2014 | $ 15,262,249 | $ 7,629 | $ 153,944 | $ 915,755 | $ 142,987 | $ 1,364,450 | $ (1,149) | $ (21,337) | $ 17,824,528 | $ - | $ - | $ 17,824,528 |
| BALANCE AT JANUARY 1, 2015 | $ 15,307,334 | $ - | $ 137,331 | $ 915,755 | $ 142,987 | $ 2,405,405 | $ 36,313 | $ (31,466) | $ 18,913,659 | $ - | $ - | $ 18,913,659 |
| Retrospective adjustment of equity attributable to the former owner's reorganization of entities under its common control | - | - | - | - | - | - | - | - | - | 36,018,251 | 219,975 | 36,238,226 |
| BALANCE AT JANUARY 1, 2015 AS RESTATED | 15,307,334 | - | 137,331 | 915,755 | 142,987 | 2,405,405 | 36,313 | (31,466) | 18,913,659 | 36,018,251 | 219,975 | 55,151,885 |
| Appropriation of earnings | | | | | | | | | | | | |
| Legal reserve | - | - | - | 710,281 | - | (710,281) | - | - | - | - | - | - |
| Special reserve | - | - | - | - | (142,987) | 142,987 | - | - | - | - | - | - |
| Cash dividends - common stocks | - | - | - | - | - | (1,838,110) | - | - | (1,838,110) | - | - | (1,838,110) |
| Change in capital surplus from investments in associates accounted for by using equity method | - | - | 69 | - | - | - | - | - | 69 | - | - | 69 |
| Net income for the period | - | - | - | - | - | 1,842,520 | - | - | 1,842,520 | - | 3,215 | 1,845,735 |
| Other comprehensive income (loss) for the period, net of income tax | - | - | - | - | - | - | (7,182) | (311,660) | (318,842) | - | (89) | (318,931) |
| Total comprehensive income (loss) for the period | - | - | - | - | - | 1,842,520 | (7,182) | (311,660) | 1,523,678 | - | 3,126 | 1,526,804 |
| Total comprehensive income of former owner of business combination under common control | - | - | - | - | - | - | - | - | - | 1,981,749 | 6,381 | 1,988,130 |
| Reorganization | 30,754,289 | - | 7,108,440 | - | - | (765,549) | 28,929 | 873,891 | 38,000,000 | (38,000,000) | - | - |
| Share-based payments | - | - | 315 | - | - | - | - | - | 315 | - | - | 315 |
| Changes in non-controlling interest | - | - | - | - | - | - | - | - | - | - | (23,182) | (23,182) |
| BALANCE AT JUNE 30, 2015 | $ 46,061,623 | $ - | $ 7,246,155 | $ 1,626,036 | $ - | $ 1,076,972 | $ 58,060 | $ 530,765 | $ 56,599,611 | $ - | $ 206,300 | $ 56,805,911 |

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

(With Deloitte & Touche audit report dated August 20, 2015)

# KGI BANK AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In Thousands of New Taiwan Dollars)**

| | For the Six Months Ended June 30 | |
|---|---|---|
| | **2015** | **2014** |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | $ 3,458,295 | $ 1,683,889 |
| Adjustments to reconcile net profit (loss) | | |
| Depreciation expenses | 75,145 | 50,947 |
| Amortization expenses | 47,851 | 41,347 |
| Reversal of bad debts expense and guarantee liability provision | (610,753) | (463,688) |
| Interest expense | 2,043,259 | 782,362 |
| Interest income | (6,015,585) | (3,103,833) |
| Dividend income | (72,536) | (7,426) |
| Share of profits of associates accounted for using equity method | (21,209) | (12,073) |
| Others | 720 | (7,797) |
| Changes in operating assets and liabilities | | |
| (Increase) decrease in due from the Central Bank and call loans to banks | (12,032,698) | 141,221 |
| Decrease (increase) in financial assets at fair value through profit or loss | 8,519,824 | (170,642) |
| Increase in securities purchased under resell agreements | (496,873) | - |
| Decrease (increase) in receivables | 8,711,141 | (808,734) |
| Decrease (increase) in discounts and loans | 5,128,308 | (481,457) |
| Decrease in available-for-sale financial assets | 15,232,063 | 1,808,308 |
| Decrease (increase) in held-to-maturity financial assets | 18,600,000 | (1,500,000) |
| Decrease (increase) in other financial assets | 3,953,291 | (2,831,453) |
| Decrease in other assets | 2,491,109 | 71,709 |
| Decrease in deposits from the Central Bank and banks | (9,819,352) | (2,021,540) |
| (Decrease) increase in financial liabilities at fair value through profit or loss | (9,185,788) | 572 |
| (Decrease) increase in notes and bonds issued under repurchase agreements | (8,021,557) | 1,177,060 |
| Increase (decrease) in payables | 1,225,855 | (206,445) |
| Increase in deposits and remittances | 38,195,168 | 726,010 |
| (Decrease) increase in other liabilities | (16,316,855) | 177,593 |
| Cash inflow (outflow) generated from operations | 45,088,823 | (4,954,070) |
| Interest received | 6,408,594 | 3,093,077 |
| Dividend received | 45,986 | 40,068 |
| Interest paid | (2,264,374) | (791,590) |
| Income taxes (paid) refund | (38,310) | 2,322 |
| Net cash flows generated from (used in) operating activities | 49,240,719 | (2,610,193) |

(Continued)

## KGI BANK AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In Thousands of New Taiwan Dollars)**

| | For the Six Months Ended June 30 | |
|---|---|---|
| | **2015** | **2014** |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property and equipment | $ (91,112) | $ (20,752) |
| Proceeds from the disposal of property and equipment | 87,985 | 4 |
| Acquisition of intangible assets | (44,999) | (37,895) |
| Net cash flows used in investing activities | (48,126) | (58,643) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in short-term borrowings | 487,499 | - |
| Increase in commercial paper payable | 378,003 | - |
| Decrease in bank debentures payable | (9,964,362) | - |
| Repayments of long-term borrowings | (484,524) | - |
| Cash dividends paid | (1,910,071) | - |
| Others | (6,300) | 14,451 |
| Net cash flows (used in) generated from financing activities | (11,499,755) | 14,451 |
| EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | (32,740) | (2,260) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 37,660,098 | (2,656,645) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 56,335,757 | 11,520,403 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | $ 93,995,855 | $ 8,863,758 |

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of June 30, 2015 and 2014:

| | June 30 | |
|---|---|---|
| | **2015** | **2014** |
| Cash and cash equivalents in consolidated balance sheets | $ 9,024,605 | $ 2,887,775 |
| Due from the Central Bank and call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 | 55,121,724 | 5,975,983 |
| Securities purchased under agreements to resell qualifying as cash and cash equivalents under the definition of IAS 7 | 29,849,526 | - |
| Cash and cash equivalents in consolidated statements of cash flows | $ 93,995,855 | $ 8,863,758 |

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

(With Deloitte & Touche audit report dated August 20, 2015) (Concluded)

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

## 1. GENERAL INFORMATION

KGI Bank (the Bank) engages in banking operations regulated by the Banking Act of the Republic of China (the Banking Act).

As of June 30, 2015 the Bank had a main office, a trust department, various operation departments, an offshore banking unit (OBU), and 50 domestic branches.

On April 8, 2014, the Bank's extraordinary shareholders' meeting resolved to the exchange of 0.2 share of China Development Financial Holding Corporation (CDFH) and NT$13.4 for one share of the Bank to optimize the Bank's business development, strengthen financial instrument services, and diversify its sales channels. On August 11, 2014, the Bank's board of directors approved September 15, 2014 as the date of the share swap after this transaction was approved by the Financial Supervisory Commission (FSC) on July 29, 2014 in accordance with FSC Rule No. 10300117170. Upon completion of the share swap, the Bank became CDFH's wholly owned subsidiary and the trading of the Bank's shares on the Taiwan Stock Exchange was terminated.

On October 9, 2014, under the approval of the board of directors, who had been authorized to exercise the functions of the shareholders' meeting, Cosmos Bank's articles of incorporation were amended and this bank's name became KGI Bank. The FSC approved this name change on November 10, 2014, and the Ministry of Economic Affairs approved the Bank's revised articles and change of registration on November 25, 2014.

On March 2, 2015 and April 13, 2015, the Bank's board of directors again exercised the functions of the shareholders' meeting and approved the transfer to the Bank from China Development Industrial Bank (CDIB) of (a) the assets and liabilities associated with the commercial banking business of CDIB and (b) CDIB's holdings of shares in CDIB's leasing subsidiaries in the Taiwan Financial Asset Service Corporation in accordance with Article 185 of the Company Act and Article 27 of the Business Mergers and Acquisitions Act. On April 16, 2015, the transaction was approved by the FSC, and the chairman was authorized by the board of directors to approve on May 1, 2015 as the date of the asset and liability transfer.

The assets and liabilities transferred from CDIB were as follows:

| | Amount |
|---|---|
| Assets | |
| Financial assets | $ 395,229,150 |
| Other assets | 30,994 |
| | 395,260,144 |
| Liabilities | |
| Financial liabilities | 357,055,701 |
| Other liabilities | 204,443 |
| | 357,260,144 |
| Net amount | $ 38,000,000 |

The above transfer was treated as organization restructuring under joint control, regarding the date CDFH had control over the Bank as the date consolidated and restated the financial statements as of December 31, 2014.

## 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the board of directors and authorized for issue on August 20, 2015.

## 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 and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC.

   Rule No. 10310006010 and Rule No. 1030010325 issued by the FSC, stipulated that the Bank and subsidiaries should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") issued by the IASB and endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks starting January 1, 2015.

   Except for the following, the initial application of the above 2013 IFRSs version has not had any material impact on the Bank and subsidiaries' accounting policies:

   1) IFRS 10 "Consolidated Financial Statements"

      IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities". The Bank and subsidiaries considers whether it has control over other entities for consolidation. The Bank and subsidiaries has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

   2) 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.

   3) Revision to IAS 28 "Investments in Associates and Joint Ventures"

      Revised IAS 28 requires when a portion of an investment in an associate meets the criteria to be classified as held for sale, that portion is classified as held for sale. Any retained portion that has not been classified as held for sale is accounted for using the equity method. Under current IAS 28, when a portion of an investment in associates meets the criteria to be classified as held for sale, the entire investment is classified as held for sale and ceases to apply the equity method.

   4) 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.

5) Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income"

The amendment 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 Bank and subsidiaries will apply the above amendments in presenting the consolidated statement of comprehensive income, starting from the year 2015. Items not expected to be reclassified to profit or loss are the actuarial gain (loss) arising from defined benefit plans and share of other comprehensive income 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 (loss) on available-for-sale financial assets, cash flow hedges, and share of the other comprehensive income of associates accounted for using the equity method (except the share of the actuarial gains (loss) arising from defined benefit plans).

6) Annual Improvements to IFRSs: 2009-2011 Cycle

The amendments to IAS 1 clarify that an entity is required to present a balance sheet as at the beginning of the preceding period when a) it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassifies items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the balance sheet at the beginning of the preceding period. The amendments also clarify that related notes are not required to accompany the balance sheet at the beginning of the preceding period.

7) Recognition and measurement of financial liabilities designated as at fair value through profit or loss

In accordance with the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks for financial liabilities designated as at fair value through profit or loss, the amount of change in the fair value attributable to changes in the credit risk of that liability is presented in other comprehensive income and the remaining amount of change in the fair value of that liability is presented in profit or loss. Changes in fair value attributable to a financial liabilities' credit risk are not subsequently reclassified to profit or loss. If the above accounting treatment would create or enlarge an accounting mismatch, all gains or losses on that liability are presented in profit or loss.

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

The Bank and subsidiaries 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" | January 1, 2016 (Note 4) |

(Continued)

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|---|---|
| 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, 2017 |
| Amendment to IAS 1 “Disclosure Initiative” | January 1, 2016 |
| Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization” | January 1, 2016 |
| Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions” | July 1, 2014 |
| 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.

Note 4: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs has not had any material impact on the Bank and subsidiaries’ 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. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Bank and subsidiaries’ 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 collecting contractual cash flows and selling 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 Bank and subsidiaries 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.

<u>The impairment of financial assets</u>

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. 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 Bank and subsidiaries 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 Bank and subsidiaries 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) IFRIC 21 “Levies”

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Bank and subsidiaries accrues related liability when the transaction or activity that triggers the payment of the levy occurs. Therefore, if the obligating event occurs over a period of time (such as generation of revenue over a period of time), the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold (such as a minimum amount of revenue or sales generated), the liability is recognized when that minimum threshold is reached.

4) Annual Improvements to IFRSs: 2010-2012 Cycle

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics". The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments' assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

5) Annual Improvements to IFRSs: 2011-2013 Cycle

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

6) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity 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, an entity 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.

7) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulated that, when the Bank and subsidiaries sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate, the gain or loss resulting from the transaction is recognized in full. Also, when the Bank and subsidiaries loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Bank and subsidiaries sells or contributes assets that do not constitute a business to an associate, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate, i.e. the Bank and subsidiaries' share of the gain or loss is eliminated. Also, when the Bank and subsidiaries loses control of a subsidiary that does not contain a business but retains significant influence or joint control in an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate, i.e. the Bank and subsidiaries' share of the gain or loss is eliminated.

8) Annual Improvements to IFRSs: 2012-2014 Cycle

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset. In addition, the amendments clarify that the offsetting disclosures are not explicitly required for all interim periods; however, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 under specific conditions.

IAS 34 was amended to clarify that other disclosure information required by IAS 34 should be included in interim financial statements. If the Bank and subsidiaries includes the information in other statements (such as management commentary or risk report) issued at the same time, it is not required to repeat the disclosure in the interim financial statements. However, it is required to include a cross-reference from the interim financial statements to that issued statements that is available to users on the same terms and at the same time as the interim financial statements.

9) Amendment to IAS 1 "Disclosure Initiative"

The amendment clarifies that the consolidated financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its consolidated financial statements, the Bank and subsidiaries should disaggregate the disclosure of material items into their different natures or functions, and disaggregate material information from immaterial information.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Bank and subsidiaries is continuingly assessing the possible impact that the application of other standards and interpretations will have on the Bank and subsidiaries' financial position and financial performance, and will disclose the relevant impact when the assessment is complete.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the accompanying consolidated financial statements are the same as those applied in the preparation of the Bank and subsidiaries' consolidated financial statements as of and for the year ended December 31, 2014, except for those described below.

**Statement of Compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, and IAS 34 "Interim Financial Reporting" as endorsed by the FSC. Disclosure information included in the accompanying interim financial report is less than that required for a full set of annual financial reports.

**Basis of Preparation**

The Bank's subsidiaries have been included in the consolidated financial statements because the Bank became wholly owned by the CDFH on September 15, 2014. All significant intra-group transactions, balances, income and expenses have been eliminated in full upon consolidation.

Entities included in the consolidated financial statements are:

| Investor | Subsidiary | Business Features | Holding Percentage (%) | | Note |
|---|---|---|---|---|---|
| | | | June 30, 2015 | December 31, 2014 | |
| The Bank | Cosmos Insurance Brokers Co., Ltd. | Life and property insurance broker | 100.00 | 100.00 | Subsidiary is included in the consolidated financial statements since the Bank became wholly owned by the CDFH on September 15, 2014. |
| | CDIB Management Consulting Corporation | Management and consulting | 100.00 | 100.00 | Subsidiary is included in the consolidated financial statements since the Bank became wholly owned by the CDFH on September 15, 2014; thus the consolidated financial statements were restated. |
| CDIB Management Consulting Corporation | CDC Finance & Leasing Corporation | Leasing | 76.04 | 76.04 | Subsidiary is included in the consolidated financial statements since the Bank became wholly owned by the CDFH on September 15, 2014; thus the consolidated financial statements were restated. |
| | CDIB International Leasing Corp. | Leasing | 100.00 | 100.00 | Subsidiary is included in the consolidated financial statements since the Bank became wholly owned by the CDFH on September 15, 2014; thus the consolidated financial statements were restated. |

**Retirement Benefit Costs**

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and prior 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, the effect of the changes to the asset ceiling 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 Bank'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.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

**Taxation**

Income tax expense is the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annually basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

Since 2015, CDFH and its qualified subsidiaries, including the Bank, have used the linked-tax system for income tax filings. Under this system, the Bank adjusts the deferred tax assets (liabilities), income tax payable (receivable) and income tax expense (profit) on a systematic and consistent basis.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty that were used in preparing the accompanying consolidated financial statements were the same as those applied in the preparation of the consolidated financial statements as of for the year ended December 31, 2014.

## 6. CASH AND CASH EQUIVALENTS

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Due from banks | $ 5,779,142 | $ 7,282,515 | $ 1,562,032 |
| Cash on hand | 1,201,500 | 1,228,539 | 1,154,901 |
| Cash in banks | 1,025,960 | 1,111,931 | - |
| Checks for clearing | 1,018,003 | 394,712 | 170,842 |
| | $ 9,024,605 | $ 10,017,697 | $ 2,887,775 |

Cash and cash equivalents as of December 31, 2014 as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated balance sheets as follows; please refer to the consolidated statement of cash flows for the reconciliation information as of June 30, 2015 and 2014:

| | December 31, 2014 |
|---|---|
| Cash and cash equivalents in consolidated balance sheets | $ 10,017,697 |
| Due from the Central Bank and call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 | 22,903,718 |
| Securities purchased under agreements to resell qualifying as cash and cash equivalents under the definition of IAS 7 | 23,414,342 |
| Cash and cash equivalents in consolidated statements of cash flows | $ 56,335,757 |

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

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Due from the Central Bank | $ 38,135,000 | $ 20,563,363 | $ 2,300,000 |
| Deposit reserve - checking accounts | 16,126,800 | 1,083,555 | 824,666 |
| Call loans to banks | 13,169,809 | 1,125,786 | 2,851,317 |
| Deposit reserve - demand accounts | 7,671,781 | 7,849,296 | 3,386,145 |
| Deposit reserve - foreign currencies | 142,922 | 142,731 | 25,428 |
| Due from the Central Bank - interbank settlement funds | 187,659 | 500,291 | 183,984 |
| | $ 75,433,971 | $ 31,265,022 | $ 9,571,540 |

Under a directive issued by the Central Bank, New Taiwan dollar (NTD) - denominated deposit reserve are determined monthly at prescribed rates based on average balance of the Bank’s deposits. Deposit reserve - demand account should not be used, except for adjusting the deposit reserve account monthly.

In addition, separate foreign-currency deposit reserves are determined at prescribed rates based on balances of foreign-currency deposits. These reserves may be withdrawn anytime and are noninterest earning.

For the certificates of deposit issued by the Central Bank and pledged as collateral for day-term overdraft, please refer to Note 42.

## 8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Financial assets held for trading | | | |
| Derivative instruments | | | |
| Currency swap contracts | $ 4,208,182 | $ 13,707,739 | $ 2,105 |
| Interest rate swap contracts | 3,718,644 | 4,517,404 | - |
| Premiums paid on option contracts | 1,676,647 | 2,668,798 | 604 |
| Others | 486,223 | 1,182,538 | - |
| Non-derivative financial assets | | | |
| Bank debentures | 23,789,895 | 21,008,563 | - |
| Corporate bonds | 4,913,953 | 5,306,309 | - |
| Convertible (exchangeable) corporate bonds | 2,598,003 | 2,733,520 | - |
| Government bonds | 1,816,598 | 1,255,262 | - |
| Others | 623,198 | 653,254 | 240,829 |
| | 43,831,343 | 53,033,387 | 243,538 |
| Financial assets designated as at FVTPL | 682,220 | - | - |
| Financial assets at FVTPL | $ 44,513,563 | $ 53,033,387 | $ 243,538 |
| Financial liabilities held for trading | | | |
| Derivative instruments | | | |
| Interest rate swap contracts | $ 4,182,610 | $ 4,578,719 | $ - |
| Currency swap contracts | 3,704,178 | 14,393,340 | - |
| Premiums received on option contracts | 2,769,601 | 2,989,904 | 604 |
| Others | 414,751 | 1,320,473 | - |
| | 11,071,140 | 23,282,436 | 604 |
| Financial liabilities designated as at FVTPL | | | |
| Bank debentures payable | 4,096,656 | 1,071,148 | - |
| Financial liabilities at FVTPL | $ 15,167,796 | $ 24,353,584 | $ 604 |

As of June 30, 2015, December 31, 2014 and June 30, 2014, bank debentures issued by the Bank and designated as at FVTPL were as follows:

| Bank Debenture Number | June 30, 2015 | December 31, 2014 | June 30, 2014 | Validity Period | Method of Paying Principal and Interests | Interest Rate |
|---|---|---|---|---|---|---|
| 04 KGBI 1 | $ 1,050,000 | $ 1,050,000 | $ - | May 18, 2006 - May 18, 2016 | Principal due on maturity; interest payable annually | 2.15% |
| 15KGIB1 | 3,293,420 | - | - | March 24, 2015 - March 24, 2045 (Note) | Due on maturity | 0% |
| | 4,343,420 | 1,050,000 | - | | | |
| Valuation adjustments | (246,764) | 21,148 | - | | | |
| | $ 4,096,656 | $ 1,071,148 | $ - | | | |

Note: Based on 100% of the carrying value of each bond principal plus interest; the Bank may redeem all the debentures after two years from the issue date.

The contract (nominal) amounts of the Bank and subsidiaries' outstanding derivative financial instruments as of June 30, 2015, December 31, 2014 and June 30, 2014 are summarized as follows:

| | Contract Amount | | |
|---|---|---|---|
| | **June 30, 2015** | **December 31, 2014** | **June 30, 2014** |
| Currency swap contracts | $ 786,634,993 | $ 897,250,032 | $ 784,415 |
| Interest rate swap contracts | 480,127,728 | 536,720,132 | - |
| Option contracts | 222,248,499 | 225,025,838 | 1,225,199 |
| Forward exchange contracts | 33,260,540 | 40,037,779 | - |
| Cross-currency swap contracts | 13,586,699 | 28,485,909 | - |
| Asset swap contracts | 2,190,530 | 2,292,748 | - |
| Non-deliverable forward contracts | 1,932,530 | 3,331,462 | - |
| Futures contracts | 1,700,054 | 8,925,445 | - |
| Others | 1,185,305 | 213,193 | - |

As of June 30, 2015, December 31, 2014 and June 30, 2014, financial assets held for trading with aggregate carrying values of $27,516,042 thousand, $23,843,582 thousand and $0 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

The Bank and its subsidiaries have not applied hedged accounting.

The Bank and its subsidiaries have not pledged any financial instrument at fair value through profit or loss as collateral or as guarantee.

## 9. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

| | **June 30, 2015** | **December 31, 2014** | **June 30, 2014** |
|---|---|---|---|
| Commercial paper | $ 26,978,842 | $ 14,572,223 | $ - |
| Bank debentures | 2,514,927 | 2,157,088 | - |
| Corporate bonds | 852,629 | 957,969 | - |
| Government bonds | - | 5,727,062 | - |
| | $ 30,346,398 | $ 23,414,342 | $ - |
| Agreed-upon resell amounts | $ 30,362,479 | $ 23,428,235 | $ - |
| Last maturity date | September 2015 | February 2015 | |

## 10. RECEIVABLES, NET

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Accounts receivable - forfaiting | $ 34,519,324 | $ 44,598,847 | $ 5,057,941 |
| Lease receivables | 6,820,741 | 6,718,267 | - |
| Credit cards | 3,271,694 | 2,522,220 | 2,845,041 |
| Interest receivable | 1,617,211 | 2,019,501 | 374,705 |
| Accounts receivables factoring without recourse | 1,201,081 | 1,204,883 | 125,267 |
| PEM receivable | 897,131 | 915,842 | 871,175 |
| Acceptances receivable | 659,510 | 96,078 | 23,894 |
| Rental deposits | 520,023 | 528,479 | 536,767 |
| Interest receivable on interest rate swap contract | 316,540 | 301,447 | - |
| Others | 1,244,629 | 1,278,756 | 474,730 |
| | 51,067,884 | 60,184,320 | 10,309,520 |
| Less: Allowance for bad debts | (1,569,754) | (1,682,093) | (1,038,415) |
| Net amount | $ 49,498,130 | $ 58,502,227 | $ 9,271,105 |

As of June 30, 2015, December 31, 2014 and June 30, 2014 the rental deposits receivable amounting to $520,023 thousand, $528,479 thousand, and $536,767 thousand, respectively, resulted from the relocation to Bank-owned property, of which, deposits from Prince Motors and Cosmos Construction Management Corporation amounted to $101,901 thousand, and the provision for possible losses on these deposits was $44,001 thousand.

However, a third party regarded the property rights of the Dun Nan building as fraudulently infringing upon the rights of the creditors. Although the Bank lost its lawsuit in the first trial, in the judgment of the Bank's lawyers, the Bank has a high possibility of winning the lawsuit if the Bank continues to appeal. The lawyers have also replied that the abovementioned appeal has no impact on the loans received by the Bank. Please refer to Note 43 for details.

From May 2007 to February 2008, the Bank sold structured notes, which were issued by GVEC Resource Inc. (GVEC), amounting to US$48,920 thousand through a specific trust fund. PEM Group, which GVEC was subordinate to, was found to have committed fraud by the U.S. Securities and Exchange Commission (SEC). In view of its social responsibility, the Bank's board of directors decided to buy back the structured notes and ask for compensation from PEM Group before March 31, 2010.

PEM Group had invested in life insurance policy products, etc. In order to recover it's creditor's rights effectively and to protect shareholders' equity, the Bank's board of directors adopted a resolution on December 21, 2010, to take over all the insurance policies and hold these policies in the form of trust. The Bank completed the transfer of the life insurance policies from PEM Group on March 7, 2011. The Bank measured the policies' cost based on an actuarial report less administration fees, and then recognized the cost amounting to $218,386 thousand (US$7,423 thousand). At the same time, the Bank wrote off the initial cost and provision for life insurance policies amounting to $433,061 thousand (US$14,721 thousand).

As of June 30, 2015, the PEM receivable amounting to $897,131 thousand (US$28,874 thousand) was measured as the abovementioned PEM receivable plus premiums paid thereon, less any recovery amount. After assessing the possibility of recovery based on the latest information provided by the receiver of PEM Group and the trust entity, the balance of the PEM receivable and its allowance for possible losses was as follows:

**(In Thousands of USD/TWD)**

| | June 30, 2015 | |
|---|---|---|
| | USD | TWD |
| Life insurance policies | $ 12,952 | $ 402,428 |
| Non-life insurance policies | 15,922 | 494,703 |
| | 28,874 | 897,131 |
| Less: Allowance for possible losses | (16,561) | (514,544) |
| Net amount | $ 12,313 | $ 382,587 |

| | December 31, 2014 | |
|---|---|---|
| | USD | TWD |
| Life insurance policies | $ 12,952 | $ 410,821 |
| Non-life insurance policies | 15,922 | 505,021 |
| | 28,874 | 915,842 |
| Less: Allowance for possible losses | (16,561) | (525,276) |
| Net amount | $ 12,313 | $ 390,566 |

| | June 30, 2014 | |
|---|---|---|
| | USD | TWD |
| Life insurance policies | $ 12,952 | $ 387,468 |
| Non-life insurance policies | 16,170 | 483,707 |
| | 29,122 | 871,175 |
| Less: Allowance for possible losses | (16,803) | (502,648) |
| Net amount | $ 12,319 | $ 368,527 |

The changes in the Bank and subsidiaries' allowance for bad debts of receivables were as follows:

| | For the Six Months Ended June 30 | |
|---|---|---|
| | 2015 | 2014 |
| Balance, January 1 | $ 1,682,093 | $ 1,097,171 |
| Reversal | (34,350) | (58,257) |
| Write-off | (56,459) | - |
| Effect of exchange rate changes | (21,530) | (499) |
| Balance, June 30 | $ 1,569,754 | $ 1,038,415 |

For the impairment loss analysis of receivables, please refer to Note 45.

For the receivables pledged as collaterals for subsidiaries' loans, please refer to Note 42.

## 11. LEASE RECEIVABLES

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Gross investment in the lease | $ 7,406,583 | $ 7,309,548 | $ - |
| Less: Unearned finance income | (585,842) | (591,281) | - |
| | 6,820,741 | 6,718,267 | - |
| Less: Allowance for impairment loss | (110,238) | (126,402) | - |
| Present value of minimum lease payments receivable | $ 6,710,503 | $ 6,591,865 | $ - |

The subsidiaries' finance lease receivables were secured by leased plant and machinery. The Bank's subsidiaries were not permitted to sell or re-pledge the collaterals in the absence of default by the lessee.

## 12. DISCOUNTS AND LOANS, NET

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Short-term loans | $ 41,040,849 | $ 42,485,133 | $ 28,461,380 |
| Medium-term loans | 134,567,081 | 133,677,487 | 33,353,611 |
| Long-term loans | 47,091,651 | 50,596,458 | 38,807,946 |
| Overdue loans | 554,147 | 633,353 | 355,491 |
| Export negotiations | 924,679 | 1,895,072 | 3,780 |
| Discounts | 1,328 | - | - |
| | 224,179,735 | 229,287,503 | 100,982,208 |
| Less: Allowance for bad debts | (2,944,725) | (3,447,239) | (1,361,745) |
| Less: Discounts on loans | (52,471) | (62,789) | - |
| Net amount | $ 221,182,539 | $ 225,777,475 | $ 99,620,463 |

In order to protect its creditor's rights, the Bank has been actively trying to manage Prince Motors overdue debts. As a result, the court sold the Tucheng plant at auction and has distributed $3,935,303 thousand to the Bank in 2012. After deducting the dispute amount, the Bank received $3,897,202 thousand, then wrote off the remaining bad debt of $1,281,091 thousand on September 27, 2012 after repayment, please refer to Note 43, and following under two methods - actively disposed other collaterals one after another, and called in loans by means of negotiation. As of June 30, 2015 the total written-off liabilities that remained unrecovered amounted to $413,800 thousand.

The changes in the Bank's allowance for bad debts of discounts and loans were as follows:

| | General Reserve | |
|---|---|---|
| | For the Six Months Ended June 30 | |
| | 2015 | 2014 |
| Balance, January 1 | $ 3,447,239 | $ 1,356,430 |
| Reversal | (555,470) | (370,387) |
| Recovery of written-off credits | 642,872 | 664,074 |
| Write-offs | (579,186) | (272,182) |

(Continued)

| | General Reserve For the Six Months Ended June 30 | |
|---|---|---|
| | 2015 | 2014 |
| Reduction and exemption | $ (9,859) | $ (15,844) |
| Effects of exchange rate changes | (871) | (346) |
| Balance, June 30 | $ 2,944,725 | $ 1,361,745 |

(Concluded)

For the impairment loss analysis of discounts and loans, please refer to Note 45.

## 13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Government bonds | $ 74,280,740 | $ 77,466,942 | $ 5,710,416 |
| Bank debentures | 14,067,158 | 18,002,005 | 576,886 |
| Corporate bonds | 10,617,576 | 17,863,707 | 3,915,116 |
| Stocks | 5,501,547 | 5,816,409 | 5,221 |
| Commercial paper | - | - | 249,928 |
| | $ 104,467,021 | $ 119,149,063 | $ 10,457,567 |

As of June 30, 2015, December 31, 2014 and June 30, 2014, available-for-sale financial assets, with aggregate carrying values of $29,923,291 thousand, $41,869,805 thousand and $2,970,694 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

For the available-for-sale financial assets pledged as collaterals by the Bank and subsidiaries, please refer to Note 42.

## 14. HELD-TO-MATURITY FINANCIAL ASSETS, NET

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Negotiable certificates of deposit issued by the Central Bank | $ - | $ 18,600,000 | $ 19,700,000 |

The Bank and subsidiaries did not pledge any held-to-maturity financial assets as collaterals.

## 15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

| | June 30, 2015 | | December 31, 2014 | | June 30, 2014 | |
|---|---|---|---|---|---|---|
| | Carrying Amount | % | Carrying Amount | % | Carrying Amount | % |
| CDIB & Partner Investment Holding Corporation | $ 702,567 | 4.95 | $ 709,159 | 4.95 | $ - | - |
| Others | 1,120 | | 1,191 | | 42,706 | |
| | $ 703,687 | | $ 710,350 | | $ 42,706 | |

The above investments accounted for using the equity method and the Bank and subsidiaries' share of earnings and other comprehensive income had been calculated on the basis of audited financial statements.

The Bank reclassified its investment in CDIB & Partners Investment Holding Corp. ("Partners") originally carried at cost to the equity method because when the Bank became wholly owned by the CDFH on September 15, 2014, the Bank and CDIB (which is CDFH's subsidiary) were jointly holding over 20% of Partners' shares. In addition, under IAS 28 "Investments in Associates," the Bank measured the investment in Partners at fair value, and recognized the difference of $500,000 thousand (carrying value) between the fair value and carrying amount at the date the equity was applied in other non-interest income amounting to $196,343 thousand in 2014.

The Bank and subsidiaries had not pledged as collaterals any of the equity-method investments.

## 16. OTHER FINANCIAL ASSETS

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Financial assets measured at cost - unlisted, non-OTC common stock | $ 262,919 | $ 272,819 | $ 716,819 |
| Due from banks (over three months) | 92,630 | 4,008,721 | 3,556,976 |
| Overdue receivables | 20,551 | 17,847 | 21,391 |
| Pledged time deposits | 1,300 | 1,300 | - |
| Others | - | - | 14,206 |
| | 377,400 | 4,300,687 | 4,309,392 |
| Less: Allowance for bad debts - overdue receivables | (20,551) | (17,847) | (21,391) |
| Net amount | $ 356,849 | $ 4,282,840 | $ 4,288,001 |

For other assets pledged as collaterals, please refer to Note 42.

## 17. PROPERTY AND EQUIPMENT, NET

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Land | $ 3,756,724 | $ 3,756,724 | $ 4,148,787 |
| Buildings and facilities | 1,820,208 | 1,846,051 | 1,926,879 |
| Office equipment | 73,999 | 69,093 | 46,461 |
| Leased assets | 96,994 | 76,851 | 18,801 |
| Leasehold improvements | 19,733 | 15,231 | - |
| Transportation equipment | 7,213 | 10,856 | 11,811 |
| Other equipment | 20,366 | 23,448 | 12,337 |
| Prepayments for acquisition of properties | 9,652 | 6,079 | - |
| | $ 5,804,889 | $ 5,804,333 | $ 6,165,076 |

Except for depreciation recognized, the Bank and subsidiaries' had no significant addition, disposal and impairment of property and equipment during the three and six months ended June 30, 2015 and 2014.

Property and equipment were depreciated on a straight-line basis at the following estimated service lives:

| | |
|---|---|
| Buildings | 20-60 years |
| Office equipment | 2-5 years |
| Transportation equipment | 2-15 years |
| Other equipment | 2-10 years |
| Leased assets | 1-5 years |

The Bank and subsidiaries had not pledged any property and equipment as collaterals.

## 18. INVESTMENT PROPERTY, NET

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Land | $ 466,874 | $ 466,874 | $ 6,774 |
| Buildings and facilities | 95,381 | 97,227 | 12,790 |
| | $ 562,255 | $ 564,101 | $ 19,564 |

Except for depreciation recognized, the Bank and subsidiaries' had no significant addition, disposal and impairment of property and equipment during the three and six months ended June 30, 2015 and 2014.

Investment property was depreciated on a straight-line basis at the following estimated service lives:

| | |
|---|---|
| Buildings and facilities | |
| Main building and parking spaces | 20-60 years |

The fair value of the Bank's investment property was based on the assessment of an external real estate appraiser, which is an independent party that applied the comparative and income approaches to its valuations. The comparative approach was based on the prices of similar transactions, and the income approach was based on the estimated income generated by a property and capitalization rate. However, the assessment of the fair values of the subsidiaries' investment property valuation was not performed by independent qualified professional valuers; the subsidiaries' management used instead valuation models that market participants would use in determining fair value. The valuation model used the market evidence of transaction prices for similar properties. Based on these valuations, the fair values of the Bank and subsidiaries' investment properties as of June 30, 2015, December 31, 2014 and June 30, 2014 were $625,207 thousand, $625,207 thousand and $35,902 thousand, respectively.

For the investment properties pledged as collaterals for bank loans, please refer to Note 42.

## 19. OTHER ASSETS, NET

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Guarantee deposits paid | $ 3,514,092 | $ 6,061,828 | $ 94,919 |
| Prepaid expenses | 258,569 | 99,791 | 100,836 |
| Prepaid pension costs | 127,246 | 322,965 | 268,568 |
| Others | 310,077 | 314,524 | 144,829 |
| | $ 4,209,984 | $ 6,799,108 | $ 609,152 |

## 20. DEPOSITS FROM THE CENTRAL BANK AND BANKS

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Call loans from banks | $ 1,570,246 | $ 11,375,025 | $ 1,039,320 |
| Deposits from Chunghwa Post Co., Ltd. | 1,291,180 | 1,305,753 | 523,398 |
| | $ 2,861,426 | $ 12,680,778 | $ 1,562,718 |

## 21. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Government bonds | $ 7,023,988 | $ 11,921,912 | $ 2,970,694 |
| Bank debentures | 38,222,598 | 36,753,950 | - |
| Corporate bonds | 15,560,302 | 20,152,583 | - |
| | $ 60,806,888 | $ 68,828,445 | $ 2,970,694 |
| Repurchase amounts | $ 60,883,082 | $ 68,903,634 | $ 2,972,364 |
| Last maturity date | October 2015 | April 2015 | August 2014 |

## 22. PAYABLES

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Checks for clearing | $ 1,018,003 | $ 394,712 | $ 170,842 |
| Accrued expenses | 704,124 | 734,031 | 343,715 |
| Accounts payable factoring | 695,983 | 721,471 | - |
| Acceptances | 659,510 | 100,212 | 23,895 |
| Accrued interest | 546,451 | 768,114 | 205,999 |
| Interest payable on interest rate swap contracts | 409,970 | 372,257 | - |
| Transaction costs of call options payable | 387,639 | 558,160 | - |
| Funds for clearing | 270,099 | 270,013 | 271,715 |
| Dividends payable | - | - | 2,000,913 |
| Others | 687,547 | 408,780 | 269,776 |
| | $ 5,379,326 | $ 4,327,750 | $ 3,286,855 |

## 23. DEPOSITS AND REMITTANCES

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Time deposits | $ 222,924,060 | $ 205,172,030 | $ 37,238,106 |
| Savings deposits | 86,414,470 | 85,397,967 | 88,718,511 |
| Demand deposits | 42,797,610 | 23,898,511 | 14,836,747 |
| Checking deposits | 2,502,806 | 2,042,867 | 877,664 |

(Continued)

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Negotiable certificates of deposits | $ 96,300 | $ 55,900 | $ 20,400 |
| Remittances | 36,269 | 9,072 | 69,432 |
| | $ 354,771,515 | $ 316,576,347 | $ 141,760,860 |

(Concluded)

## 24. BANK DEBENTURES PAYABLE

| Name | June 30, 2015 | December 31, 2014 | June 30, 2014 | Issue Year | Repayment Year | Interest Rate | Note |
|---|---|---|---|---|---|---|---|
| 04 KGIB 2 | $ 2,750,000 | $ 2,750,000 | $ - | 2008.01.09-2017.12.13 | Principal due on maturity. | 0% | |
| No. 960301 | - | 9,000,000 | - | 2008.01.30-2015.01.30 | Principal due on maturity; interest payable annually. | 3.00% | Note |
| No. 960401 | - | 1,000,000 | - | 2008.01.31-2015.04.30 | Principal due on maturity; interest payable annually, the last payment for three months. | 3.10% | Note |
| Issued amount | 2,750,000 | 12,750,000 | - | | | | |
| Unamortized discount | (174,057) | (209,696) | - | | | | |
| Net amount | $ 2,575,943 | $ 12,540,304 | $ - | | | | |

Note: The Bank debentures were matured before the transfer date.

## 25. COMMERCIAL PAPER PAYABLE, NET

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Commercial paper payable | $ 1,066,000 | $ 907,000 | $ - |
| Less: Unamortized discount | (479) | (463) | - |
| | $ 1,065,521 | $ 906,537 | $ - |
| Interest rate | 1.30%-1.64% | 1.30%-1.64% | - |
| Last maturity date | August 2015 | February 2015 | |

## 26. OTHER BORROWINGS

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Short-term credit borrowings | $ 2,862,109 | $ 2,295,236 | $ - |
| Note issuance facility | 1,818,350 | 1,599,331 | - |
| Short-term secured borrowings | 355,000 | 480,000 | - |
| Long-term credit borrowings | 170,238 | 338,808 | - |
| Long-term secured borrowings | 5,250 | 338,280 | - |
| | $ 5,210,947 | $ 5,051,655 | $ - |
| Interest rate | 1.45%-5.75% | 1.53%-6.77% | - |
| Last maturity date | October 2017 | August 2018 | |

## 27. PROVISIONS

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Provision for employee benefits | $ 153,783 | $ 387,583 | $ 134,837 |
| Provision for guarantee liabilities | 112,308 | 109,498 | 17,668 |
| Others | 22,025 | 17,266 | 5,234 |
| | $ 288,116 | $ 514,347 | $ 157,739 |

## 28. RETIREMENT BENEFIT PLANS

The Bank and subsidiaries' retirement plans consist of defined contribution and defined benefit plans. For defined benefit plans, employee benefit expenses for the six months ended June 30, 2015 and 2014 were calculated using the actuarially determined pension cost discount rates as of December 31, 2014 and 2013, respectively.

For the three and six months ended June 30, 2015 and 2014, the Bank and subsidiaries (a) recognized and reversed their contributions under the defined benefit plans as pension expenses (recognized as employee benefits) of $1,475 thousand, pension benefits of $636 thousand, pension expenses of $1,745 thousand and pension benefits of $1,272 thousand, respectively, and (b) recognized under the defined contribution plans pension expenses (recognized as employee benefits) of $24,538 thousand, $19,656 thousand, $47,638 thousand and $39,911 thousand, respectively.

## 29. OTHER LIABILITIES

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Guarantee deposits received | $ 645,313 | $ 339,572 | $ 185,839 |
| Temporary receipts and suspense accounts | 554,341 | 494,669 | 414,172 |
| Advance receipts | 436,592 | 842,687 | 115,016 |
| Others | 90,485 | 83,749 | 81,042 |
| | $ 1,726,731 | $ 1,760,677 | $ 796,069 |

## 30. EQUITY

a. Capital

Common stock

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Number of shares authorized (in thousands) | 20,000,000 | 20,000,000 | 20,000,000 |
| Shares authorized | $ 200,000,000 | $ 200,000,000 | $ 200,000,000 |
| Number of shares issued and fully paid (in thousands) | 4,606,162 | 1,530,733 | 1,526,988 |
| Shares issued | $ 46,061,623 | $ 15,307,334 | $ 15,269,878 |

On April 13, 2015, the Bank's board of directors, under an authorization to execute shareholders' meeting functions, decided to increase capital by $38,000,000 thousand through private placement. The Bank set May 4, 2015 as the effective date of this capital increase.

b. Capital surplus

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Additional paid-in capital | $ 7,245,710 | $ 21,275 | $ 5,961 |
| Issuance of employee share options | 335 | 20 | 135,271 |
| Change in capital surplus from investments in associates accounted for by using equity method | 110 | - | - |
| Expiration of employee share options | - | 103,324 | - |
| Expiration of options | - | 12,712 | 12,712 |
| | $ 7,246,155 | $ 137,331 | $ 153,944 |

The premium of additional paid-in capital (share premium from issuance of common shares, treasury share transactions, and excess of the consideration received over the carrying amount of the subsidiaries' net assets during disposal or acquisition) and donations may be used to offset a deficit; in addition, when the Bank has no deficit, this capital surplus may be distributed as cash dividends, or may be transferred to capital once a year within a certain percentage of the Bank's capital surplus.

The capital surplus from investments under the equity method may not be used for any purpose.

c. Legal and special reserves

Under the Company Act, the Bank may, under a resolution approved in a shareholders' meeting, capitalize the amount of its legal reserve that exceeds 25% of the share capital by issuing new shares to shareholders or by distributing a cash dividend when it incurs no loss. In addition, under the Banking Act, the Bank should retain 30% of its after-tax earnings as legal reserve before distributing these earnings. In addition, if the amount of legal reserve has is less than the total amount of capital, the maximum amount of earnings that may be distributed in cash should not exceed 15% of the total capital. However, this restriction will not apply if the amount of legal reserve equals or exceeds the amount of the total capital or if the Bank is in sound financial condition and is in compliance with the Company Act.

Based on Rule No. 1010012865 issued by the FSC on April 6, 2012, a special reserve equal to the net debit balance of other shareholders' equity should be appropriated from the current after-tax net income and the prior year's unappropriated earnings, but this special reserve is not distributable. This special reserve may be reversed to the extent that the net debit balance reverses.

d. Appropriation of earnings and dividend policy

The appropriation of earnings based on the Articles of Incorporation is summarized as follows:

Earnings are used to cover prior years' accumulated deficit and any taxes. From the remaining earnings are appropriated legal reserve, a special reserve as defined by laws, and at least 0.01% to 3% as employees' bonus, in that order. The board of directors' proposal on the appropriation of earnings, including unappropriated earnings at the beginning of the period, is presented for approval at the shareholders' meeting.

To expand the Bank’s operations and increase its profitability as well as comply with the Banking Act and relevant regulations, the Bank applies the residual dividend policy. That is, the Bank decides the time and amount of dividend allocation on the basis of relevant government regulations and the Bank’s Articles of Incorporation. In principle, the Bank pays dividends in the form of cash. The cash dividends should not be more than 15% of paid-in capital when legal reserve is less than paid-in capital.

When the Bank’s legal reserve equals its paid-in capital, or when the Bank has complied with the FSC’s financial soundness requirements and has provided a legal reserve based on the Company Act, the Bank is no longer subject to the requirement for legal reserve appropriation and to the 15%-of-paid-in capital limit on cash dividend distribution.

The appropriation of earnings should be presented for approval at the shareholders’ meeting in the year following, and given effect to in the financial statements of the year following the year of earnings generation.

Under the Financial Holding Company Act, because the Bank has only one shareholder, CDFH, the Company Act provisions on shareholders’ meetings do not apply to the Bank and the board of directors is thus entitled to exercise shareholders’ meeting functions.

Appropriation of the 2014 and 2013 earnings that approved by board of directors which entitled to execute shareholders’ meeting function on May 21, 2015 and shareholders’ meeting on June 27, 2014 respectively were as follows:

| | **2014** | **2013** |
|---|---|---|
| Legal reserve | $ 710,281 | $ 915,755 |
| (Reversal) appropriation of special reserve | (142,987) | 142,987 |
| Cash dividends | 1,838,110 | 2,000,913 |

Related information can be accessed through the Market Observation Post System on the Web site of the Taiwan Stock Exchange (http://emops.tse.com.tw).

## 31. NET INTEREST

| | **For the Three Months Ended June 30** | | **For the Six Months Ended June 30** | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| Interest revenues | | | | |
| Discounts and loans | $ 1,889,357 | $ 1,293,752 | $ 3,803,831 | $ 2,569,098 |
| Securities | 423,232 | 83,710 | 893,622 | 168,491 |
| Accounts receivable - forfaiting | 273,794 | 45,893 | 582,929 | 81,567 |
| Due from and call loans to banks | 190,937 | 65,585 | 386,913 | 125,439 |
| Others | 141,304 | 63,244 | 348,290 | 159,238 |
| | 2,918,624 | 1,552,184 | 6,015,585 | 3,103,833 |
| Interest expenses | | | | |
| Deposits | 788,381 | 388,770 | 1,619,916 | 768,846 |
| Securities sold under repurchase agreements | 73,777 | 2,594 | 152,345 | 6,194 |
| Structured notes | 50,583 | - | 98,812 | - |

(Continued)

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Due to/borrowings from the Central Bank and other banks | $ 19,320 | $ 1,476 | $ 37,844 | $ 7,099 |
| Others | 52,199 | 146 | 134,342 | 223 |
| | 984,260 | 392,986 | 2,043,259 | 782,362 |
| | $ 1,934,364 | $ 1,159,198 | $ 3,972,326 | $ 2,321,471 |

(Concluded)

## 32. SERVICE FEE INCOME, NET

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Service fee revenues | | | | |
| Agency | $ 132,287 | $ 70,771 | $ 237,872 | $ 125,812 |
| Trust | 118,671 | 136,055 | 230,967 | 263,002 |
| Credit card | 42,921 | 40,564 | 74,146 | 85,360 |
| Cash card | 36,025 | 38,581 | 67,453 | 72,665 |
| Loans | 30,689 | 47,348 | 110,345 | 93,978 |
| Others | 60,542 | 29,060 | 127,067 | 57,695 |
| | 421,135 | 362,379 | 847,850 | 698,512 |
| Service fee expenses | | | | |
| Agency | 23,208 | 21,334 | 44,712 | 42,950 |
| Custodian | 1,024 | - | 2,050 | - |
| Interbank | 7,932 | 5,942 | 14,867 | 11,496 |
| Trust | 860 | 860 | 1,720 | 1,720 |
| Others | 24,394 | 13,302 | 45,034 | 28,164 |
| | 57,418 | 41,438 | 108,383 | 84,330 |
| | $ 363,717 | $ 320,941 | $ 739,467 | $ 614,182 |

## 33. GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES MEASURED AT FVTPL

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Realized gain (loss) | | | | |
| Derivative instruments | $ (1,039,130) | $ 1,131 | $ (1,325,518) | $ 4,907 |
| Bonds | 78,675 | 104 | 319,102 | 129 |
| Stocks | 41,816 | 16,392 | 59,658 | 21,096 |
| Others | 2,082 | - | 5,311 | (684) |
| | (916,557) | 17,627 | (941,447) | 25,448 |

(Continued)

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Revaluation gain (loss) | | | | |
| Derivative instruments | $ 975,552 | $ (12,845) | $ 784,092 | $ 1,540 |
| Stocks | (30,761) | (2,818) | (25,083) | 6,562 |
| Bonds | 57,851 | - | 374,982 | - |
| Others | (21,116) | 42 | (188,211) | 42 |
| | 981,526 | (15,621) | 945,780 | 8,144 |
| | $ 64,969 | $ 2,006 | $ 4,333 | $ 33,592 |

(Concluded)

For the three months and six months ended June 30, 2015 and 2014, the transactions on the Bank and subsidiaries' financial assets and liabilities at FVTPL resulted in (a) a realized loss of $1,099,658 thousand, a gain of $17,627 thousand, a loss of $1,352,303 thousand, and a gain of $25,434 thousand, respectively, (b) interest revenues of $222,779 thousand, $0 thousand, $458,970 thousand and $14 thousand, respectively, (c) dividend incomes of $2,250 thousand, $0 thousand, $2,250 thousand and $0 thousand, respectively, and (d) and interest expenses of $41,928 thousand, $0 thousand, $50,364 thousand and $0 thousand, respectively.

## 34. REALIZED GAIN (LOSS) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Gain (loss) on bond disposal | $ 219,487 | $ (4,045) | $ 337,495 | $ (33,487) |
| Gain on stock disposal | 98,258 | - | 140,952 | - |
| Dividend income | 50,933 | 10 | 63,507 | 20 |
| Others | (19) | (1,384) | (106) | (1,575) |
| | $ 368,659 | $ (5,419) | $ 541,848 | $ (35,042) |

## 35. OTHER NON-INTEREST PROFIT AND GAIN

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Rental income | $ 14,283 | $ 3,842 | $ 26,175 | $ 7,690 |
| Net gains on financial assets at cost | 6,779 | 7,406 | 6,779 | 7,406 |
| Financial consulting income | 1,955 | - | 5,613 | - |
| Others | 28,786 | (807) | 57,635 | 4,540 |
| | $ 51,803 | $ 10,441 | $ 96,202 | $ 19,636 |

## 36. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Employee benefit expense | | | | |
| Salaries and wages | $ 681,840 | $ 407,166 | $ 1,350,272 | $ 844,998 |
| Employee insurance | 47,436 | 29,894 | 92,733 | 69,564 |
| Pension | 26,013 | 19,020 | 49,383 | 38,639 |
| Others | 49,536 | 68,219 | 93,386 | 104,349 |
| | $ 804,825 | $ 524,299 | $ 1,585,774 | $ 1,057,550 |
| Depreciation and amortization expenses | $ 64,925 | $ 45,862 | $ 122,996 | $ 92,294 |

Based on the May 2015 amendments to the Company Act, a fixed amount from or a ratio of the current year’s profit distributable as employees' compensation should be clearly specified in the Articles of Incorporation. However, as of June 30, 2015, the Bank had not yet made the Company Act-required revision of its Articles of Incorporation. For the six months ended June 30, 2015 and 2014, the employees' compensation and the employees’ bonus were estimated at $1,291 thousand and $947 thousand, respectively. These amounts were calculated on the basis of a fixed ratio of the earnings for the periods and were expensed under operating expenses during the period. Material differences between these estimates and the amounts proposed by the board of directors in the following year are will be used as basis for bonus adjustments in the year of the proposal. If the actual amounts subsequently resolved by the shareholders’ meeting differ from the proposed amounts, the differences are recorded in the year of the resolution approval at the shareholders’ meeting as changes in accounting estimates.

The appropriation of the 2014 and 2013 employees’ bonus that approved by board of directors entitle to execute shareholders’ meeting function on May 21, 2015 and shareholders’ meeting on June 27, 2014 respectively were as follows:

| | 2014 Cash Bonus | 2013 Cash Bonus |
|---|---|---|
| Employees’ bonus | $ 1,800 | $ 2,137 |

| | 2014 Employees’ Bonus | 2013 Employees’ Bonus |
|---|---|---|
| Amounts approved by the board of the directors | $ 1,800 | $ 2,137 |
| The accrued amount recognized in the annual financial statements | 1,800 | 2,137 |
| | $ - | $ - |

## 37. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Taxation | $ 130,798 | $ 49,643 | $ 257,993 | $ 100,667 |
| Rental | 70,915 | 57,571 | 135,786 | 114,271 |
| Commission | 24,114 | 26,226 | 43,481 | 52,836 |
| Computer information | 25,586 | 8,089 | 45,293 | 15,694 |
| Office administration | 27,764 | 4,140 | 33,789 | 8,312 |
| Maintenance and insurance | 28,010 | 27,217 | 49,290 | 50,913 |
| Marketing | 60,227 | 22,670 | 94,059 | 39,983 |
| Professional services | 38,915 | 58,587 | 108,952 | 112,070 |
| Postage | 28,759 | 16,972 | 87,802 | 33,600 |
| Others | 65,910 | 64,443 | 129,621 | 127,880 |
| | $ 500,998 | $ 335,558 | $ 986,066 | $ 656,226 |

## 38. INCOME TAX

a. Income tax expense

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Current income tax | | | | |
| Current period | $ 60,611 | $ 38,797 | $ 166,317 | $ 40,370 |
| Prior periods | 15,822 | - | 15,822 | - |
| | 76,433 | 38,797 | 182,139 | 40,370 |
| Deferred income tax | 168,375 | 142,304 | 258,303 | 279,069 |
| Income tax expense | $ 244,808 | $ 181,101 | $ 440,442 | $ 319,439 |

b. Integrated income tax

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Imputation credit accounts - the Bank | $ 77 | $ 422,560 | $ 1,041,559 |

The Bank’s creditable tax ratios for the distribution of the earnings of 2014 and 2013 were 17.96% and 20.48%, respectively.

Under the Income Tax Law, for the distribution of earnings generated on or after January 1, 1998, the imputation credits allocable to the Bank’s ROC resident shareholders are calculated on the basis of the creditable ratio as of the date of dividend distribution.

The Bank had no unappropriated earnings generated before January 1, 1998.

c. The estimated receivables/payables resulting from the use of the linked-tax system on the Bank's consolidated tax returns were as follows:

| | June 30, 2015 |
|---|---|
| Tax paid to the parent company | $ 19,992 |

d. Income tax assessments

The Bank used the linked-tax system in filing together its income tax and unappropriated earnings returns and those of its parent company and eligible subsidiaries.

The Bank's income tax returns through 2011 and 2013 had been examined by the tax authorities. The income tax returns of Cosmos Insurance Brokers Co., Ltd., CDIB Management Consulting Corporation and CDC Finance & Leasing Corp. through 2013 had been examined by the tax authorities.

## 39. EARNINGS PER SHARE

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Basic EPS | $ 0.37 | $ 0.46 | $ 0.65 | $ 0.89 |
| Diluted EPS | | $ 0.46 | | $ 0.89 |

The earnings and weighted average number of common shares outstanding in the computation of earnings per share (EPS) were as follows:

**Net Profit for the Period**

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Earnings used in the computation of the EPS | | | | |
| Attributable to shareholders of the parent company | $ 1,249,000 | $ 697,592 | $ 1,842,520 | $ 1,364,450 |
| Attributable to former owner of business combination under common control | 438,288 | - | 1,165,910 | - |
| | $ 1,687,288 | $ 697,592 | $ 3,008,430 | $ 1,364,450 |

**Weighted Average Number of Common Shares Outstanding (In Thousand Shares)**

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Weighted average number of common shares outstanding used in the computation of basic EPS | 4,606,162 | 1,526,732 | 4,606,162 | 1,526,274 |
| Effect of dilutive potentially common shares: | | | | |
| Employee share options | - | 2,103 | - | 2,151 |
| Employee bonus | - | 62 | - | 62 |
| Weighted average number of common shares outstanding used in the computation of diluted EPS | 4,606,162 | 1,528,897 | 4,606,162 | 1,528,487 |

## 40. SHARE-BASED PAYMENT

To attract and encourage professionals, enhance employees' loyalty to the Bank, and create maximum benefits to shareholders and the Bank, the board of directors approved on May 22, 2008 an employee stock option plan (ESOP), and the Bank registered this plan with the FSC. The Bank issued 838,700 thousand units of employee share options, with each unit convertible into one common share of the Bank. As a result, the Bank retained 838,700 thousand new common shares for the plan.

After the ESOP expiry on June 11, 2009, the Bank's board of directors approved the "2010 Regulation on the Issuance and Subscription for Employee Stock Options" (the "2010 Regulation") in their meeting held on February 25, 2010. The issuance of options was approved by the FSC's Securities and Futures Bureau. There were 161,391 thousand units of employee stock options issued, considered the effect of capital reduction. Earlier, on December 22, 2009, the Bank's board of directors approved the stock appreciation rights plan for executives; when these rights are exercised, the Bank's will settle these rights in the form of common shares or cash.

As the stock appreciation rights for executives vested immediately on the transfer of control rights, the Bank recognized expenses based on an actuarial valuation report dated February 10, 2014.

Under a resolution passed in the Bank's board of directors' meeting held on April 26, 2011, the Bank issued employee stock options (First time in 2011) representing 37,204 thousand shares, which included stock options to replace those previously given to several managers on various grant dates between May 5, 2008 and July 9, 2010, at an exercise price of NT$8.12 per share. The fair value of the replacement options was the same as the fair value of the original options, and this replacement was treated as if this substitution had never occurred; thus, the Bank expensed the original fair value of the options for the replacement options.

Under a resolution passed in the Bank's board of directors' meeting held on August 25, 2011, the Bank issued employee stock options (Second time in 2011) representing 19,439 thousand shares at an exercise price of NT$6.24 per share.

Under the above 2010 Regulation, the Bank recognized a compensation expense when the Bank became wholly owned by the CDFH on September 15, 2014.

a. The information on the Bank's share-based payment transaction, is as follows:

| | Equity-settled | | Cash-settled |
|---|---|---|---|
| | Employee Stock Option (I) | Employee Stock Option (II) | Stock Appreciation Rights Plan of Executives |
| Grant date | May 3, 2011 | August 29, 2011 | 2009.12.22-2013.12.23 |
| Number of shares granted (in thousands) | 20,301 | 7,294 | 1,852 |
| Contract term | 10 years | 10 years | 10 years |
| Recipients | Employees | Employees | Executives |
| Vesting condition | Immediately, i.e., on share issuance on September 15, 2014 | Immediately, i.e., on share issuance on September 15, 2014 | Immediately, i.e., on share issuance on February 10, 2014 |

b. Measurement inputs of fair value on grant date

The Bank used the Black-Scholes model and the binomial lattice pricing model to estimate the fair values of the stock appreciation rights plan and the employee stock options. The measurement inputs were as follows:

| | June 30, 2014 | | |
|---|---|---|---|
| | Employee Stock Option (I) | Employee Stock Option (II) | Stock Appreciation Rights Plan of Executives |
| Fair value on grant date (NT$) | 3.43 | 2.256 | 3.52-5.51 |
| Share price on grant date (NT$) | 8.12 | 6.24 | 6.11-14.95 |
| Exercise price (NT$) (before capital reduction) | 8.12 | 6.24 | 6.11-14.95 |
| Exercise price (NT$) (after capital reduction) | 15.19 | 11.67 | 11.43-16.20 |
| Expected volatility (%) | 51.48 | 48.56 | 28.30-30.16 |
| Weighted-average duration (years) | 6.76 | 6.66 | 2.93-4.93 |
| Risk-free interest rate (%) | 1.60 | 1.62 | 0.84-1.20 |

c. The status of the employee stock options and the stock appreciation rights plan for executives was as follows:

| | For the Six Months Ended June 30, 2014 | |
|---|---|---|
| | Weighted-average Exercise Price Per Unit (NT$) | Shares (Thousand) |
| Employee stock option | | |
| Outstanding on January 1 | $13.88 | 33,324 |
| Forfeited during the period | - | (705) |
| Exercised during the period | 11.85 | (1,220) |
| Outstanding on June 30 | 13.95 | 31,399 |

| | For the Six Months Ended June 30, 2014 | |
|---|---|---|
| | Exercise Price (NT$) | Shares (Thousand) |
| Stock appreciation rights plan | | |
| Outstanding on January 1 | $11.43-$16.20 | 9,730 |
| Exercised during the period | - | - |
| Outstanding on June 30 | 11.43-16.20 | 9,730 |

The status of the outstanding employee stock options and the stock appreciation rights plan was as follows:

| | June 30, 2014 |
|---|---|
| Employee stock option | |
| Exercise price (NT$) | $11.67-$15.19 |
| Weighted-average duration (years) | 6.85-7.17 |
| Stock appreciation rights plan | |
| Exercise price (NT$) | $11.43-16.20 |
| Weighted-average of duration (years) | 2.93-4.93 |

The Bank incurred expenses and liabilities of share-based arrangements as follows:

| | For the Six Months Ended June 30, 2014 |
|---|---|
| Share-based payment expense | $ 7,845 |

| | June 30, 2014 |
|---|---|
| Total carrying amount of liabilities for cash-settled stock appreciation rights plan | $ 42,206 |
| Total price of vested interest | $ 42,206 |

## 41. RELATED-PARTY TRANSACTIONS

The significant transactions and relationship with related parties (in addition to those disclosed in other notes) are summarized below:

| Related Party | Relationship with the Bank and Subsidiaries |
|---|---|
| China Development Financial Holding Corporation (CDFH) | Parent company |
| China Development Industrial Bank (CDIB) | Subsidiary of the parent company |
| KGI Securities Co., Ltd. | Subsidiary of the parent company |
| S.A.C. PEI Taiwan Holdings B.V. | Former main shareholder of the Bank until September 15, 2014 |
| S.A.C. PEI Taiwan Holdings II B.V. | Director of the Bank before September 15, 2014 |
| GE Capital Asia Investments Holdings B.V. (“GE Asia Holdings”) | Former main shareholder of the Bank until September 15, 2014 |
| Others | Other related parties |

Note: The Bank disclosed only the intercompany transactions made while a counterparty was a related party as of the balance sheet date

a. Due from banks (recognized as cash and cash equivalents)

| | Amount | % |
|---|---|---|
| June 30, 2015 | | |
| Other related parties | $ 207,871 | 2 |
| December 31, 2014 | | |
| Other related parties | 60,909 | 1 |

For the six months ended June 30, 2015, the interest revenue from due from banks was $0 thousand.

b. Futures margin (recognized as cash and cash equivalents)

| | Amount | % |
|---|---|---|
| June 30, 2015 | $ 18,001 | - |
| December 31, 2014 | 35,725 | - |

c. Credit card (recognized as receivable, net)

| | Amount | % |
|---|---|---|
| June 30, 2015 | $ 42,952 | - |
| December 31, 2014 | 8,272 | - |
| June 30, 2014 | 12,252 | - |

d. Receivables on securities sold (recognized as receivables, net)

| | Amount | % |
|---|---|---|
| June 30, 2015 | $ 1,786 | - |
| December 31, 2014 | 40,466 | - |

e. Accrued income (recognized as receivable, net)

| | Amount | % |
|---|---|---|
| June 30, 2015 | $ 24,300 | - |

f. Discounts and loans, net

| | Amount | % | Interest Rate (%) |
|---|---|---|---|
| June 30, 2015 | $ 952,231 | - | 1.48-18.25 |
| December 31, 2014 | 485,119 | - | 1.42-18.25 |
| June 30, 2014 | 90,663 | - | 1.42-18.25 |

For the three and six months ended June 30, 2015 and 2014, the interest revenues from discounts and loans were $4,233 thousand, $416 thousand, $7,342 thousand and $887 thousand, respectively.

**For the Six Months Ended June 30, 2015**

**(In Thousands of New Taiwan Dollars)**

| Category | Number of Accounts or Name of Related Party | Highest Balance | Ending Balance | Normal | Overdue | Type of Collateral | Was the Transaction Conducted at Arm's Length |
|---|---|---|---|---|---|---|---|
| Consumer loans | 24 | $ 16,077 | $ 12,931 | $ 12,931 | - | None | Yes |
| Residential mortgage loans | 47 | 881,475 | 834,485 | 834,485 | - | Real estate | Yes |
| Others | 6 | 112,658 | 104,815 | 104,815 | - | Real estate/deposit/none | Yes |

**Balance as of December 31, 2014**

**(In Thousands of New Taiwan Dollars)**

| Category | Number of Accounts or Name of Related Party | Highest Balance | Ending Balance | Normal | Overdue | Type of Collateral | Was the Transaction Conducted at Arm's Length |
|---|---|---|---|---|---|---|---|
| Consumer loans | 22 | $ 14,373 | $ 11,888 | $ 11,888 | - | None | Yes |
| Residential mortgage loans | 27 | 514,007 | 468,829 | 468,829 | - | Real estate | Yes |
| Others | 7 | 5,204 | 4,402 | 4,402 | - | Real estate/deposit | Yes |

**For the Six Months Ended June 30, 2014**

**(In Thousands of New Taiwan Dollars)**

| Category | Number of Accounts or Name of Related Party | Highest Balance | Ending Balance | Normal | Overdue | Type of Collateral | Was the Transaction Conducted at Arm's Length |
|---|---|---|---|---|---|---|---|
| Consumer loans | 6 | $ 3,795 | $ 2,806 | $ 2,806 | - | None | Yes |
| Residential mortgage loans | 11 | 110,531 | 87,278 | 87,278 | - | Real estate | Yes |
| Others | 2 | 969 | 579 | 579 | - | Real estate/deposit | Yes |

g. Purchase and sale of bonds

| | Purchase of Bonds | Sale of Bonds |
|---|---|---|
| <u>For the six months ended June 30, 2015</u> | | |
| Subsidiary of the parent company | $ 2,189,116 | $ 3,644,997 |

h. Guarantee deposits paid (recognized as other assets)

| | Amount | % |
|---|---|---|
| June 30, 2015 | $ 20,473 | - |
| December 31, 2014 | 1,008 | - |

i. Payables for securities purchased (recognized as payables)

| | Amount | % |
|---|---|---|
| June 30, 2015 | $ 40,486 | 1 |
| December 31, 2014 | 18,629 | - |

j. Payables to parent (recognized as current tax liabilities)

| | June 30, 2015 | |
|---|---|---|
| | Amount | % |
| Parent company | $ 19,992 | 58 |

The payables resulted from CDFH and its eligible subsidiaries' use of the linked-tax system in the filing of tax returns.

k. Deposits

| | Amount | % | Interest Rate (%) |
|---|---|---|---|
| June 30, 2015 | $ 25,981,628 | 7 | 0-5.97 |
| December 31, 2014 | 12,558,797 | 4 | 0-6.50 |
| June 30, 2014 | 275,970 | - | 0-5.97 |

For the three and six months ended June 30, 2015 and 2014, the interest expenses for deposits were $12,758 thousand, $1,106 thousand, $24,678 thousand and $2,306 thousand, respectively.

l. Short-term borrowings (recognized as other borrowings)

| | Amount | % |
|---|---|---|
| June 30, 2015 | $ 132,138 | 3 |
| December 31, 2014 | 134,297 | 3 |

For the three and six months ended June 30, 2015, the interest expenses for short-term borrowings were $777 thousand and $1,571 thousand, respectively.

m. Service fee revenue (recognized as service fee income, net)

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| 2015 | $ 722 | - | $ 1,532 | - |

n. Rent (recognized as other general and administrative expenses)

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| 2015 | $ 14,294 | 3 | $ 16,447 | 2 |

The rent was based on market prices and payable monthly or quarterly.

o. Other general and administrative expenses (Note)

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| 2015 | $ 1,625 | - | $ 1,975 | - |

Note: These expenses were for the use of the subsidiary of the parent company's workplace and IT equipment.

p. Outstanding derivative financial instruments

**June 30, 2015**

**(In Thousands of New Taiwan Dollars)**

| Related Party | Contract Type | Contract Period | Contract Amount | Valuation Gain (Loss) | Balance Sheet Account | Balance Sheet Balance |
|---|---|---|---|---|---|---|
| Other related parties | Currency swap contracts | November 26, 2014 - April 14, 2016 | $ 5,761,263 | $ 486,027 | Financial assets held for trading | $ 61,913 |
| | | | | | Financial liabilities held for trading | 3,295 |
| Subsidiaries of the parent company | Interest rate swap contracts | September 20, 2010 - September 23, 2015 | 300,000 | (1,820) | Financial assets held for trading | 320 |
| | Asset swap-interest rate swap contracts | April 17, 2014 - July 30, 2017 | 57,000 | (1,348) | Financial assets held for trading | 723 |
| | Asset swap option contracts | April 17, 2014 - July 14, 2017 | 57,000 | 2,277 | Financial liabilities held for trading | 4,567 |
| | Equity option contracts | July 9, 2014 - October 27, 2015 | 3,100,000 | (578,737) | Financial assets held for trading | 440,289 |

**December 31, 2014**

**(In Thousands of New Taiwan Dollars)**

| Related Party | Contract Type | Contract Period | Contract Amount | Valuation Gain (Loss) | Balance Sheet Account | Balance Sheet Balance |
|---|---|---|---|---|---|---|
| Other related parties | Currency swap contracts | February 7, 2014 - July 21, 2015 | $ 12,208,213 | $ (365,706) | Financial assets held for trading | $ 27,325 |
| | | | | | Financial liabilities held for trading | 454,734 |
| Subsidiaries of the parent company | Interest rate swap contracts | April 1, 2010 - September 23, 2015 | 800,000 | (1,282) | Financial assets held for trading | 2,140 |
| | Asset swap option contracts | April 17, 2014 - July 14, 2017 | 103,900 | (9,291) | Financial liabilities held for trading | 6,844 |
| | Asset swap-interest rate swap contracts | April 17, 2014 - July 30, 2017 | 103,900 | (376) | Financial assets held for trading | 2,071 |
| | Equity option contracts | January 13, 2014- October 27, 2015 | 7,832,000 | 370,578 | Financial assets held for trading | 1,019,026 |

q. Compensation of key management personnel

| | For the Three Months Ended June 30 2015 | For the Three Months Ended June 30 2014 | For the Six Months Ended June 30 2015 | For the Six Months Ended June 30 2014 |
|---|---|---|---|---|
| Salary and short-term employee benefits | $ 32,702 | $ 40,491 | $ 61,442 | $ 75,715 |
| Post-employment benefits | 669 | 16,305 | 1,069 | 16,752 |
| Share-based payment | - | 1,249 | - | 14,734 |
| | $ 33,371 | $ 58,045 | $ 62,511 | $ 107,201 |

In addition to the above, the Bank also paid housing rental, car rental, drivers salaries and personal expense; and other personal expenses, as follows:

| | For the Three Months Ended June 30 2015 | For the Three Months Ended June 30 2014 | For the Six Months Ended June 30 2015 | For the Six Months Ended June 30 2014 |
|---|---|---|---|---|
| Personal expenses | $ 1,663 | $ 1,211 | $ 3,053 | $ 2,760 |

The terms of transactions with related parties were similar to those for third parties, except for certain preferential interest rate on deposits for the Bank's employees with limited deposit amounts.

Based on Articles 32 and 33 of the Banking Act, except for consumer loans and government loans, credits extended by the Bank to any related party were fully secured, and the other terms for these credits were similar to those for third parties.

## 42. PLEDGED ASSETS

The assets pledged as collaterals were as follows:

| Assets | Object | Purpose | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|---|---|
| Due from the Central Bank and call loans to banks | Certificates of deposit issued by the Central Bank | As collaterals for day-term overdraft with the Central Bank | $ 10,200,000 | $ 11,300,000 | $ - |
| Lease receivables | Notes receivable | Short-term borrowing | 3,196,750 | 3,034,107 | - |
| Available-for-sale financial assets | Government bonds | Guarantees for provisional seizure | 14,178 | 19,600 | 24,800 |
| Available-for-sale financial assets | Government bonds | Guarantees and provisions | 259,377 | 364,611 | 210,000 |
| Available-for-sale financial assets | Stocks | Short-term borrowing | 11,560 | 11,407 | - |
| Investment property, net | Investment property | Short-term borrowing | 44,932 | 36,177 | - |
| Restricted assets - impound account | Cash in banks | Overdraft on commercial paper payable and cash in banks | 68,048 | 53,759 | - |
| Other financial assets | Time deposits | Short-term borrowing | 1,300 | 1,300 | - |

## 43. COMMITMENTS AND CONTINGENCIES

a. In response to rapid business development, changes in external regulations and IT demands for innovative products and enhanced IT service levels, the Bank planned to outsource its IT operations. Thus, in their meeting held on October 30, 2012, the board of directors approved the plan to outsource the Bank's IT operations to International Business Machines Corp., Taiwan (IBM Taiwan) for the next 10 years, starting from October 31, 2012. Throughout the validity period of the IT outsourcing contract, in addition to paying for extra services in accordance with professional rates, the Bank has to pay, starting from June 30, 2015, annual service fees for the basic framework, support service, IT application service and integration and transformation of its server and so on, with the service fees totaling $1,098,832 thousand for the remaining years.

b. In order to protect claims, the Bank acted vigorously in regards to Prince Motors' overdue debt. In 2012, the court enforced an auction on Tucheng plant and Dun Nan building collateral and allocated $3,935,303 thousand and $1,971,721 thousand to the Bank respectively. Among which, $3,897,202 thousand and $1,808,039 thousand were allocated by the court as of December 31, 2012 and 2013. However, the Prince Motors objected to the amounts allocated to the Bank by the court, which affect Tucheng plant and Dun Nan Building amounting $21,672 thousand and $163,682 thousand, respectively and has been withdrawn by the court on February 27, 2014. As of September 30, 2013, the court has announced that the Bank has won the lawsuit. Also, other creditors objected the amounts allocated to the Bank, which affect Tucheng plant amounting $16,429 thousand and was withdrawn by the court in October 2012. As of the reporting date, all the above mentioned collaterals allocated by the court were withdrawn by the court, amounting $3,935,303 thousand and $1,971,721 thousand.

   In December 2012, a third party regards the property rights of Dun Nan buildings as fraudulently infringing upon the rights of the creditors (credit litigation amounted to $481,157 thousand). On February 14, 2014, although the Taipei District Court has adjudicated that the Bank has lost the lawsuit and has to return the amount received $1,786,318 thousand for re-allocation. On August 12, 2015, the Bank's attorney replied that the case has ethical conflicts and inconformity with fact-finding and evidence and has a high possibility of winning the case. The Bank has appealed for second trial on March 10, 2014.

## 44. FAIR VALUE AND HIERARCHY INFORMATION OF FINANCIAL INSTRUMENTS

a. The fair value hierarchy of financial instruments is defined as follows:

1) Level I fair values are quoted prices in active markets for financial instruments.

2) Level II fair values are those directly or indirectly observable inputs other than Level I quoted prices, such as the quoted prices of similar financial instruments in less active markets or price estimates arrived at through pricing models that use inputs such as interest rates, which are derived from or can be corroborated by observable market data.

3) Level III refers to inputs that are not based on observable market data.

b. Financial instrument measured at fair value

1) The fair value hierarchy of financial instruments measured at fair value is as follows:

June 30, 2015

**(In Thousands of New Taiwan Dollars)**

| | Level I | Level II | Level III | Total |
|---|---|---|---|---|
| Measured on a recurring basis | | | | |
| Non-derivative financial instruments | | | | |
| Assets | | | | |
| Financial assets at FVTPL | | | | |
| Financial assets held for trading | | | | |
| Stock investments | $ 581,558 | $ - | $ - | $ 581,558 |
| Bond investments | 31,857,286 | 1,261,163 | - | 33,118,449 |
| Other | 41,640 | - | - | 41,640 |
| Financial assets designated as at FVTPL | - | 682,220 | - | 682,220 |
| Available-for-sale financial assets | | | | |
| Stock investments | 5,501,547 | - | - | 5,501,547 |
| Bond investments | 26,105,350 | 72,554,084 | 306,040 | 98,965,474 |
| Liabilities | | | | |
| Financial liabilities at FVTPL | | | | |
| Financial liabilities designated as at FVTPL | - | 4,096,656 | - | 4,096,656 |
| Derivative financial instruments | | | | |
| Assets | | | | |
| Financial assets at FVTPL | 15,553 | 8,731,657 | 1,342,486 | 10,089,696 |
| Liabilities | | | | |
| Financial liabilities at FVTPL | - | 9,542,515 | 1,528,625 | 11,071,140 |

December 31, 2014

| | Level I | Level II | Level III | Total |
|---|---|---|---|---|
| | | | | **(In Thousands of New Taiwan Dollars)** |
| Measured on a recurring basis | | | | |
| Non-derivative financial instruments | | | | |
| Assets | | | | |
| Financial assets at FVTPL | | | | |
| Financial assets held for trading | | | | |
| Stock investments | $ 636,223 | $ - | $ - | $ 636,223 |
| Bond investments | 29,098,743 | 1,204,911 | - | 30,303,654 |
| Others | 17,031 | - | - | 17,031 |
| Available-for-sale financial assets | | | | |
| Stock investments | 5,816,409 | - | - | 5,816,409 |
| Bond investments | 37,284,028 | 75,737,472 | 311,154 | 113,332,654 |
| Liabilities | | | | |
| Financial liabilities at FVTPL | | | | |
| Financial liabilities designated as at FVTPL | - | 1,071,148 | - | 1,071,148 |
| Derivative financial instruments | | | | |
| Assets | | | | |
| Financial assets at FVTPL | 58,976 | 20,022,784 | 1,994,719 | 22,076,479 |
| Liabilities | | | | |
| Financial liabilities at FVTPL | - | 21,167,477 | 2,114,959 | 23,282,436 |

June 30, 2014

| | Level I | Level II | Level III | Total |
|---|---|---|---|---|
| | | | | **(In Thousands of New Taiwan Dollars)** |
| Measured on a recurring basis | | | | |
| Non-derivative financial instruments | | | | |
| Assets | | | | |
| Financial assets at FVTPL | | | | |
| Financial assets held for trading | | | | |
| Stock investments | $ 238,276 | $ - | $ - | $ 238,276 |
| Others | 2,553 | - | - | 2,553 |
| Available-for-sale financial assets | | | | |
| Stock investments | 5,221 | - | - | 5,221 |
| Bond investments | 5,142,283 | 5,060,135 | - | 10,202,418 |
| Others | - | 249,928 | - | 249,928 |
| Derivative financial instruments | | | | |
| Assets | | | | |
| Financial assets at FVTPL | - | 2,709 | - | 2,709 |
| Liabilities | | | | |
| Financial liabilities at FVTPL | - | 604 | - | 604 |

2) Basis of fair value determination

For financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets, and derivative financial assets for hedging, fair value is determined at quoted market prices. When market prices of the Bank and subsidiaries' various financial instruments are not readily available, fair values are estimated by using appropriate valuation models or other banks' transaction prices. The information used by the Bank and subsidiaries for fair value estimation is consistent with that generally used in the market, and the pricing models used are commonly recognized by the industry as helpful tools in determining fair value. Related framework of the methodology can be outlined as analytical solution model (such as Black-Scholes model) and numeric model (such as Monte Carlo simulation).

3) Fair value adjustment

a) The limitation of valuation techniques and uncertain inputs

Valuation techniques incorporate assumptions that depend on the instrument type and available market data. However, certain inputs used in valuation techniques may be less readily determinable. In these circumstances, a valuation model would use additional parameters and/or model assumptions-model risk, liquidity risk, and so on-to make fair value adjustments. Thus, on the basis of its valuation management policies and relevant control procedures, the Bank's management considers valuation adjustments as necessary and appropriate. For the Bank to make appropriate valuation adjustments, all parameters and price information are evaluated thoroughly and market conditions are taken into consideration.

b) Credit risk valuation adjustment

Credit risk valuation adjustment consists of credit valuation adjustment and debit valuation adjustment.

Credit valuation adjustment is used for derivative contracts traded over the counter (OTC) and pertains to the possibility of default by counterparty.

Debit valuation adjustment is used for OTC derivative contracts and pertains to the possibility of default caused by the Bank.

The Bank does credit valuation adjustment using probability of default (PD) multiplied by loss given default (LGD) multiplied by exposure at default (EAD).

To estimate the PD to be used as basis for the allowance for doubtful accounts, the Bank refers to the ratings published by international credit rating institutions, valuation models and valuation method specified in IAS 39 "Financial Instruments: Recognition and Measurement.

For EAD calculation, the market values of OTC derivative instruments are estimated in calculating EAD. The Bank takes 60% as the PD in accordance with the guideline issued by the Taiwan Stock Exchange.

The above parameters used in risk valuation adjustment that is based on the fair values of financial instruments reflect the credit risks of counterparties and the credit quality of the Bank.

4) Reconciliation of Level III items of financial instruments

The movements of Level III financial assets were as follows:

**For the Six Months Ended June 30, 2015**

**(In Thousands of New Taiwan Dollars)**

| Items | Beginning Balance | Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income | Amount of Increase | | Amount of Decrease | | Ending Balance |
|---|---|---|---|---|---|---|---|
| | | | Purchase or Issue | Transfer to Level III | Sale, Disposal or Settlement | Transfer from Level III | |
| Financial assets at FVTPL | $ 1,994,719 | $ (187,729) | $ 40,234 | $ 1,819 | $ 506,557 | $ - | $ 1,342,486 |
| Available-for-sale financial assets | 311,154 | (5,114) | - | - | - | - | 306,040 |

The movements of Level III financial liabilities were as follows:

**For the Six Months Ended June 30, 2015**

**(In Thousands of New Taiwan Dollars)**

| Items | Beginning Balance | Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income | Amount of Increase | | Amount of Decrease | | Ending Balance |
|---|---|---|---|---|---|---|---|
| | | | Purchase or Issue | Transfer to Level III | Sale, Disposal or Settlement | Transfer from Level III | |
| Financial liabilities at FVTPL | $ 2,114,959 | $ (143,222) | $ 68,923 | $ 2,234 | $ 514,269 | $ - | $ 1,528,625 |

The total losses were $43,923 thousand and $3,376 thousand on the assets and liabilities held for the three and six months ended June 30, 2015, respectively.

5) Quantitative information about significant unobservable inputs (Level III) used in the fair value measurement

The table below lists quantitative unobservable inputs of Level III financial instruments:

| | Fair Value at June 30, 2015 | Valuation Technique(s) | Significant Unobservable Inputs | Range (Weighted-average) | The Relationship Between Inputs and Fair Value |
|---|---|---|---|---|---|
| Measured on a recurring basis | | | | | |
| Non-derivative financial assets | | | | | |
| Available-for-sale financial assets | | | | | |
| Bond investments | $ 306,040 | Discounted cash flow | 3 month USD Libor | Adjusted daily based on market information | Changes of 3 months USD Libor do not affect fair value apparently. |
| Derivative financial assets | | | | | |
| Financial assets at FVTPL | 1,342,486 | HullWhite, Libor market model, Discounted cash flow | Volatility factors | Adjusted daily based on market information | When Vega is positive and Volatility is bigger, fair value is higher; when Delta is positive, the yield curve goes up, fair value is higher |
| Derivative financial liabilities | | | | | |
| Financial liabilities at FVTPL | 1,528,625 | HullWhite, Libor market model, Discounted cash flow | Volatility factors | Adjusted daily based on market information | When Vega is positive and Volatility is bigger, fair value is higher; when Delta is positive, the yield curve goes up, fair value is higher |

6) Pricing process of level III fair value

The Bank's risk management department is responsible for the pricing of level III financial instruments. The pricing models and condition assumptions conform to those generally used in the market and are commonly recognized by the industry as bases for measuring fair value. Further, the department verifies whether or not the sources of the information are independent or whether the information itself reasonably reflects prices in normal circumstances, and also examines and adjusts fair value periodically to insure that valuation results are reasonable.

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

Cash and cash equivalents, due from the Central Bank and call loans to banks, receivables, discounts and loans, held-to-maturity financial assets, other financial assets, guarantee deposits paid, deposits from the Central Bank and banks, notes and bonds issued under repurchase agreements, payables, deposits and remittances, as well as financial liabilities and guarantee deposits received, have carrying values that approximate their fair values.

Investments accounted for using the equity method - unlisted stocks and financial assets measured at cost are unlisted financial assets, i.e., they have no quoted market prices in an active market. The fair values of these financial assets could not be reliably measured by the Bank and subsidiaries because the range of reasonable fair value estimates was so significant. Thus, their fair value is not disclosed.

## 45. FINANCIAL RISK MANAGEMENT

a. Risk management policies and framework

The Bank has an appropriate risk management system covering market, credit and operating risks and follows risk management procedures.

The Bank also analyzes, monitors and prepares reports on overall risk management. These reports are submitted to senior managements and to committees or board members with risk management functions. Updates on actual risks encountered when there are significant changes in macroeconomic conditions or in the financial market are generated for more effective risk monitoring and handling.

The Bank's risk management focuses not only on individual departments but also the overall impact of risks on a corporate level.

The Bank identifies risks using consistent standard asset portfolio classifications, with classifications correlating with each other, and establishes a consistent measure applicable to the different types of exposure.

The Bank's risk management groupings are as follows:

1) Board of directors

The Bank's board of directors supervises the operation of a risk management structure and promotes a risk management culture, ensures the efficiency of risk management, reviews important risk control reports and bears the ultimate responsibility for risk management.

2) Risk management committee

The risk management committee supervises the implementation of risk management policies, inspects risk control reports and deals with related issues.

3) Business and management department

The department is responsible for ensuring compliance with risk management regulations while conducting operations to control daily risks.

4) Risk management department

The risk management department is a unit independent from operating departments and is in charge of risk management planning and system operation and providing overall risk management information to senior management and the board of directors.

5) Audit department

The department is in charge of establishing all risk mechanisms and auditing the implementation of and compliance with these mechanisms.

Risk management is a joint duty of all the Bank's departments - business, legal, regulatory compliance, finance, accounting, administration, operating, audit department, and so on - that should be done diligently through interdepartmental coordination in overall risk management.

b. Credit risk

1) Definition and source of credit risk

Credit risk is the risk of financial loss to the Bank if a creditor or counterparty fails to meet its contractual obligations or has negative changes in its credit quality. Credit risk management covers all operating activities that involve credit risk, including loans, call loans to banks, investment banking book securities, financial derivatives, repurchase agreement transactions and other operating activities.

2) Credit risk management policy

The Bank has standard control procedures for credit risk identification, measurement, and generation of disclosures and reports to be used for a rational identification, measurement, disclosure, and effective control of credit risk. These procedures include applying standard screening criteria for target clients, credit investigations for credit approval or rejection, careful deliberation of applications for certain exceptions, credit review, management of non-performing loans and requests, and control over all related documents and information. The Bank also adjusts the credit risk structure accordingly so that credit portfolios are within the Bank's risk appetite. Further, the Bank assesses the changes in the economy to adjust risk structure and develops strategies in response to these changes to alleviate shareholders' value and ensure the risk is bearable.

Based on the risk management policies, the management process is carried out as follows:

a) Credit investigation

In screening target clients, the Bank asks for all the necessary documents from the clients in order to get their backgrounds accurately and control credit portfolios within the acceptable range.

b) Credit approval

Cases that have passed the credit investigation are reviewed by the credit authority of each level. The credit authorities approve credits in accordance with the Bank's credit limit structure and authorization policies. The Bank's credit approval structure and policies are based not only on the Banking Act and other government rules for credit extended to the same person or affiliated enterprises/groups, industry and country, but also on the professionalism of the Bank's credit authorities and the quality of asset control. The amounts of credit authorized are reviewed by the credit authorities occasionally.

c) Post-lending loan review

The corporate banking segment of the Bank tracks the borrowers' financial and business conditions, generates risk assessment reports on credit asset portfolios regularly, operates a risk warning system and adjusts business development strategies as needed to cope with economic conditions and changes in asset quality through the use of an account management scheme and a regular-reassessment system. For delinquent loans, the Bank uses the concentration management method, together with information systems and analysis models, to conduct regular loan reviews for the enhanced management of overdue loans and expedite the collection of nonperforming loans.

d) Risk report and information disclosures

The risk management department is responsible for measuring risk, preparing quarterly risk report, including all risk management index and risk capital requirement assessment and reporting to risk management committee and board of directors.

3) Mitigation of risks or hedging of credit risk

Considering the asset hedge market and liquidity, the Bank takes the necessary risk mitigation strategies, mainly on loans and hedge transactions involving assets with doubtful collectability or assets pledged for long periods, including obtaining collaterals with good liquidity or referring loan applications with insufficient or no collaterals to the Small and Medium Credit Guarantee Fund (SMEG) for enhanced loan application screening. Financial restrictions will be required for cases with poor credit ratings to ensure the clients' repayment capacity, and the Bank will reject transactions if their features and profitability cannot match related risk costs. For determining the value of foreclosed collaterals, liquid securities will be evaluated at their market value; other collaterals will be subject to field surveys by appraisal firms for their fair value assessment, which will be used as a basis for demanding additional collaterals or adjusting the credit amount to ensure that risks are within the Bank's tolerance range.

If clients are found to have bad credit features, the Bank will strengthen the monitoring of the credit and take measures, such as demanding an early repayment or additional collateral. In addition, the Bank sets different credit limits for counterparties involved in derivative transactions and enters into collateral support agreements with counterparties to ensure that risks are under control.

4) Maximum exposure to credit risk

Without taking collateral or other credit enhancements mitigation effect into account, the maximum exposure to credit risk from on-balance sheet financial assets was equal to their carrying values; the maximum exposure of credit risk from off-balance sheet financial instruments was as follows:

| Items | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Off-balance-sheet commitments and guarantees | $ 92,343,278 | $ 100,140,924 | $ 85,470,087 |

The Bank believes that stringent selection processes and conducting regular review afterwards are the reasons why they can continuously control and minimize the credit risk exposure from their off-balance sheet items.

The Bank's pledged collaterals associated with credit include discounts, loans and receivables which contain real estate, properties (eg: Machinery), rights certificates and securities (eg: Certificates of deposit, stocks), notes receivable arose from borrowing of business transactions, deposits guaranteed by authorities of treasury department of government, banks or guarantee institutions authorized by government (eg: SME credit guarantee fund and letter of credit guaranteed) and mortgages set in accordance with the laws including registration of land rights. Financial assets held by the Bank are part of corporate bonds guaranteed by financial institutions as credit enhancement.

5) Concentration of credit risk exposure

Concentrations of credit risk arise when a number of counterparties or exposure have comparable economic characteristics, or such counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic or other conditions.

Credit risk concentration can come from a bank's assets, liabilities, or off-balance sheet items through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. It includes credits, loans and deposits, call loans to banks, investments, receivables and derivatives. To manage credit risk concentration, the Bank maintains a diversified portfolio and monitors its exposure continually. The Bank's most significant concentrations of credit risk are summarized as follows:

a) By industry

| | June 30, 2015 | | December 31, 2014 | | June 30, 2014 | |
|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % |
| Public and private enterprises | $ 148,907,947 | 66.42 | $ 156,287,653 | 68.16 | $ 30,460,965 | 30.16 |
| Natural persons | 74,690,155 | 33.32 | 72,855,295 | 31.77 | 70,324,035 | 69.64 |
| Non-profit organizations | 581,633 | 0.26 | 144,555 | 0.07 | 197,208 | 0.20 |
| Total | $ 224,179,735 | 100.00 | 229,287,503 | 100.00 | 100,982,208 | 100.00 |

b) By region

| | June 30, 2015 | | December 31, 2014 | | June 30, 2014 | |
|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % |
| Domestic | $ 174,143,913 | 77.68 | $ 174,789,429 | 76.23 | $ 93,640,479 | 92.73 |
| Overseas | 50,035,822 | 22.32 | 54,498,074 | 23.77 | 7,341,729 | 7.27 |
| Total | 224,179,735 | 100.00 | 229,287,503 | 100.00 | 100,982,208 | 100.00 |

c) By collateral

| | June 30, 2015 | | December 31, 2014 | | June 30, 2014 | |
|---|---|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| Non-collaterals | $ 131,742,174 | 58.77 | $ 126,393,932 | 55.12 | $ 48,336,450 | 47.87 |
| Collaterals | | | | | | |
| Financial collaterals | 5,795,428 | 2.59 | 4,928,137 | 2.15 | 1,234,340 | 1.22 |
| Receivables | 1,328 | - | 819,758 | 0.36 | 1,114,811 | 1.10 |
| Property | 58,490,249 | 26.09 | 63,062,131 | 27.50 | 45,162,163 | 44.72 |
| Guarantees | 23,332,510 | 10.41 | 28,760,359 | 12.54 | 4,711,640 | 4.67 |
| Other | 4,818,046 | 2.14 | 5,323,186 | 2.33 | 422,804 | 0.42 |
| Total | 224,179,735 | 100.00 | 229,287,503 | 100.00 | 100,982,208 | 100.00 |

6) Credit quality and impairment assessment

Some financial assets such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, parts of receivables, refundable deposits and deposits for business operations are regarded as having very low credit risk because of the counterparties' good credit ratings.

In addition to the above, the credit analyses of other financial assets were as follows:

a) Credit quality analysis of discounts and loans and receivables

| June 30, 2015 | Neither Overdue Nor Impaired Amount (A) | Overdue But Not Impaired Amount (B) | Impairment Amount (C) | Total (A)+(B)+(C) | Loss Recognized (D) | | Net Total (A)+(B)+(C)-(D) |
|---|---|---|---|---|---|---|---|
| | | | | | With Objective Evidence of Impairment | With No Objective Evidence of Impairment | |
| Receivables | | | | | | | |
| Credit card and credit business | $ 39,492,389 | $ 63,090 | $ 74,734 | $ 39,630,213 | $ 42,846 | $ 394,093 | $ 39,193,274 |
| Other | 8,936,067 | 3,080 | 2,105,871 | 11,045,018 | 1,094,472 | 58,893 | 9,891,653 |
| Discounts and loans | 221,487,171 | 1,682,355 | 1,010,209 | 224,179,735 | 503,391 | 2,441,334 | 221,235,010 |

| December 31, 2014 | Neither Overdue Nor Impaired Amount (A) | Overdue But Not Impaired Amount (B) | Impairment Amount (C) | Total (A)+(B)+(C) | Loss Recognized (D) | | Net Total (A)+(B)+(C)-(D) |
|---|---|---|---|---|---|---|---|
| | | | | | With Objective Evidence of Impairment | With No Objective Evidence of Impairment | |
| Receivables | | | | | | | |
| Credit card and credit business | $ 48,299,911 | $ 42,659 | $ 135,876 | $ 48,478,446 | $ 103,022 | $ 491,270 | $ 47,884,154 |
| Other | 7,778,925 | 3,380 | 1,649,379 | 9,431,684 | 1,022,062 | 83,586 | 8,326,036 |
| Discounts and loans | 226,666,107 | 1,328,635 | 1,292,761 | 229,287,503 | 776,130 | 2,671,109 | 225,840,264 |

| June 30, 2014 | Neither Overdue Nor Impaired Amount (A) | Overdue But Not Impaired Amount (B) | Impairment Amount (C) | Total (A)+(B)+(C) | Loss Recognized (D) | | Net Total (A)+(B)+ (C)-(D) |
|---|---|---|---|---|---|---|---|
| | | | | | With Objective Evidence of Impairment | With No Objective Evidence of Impairment | |
| Receivables | | | | | | | |
| Credit card and credit business | $ 7,939,100 | $ 52,538 | $ 73,734 | $ 8,065,372 | $ 44,754 | $ 49,710 | $ 7,970,908 |
| Other | 499,690 | 6,047 | 1,454,468 | 1,960,205 | 952,498 | 12,844 | 994,843 |
| Discounts and loans | 97,360,183 | 2,411,650 | 1,210,375 | 100,982,208 | 462,852 | 898,893 | 99,620,463 |

Note: The total of discounts and loans is the original amount without adjustments for premiums or discounts.

b) The credit analysis of discounts and loans and receivables that were not overdue nor impaired as shown by internal rating standards was as follows:

| June 30, 2015 | Neither Overdue Nor Impaired Amount | | | | |
|---|---|---|---|---|---|
| | Excellent | Good | Normal | No Ratings | Total (A) |
| Consumer banking | | | | | |
| Mortgage loans | $ 17,309,849 | $ 8,245,315 | $ 16,781 | $ - | $ 25,571,945 |
| Cash card | 8,222,620 | 2,737,452 | 616,606 | 3,562,903 | 15,139,581 |
| Micro credit loans | 15,198,228 | 1,999,300 | 101,661 | 93,784 | 17,392,973 |
| Other - secured | 11,956,500 | 1,238,801 | 121,794 | 27,278 | 13,344,373 |
| Other - unsecured | 61,246 | - | - | 5,136 | 66,382 |
| Corporate banking | | | | | |
| Secured | 22,773,940 | 19,829,144 | 12,241,008 | 3,153,322 | 57,997,414 |
| Unsecured | 20,882,632 | 50,218,497 | 16,459,943 | 4,413,431 | 91,974,503 |
| Total | $ 96,405,015 | $ 84,268,509 | $ 29,557,793 | $ 11,255,854 | $ 221,487,171 |

| December 31, 2014 | Neither Overdue Nor Impaired Amount | | | | |
|---|---|---|---|---|---|
| | Excellent | Good | Normal | No Ratings | Total (A) |
| Consumer banking | | | | | |
| Mortgage loans | $ 16,173,010 | $ 8,316,938 | $ 17,173 | $ - | $ 24,507,121 |
| Cash card | 8,563,226 | 2,934,221 | 652,072 | 3,926,071 | 16,075,590 |
| Micro credit loans | 14,503,294 | 1,880,094 | 112,833 | 112,491 | 16,608,712 |
| Other - secured | 11,278,202 | 1,327,377 | 106,743 | 33,029 | 12,745,351 |
| Other - unsecured | 69,070 | - | - | 7,668 | 76,738 |
| Corporate banking | | | | | |
| Secured | 22,427,057 | 22,947,190 | 18,836,826 | 644,588 | 64,855,661 |
| Unsecured | 19,032,504 | 54,564,159 | 17,031,109 | 1,169,162 | 91,796,934 |
| Total | $ 92,046,363 | $ 91,969,979 | $ 36,756,756 | $ 5,893,009 | $ 226,666,107 |

| June 30, 2014 | Neither Overdue Nor Impaired Amount | | | | |
|---|---|---|---|---|---|
| | Excellent | Good | Normal | No Ratings | Total (A) |
| Consumer banking | | | | | |
| Mortgage loans | $ 14,738,652 | $ 8,683,814 | $ 51,955 | $ 7,364 | $ 23,481,785 |
| Cash card | 8,756,801 | 2,902,491 | 547,388 | 4,295,943 | 16,502,623 |
| Micro credit loans | 12,752,519 | 1,542,575 | 105,161 | 131,372 | 14,531,627 |
| Other - secured | 10,355,442 | 1,243,403 | 119,911 | 38,107 | 11,756,863 |
| Other - unsecured | 83,238 | - | - | 8,122 | 91,360 |
| Corporate banking | | | | | |
| Secured | 302,469 | 610,493 | 12,494,401 | 736,784 | 14,144,147 |
| Unsecured | 2,376,158 | 4,333,242 | 9,578,524 | 563,854 | 16,851,778 |
| Total | $ 49,365,279 | $ 19,316,018 | $ 22,897,340 | $ 5,781,546 | $ 97,360,183 |

| June 30, 2015 | Neither Overdue Nor Impaired Amount | | | | |
|---|---|---|---|---|---|
| | Excellent | Good | Normal | No Ratings | Total (A) |
| Credit card and credit business | | | | | |
| Credit cards | $ 1,017,740 | $ 685,316 | $ 891,429 | $ 519,265 | $ 3,113,750 |
| Accounts receivable and acceptances - forfeiting | 17,350,872 | 16,021,774 | - | 1,146,678 | 34,519,324 |
| Accounts receivable - no recourse | 27,110 | 520,796 | - | 651,899 | 1,199,805 |
| Acceptances | - | 623,095 | 36,415 | - | 659,510 |
| Total | $ 18,395,722 | $ 17,850,981 | $ 927,844 | $ 2,317,842 | $ 39,492,389 |

| December 31, 2014 | Neither Overdue Nor Impaired Amount | | | | |
|---|---|---|---|---|---|
| | Excellent | Good | Normal | No Ratings | Total (A) |
| Credit card and credit business | | | | | |
| Credit cards | $ 662,666 | $ 450,289 | $ 889,440 | $ 397,732 | $ 2,400,127 |
| Accounts receivable and acceptances - forfeiting | 27,137,276 | 17,461,571 | - | - | 44,598,847 |
| Accounts receivable - no recourse | 21,041 | 48,040 | 94,829 | 1,040,949 | 1,204,859 |
| Acceptances | 66,096 | - | 29,982 | - | 96,078 |
| Total | $ 27,887,079 | $ 17,959,900 | $ 1,014,251 | $ 1,438,681 | $ 48,299,911 |

| June 30, 2014 | Neither Overdue Nor Impaired Amount | | | | |
|---|---|---|---|---|---|
| | Excellent | Good | Normal | No Ratings | Total (A) |
| Credit card and credit business | | | | | |
| Credit cards | $ 852,635 | $ 601,407 | $ 900,840 | $ 377,141 | $ 2,732,023 |
| Accounts receivable and acceptances - forfeiting | 5,057,941 | - | - | - | 5,057,941 |
| Accounts receivable - no recourse | - | - | 123,975 | 1,266 | 125,241 |
| Acceptances | - | - | 23,895 | - | 23,895 |
| Total | $ 5,910,576 | $ 601,407 | $ 1,048,710 | $ 378,407 | $ 7,939,100 |

c) Credit analysis of marketable securities

| June 30, 2015 | Neither Overdue Nor Impaired Amount | | | | Overdue But Not Yet Impaired Amount (B) | Impairment Amount (C) | Total (A)+(B)+(C) | Impairment Loss Recognized (D) | Net Total (A)+(B)+(C)-(D) |
|---|---|---|---|---|---|---|---|---|---|
| | Excellent | Good | Normal | Total (A) | | | | | |
| Available-for-sale financial assets<br>Investment in bonds | $ 98,965,474 | $ - | $ - | $ 98,965,474 | $ - | $ - | $ 98,965,474 | $ - | $ 98,965,474 |

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $5,790,278 thousand, loss on valuation of $288,731 thousand and accumulated impairment of $0 thousand.

Note 2: Financial assets measured at cost have an initial cost of $301,299 thousand and accumulated impairments of $38,380 thousand.

| December 31, 2014 | Neither Overdue Nor Impaired Amount | | | | Overdue But Not Yet Impaired Amount (B) | Impairment Amount (C) | Total (A)+(B)+(C) | Impairment Loss Recognized (D) | Net Total (A)+(B)+(C)-(D) |
|---|---|---|---|---|---|---|---|---|---|
| | Excellent | Good | Normal | Total (A) | | | | | |
| Available-for-sale financial assets<br>Investment in bonds | $ 113,332,654 | $ - | $ - | $ 113,332,654 | $ - | $ - | $ 113,332,654 | $ - | $ 113,332,654 |

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $5,875,216 thousand, loss on valuation of $58,807 thousand and accumulated impairment of $0 thousand.

Note 2: Held-to-maturity financial assets have an initial cost of $18,600,000 thousand and accumulated impairment of $0 thousand.

Note 3: Financial assets measured at cost have an initial cost of $311,199 thousand and accumulated impairments of $38,380 thousand.

| June 30, 2014 | Neither Overdue Nor Impaired Amount | | | | Overdue But Not Yet Impaired Amount (B) | Impairment Amount (C) | Total (A)+(B)+(C) | Impairment Loss Recognized (D) | Net Total (A)+(B)+(C)-(D) |
|---|---|---|---|---|---|---|---|---|---|
| | Excellent | Good | Normal | Total (A) | | | | | |
| Available-for-sale financial assets<br>Investment in bonds | $ 10,202,418 | $ - | $ - | $ 10,202,418 | $ - | $ - | $ 10,202,418 | $ - | $ 10,202,418 |

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $251,432 thousand, gain on valuation of $3,717 thousand and accumulated impairment of $0 thousand.

Note 2: Held-to-maturity financial assets have an initial cost of $19,700,000 thousand and accumulated impairment of $0 thousand.

Note 3: Financial assets measured at cost have an initial cost of $755,199 thousand and accumulated impairment of $38,380 thousand.

7) Analysis of overdue but not yet impaired financial assets

Delays in processing borrowers' repayments and other administrative reasons could result in financial assets becoming overdue but not impaired. Based on the Bank's assessment of impairment of loans and receivables, financial assets overdue within 90 days are not considered impaired unless other evidence proves otherwise.

| Item | June 30, 2015 | | |
|---|---|---|---|
| | 1 Month | Over 1 Month - 3 Month | Total |
| Credit cards business | $ 42,831 | $ 20,259 | $ 63,090 |
| Discounts and loans | | | |
| Consumer banking | | | |
| Mortgage loans | 412,134 | 46,407 | 458,541 |
| Cash card | 364,856 | 86,047 | 450,903 |
| Micro credit loans | 444,449 | 74,291 | 518,740 |
| Other - secured | 164,501 | 13,642 | 178,143 |
| Other - unsecured | 779 | - | 779 |
| Corporate banking | | | |
| Secured | 60,515 | 6,193 | 66,708 |
| Unsecured | 5,528 | 3,013 | 8,541 |
| Total | 1,452,762 | 229,593 | 1,682,355 |

| Item | December 31, 2014 | | |
|---|---|---|---|
| | 1 Month | Over 1 Month - 3 Month | Total |
| Credit cards business | $ 21,998 | $ 20,661 | $ 42,659 |
| Discounts and loans | | | |
| Consumer banking | | | |
| Mortgage loans | 232,061 | 71,494 | 303,555 |
| Cash card | 316,982 | 81,040 | 398,022 |
| Micro credit loans | 382,806 | 50,771 | 433,577 |
| Other - secured | 107,607 | 19,948 | 127,555 |
| Other - unsecured | 844 | 33 | 877 |
| Corporate banking | | | |
| Secured | 20,938 | 33,642 | 54,580 |
| Unsecured | 3,499 | 6,970 | 10,469 |
| Total | 1,064,737 | 263,898 | 1,328,635 |

| Item | June 30, 2014 | | |
|---|---|---|---|
| | 1 Month | Over 1 Month - 3 Month | Total |
| Credit cards business | $ 30,690 | $ 21,848 | $ 52,538 |
| Discounts and loans | | | |
| Consumer banking | | | |
| Mortgage loans | 446,748 | 78,682 | 525,430 |
| Cash card | 384,264 | 69,262 | 453,526 |
| Micro credit loans | 928,723 | 52,858 | 981,581 |
| Other - secured | 221,125 | 28,587 | 249,712 |
| Other - unsecured | 2,451 | 69 | 2,520 |
| Corporate banking | | | |
| Secured | 134,702 | 11,304 | 146,006 |
| Unsecured | 52,540 | 335 | 52,875 |
| Total | 2,170,553 | 241,097 | 2,411,650 |

8) Analysis of impairment for financial assets

Analysis of impairment for discounts, loans and receivables and accumulated impairments was as follows:

| Items | | Discounts and Loans | | | Allowance for Bad Debts | | |
|---|---|---|---|---|---|---|---|
| | | June 30, 2015 | December 31, 2014 | June 30, 2014 | June 30, 2015 | December 31, 2014 | June 30, 2014 |
| With objective evidence of impairment | Assessment of individual impairment | $ 212,094 | $ 515,078 | $ 381,462 | $ 52,618 | $ 364,018 | $ - |
| | Assessment of collective impairment | 798,115 | 777,683 | 828,913 | 450,773 | 412,112 | 462,852 |
| Without objective evidence of impairment | Assessment of collective impairment | 223,169,526 | 227,994,742 | 99,771,833 | 2,441,334 | 2,671,109 | 898,893 |
| Total | | 224,179,735 | 229,287,503 | 100,982,208 | 2,944,725 | 3,447,239 | 1,361,745 |

| Items | | Receivables | | | Allowance for Bad Debts | | |
|---|---|---|---|---|---|---|---|
| | | June 30, 2015 | December 31, 2014 | June 30, 2014 | June 30, 2015 | December 31, 2014 | June 30, 2014 |
| With objective evidence of impairment | Assessment of individual impairment | $ 4,174,898 | $ 1,701,076 | $ 1,443,843 | $ 1,079,299 | $ 1,076,237 | $ 944,069 |
| | Assessment of collective impairment | 89,049 | 84,179 | 84,359 | 58,019 | 48,847 | 53,183 |
| Without objective evidence of impairment | Assessment of collective impairment | 46,411,284 | 56,124,875 | 8,497,375 | 452,986 | 574,856 | 62,554 |
| Total | | 50,675,231 | 57,910,130 | 10,025,577 | 1,590,304 | 1,699,940 | 1,059,806 |

9) Management policies on foreclosed collaterals

Foreclosed collaterals are recorded at cost, using lower-at-cost or market as of the balance sheet date. If collaterals were not disposed of within the statutory period, the Bank should apply for an extension of the disposal period and increase its provision for possible losses, if necessary.

The Bank and subsidiaries' foreclosed collaterals were mainly securities, land and buildings. As of June 30, 2015, December 31, 2014 and June 30, 2014, the carrying amounts of the collaterals were $0 thousand. Foreclosed collaterals assumed are classified as other assets in the consolidated balance sheets.

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

a) Asset quality of nonperforming loans and overdue receivable

| Item | | | June 30, 2015 | | | | |
|---|---|---|---|---|---|---|---|
| | | | Nonperforming Loan (NPL) (Note 1) | Total Loans | NPL Ratio (Note 2) | Loan Loss Reserves (LLR) | Coverage Ratio (Note 3) |
| Corporate loan | Secured | | $ 167,819 | $ 58,215,839 | 0.29 | $ 726,376 | 432.83 |
| | Unsecured | | 156,817 | 92,141,135 | 0.17 | 1,057,762 | 674.52 |
| Consumer loan | Mortgage (Note 4) | | 70,203 | 26,112,309 | 0.27 | 308,542 | 439.50 |
| | Cash card | | 209,130 | 15,984,180 | 1.31 | 465,925 | 222.79 |
| | Micro credit (Note 5) | | 110,639 | 18,119,902 | 0.61 | 242,754 | 219.41 |
| | Other (Note 6) | Secured | 14,309 | 13,537,606 | 0.11 | 142,671 | 997.07 |
| | | Unsecured | 2,821 | 68,764 | 4.10 | 695 | 24.65 |
| Total | | | 731,739 | 224,179,735 | 0.33 | 2,944,725 | 402.43 |
| | | | Overdue Receivables | Accounts Receivables | Delinquency Ratio | Allowance for Credit Losses | Coverage Ratio |
| Credit card | | | 34,850 | 3,250,256 | 1.07 | 73,085 | 209.71 |
| Accounts receivable - factored without recourse (Note 7) | | | 42 | 1,201,123 | 0.00 | 12,066 | 28,909.90 |

| Item | | | June 30, 2014 | | | | |
|---|---|---|---|---|---|---|---|
| | | | Nonperforming Loan (NPL) (Note 1) | Total Loans | NPL Ratio (Note 2) | Loan Loss Reserves (LLR) | Coverage Ratio (Note 3) |
| Corporate loan | Secured | | $ 64,113 | $ 14,560,995 | 0.44 | $ 42,673 | 66.56 |
| | Unsecured | | 32,636 | 17,137,300 | 0.19 | 192,777 | 590.70 |
| Consumer loan | Mortgage (Note 4) | | 23,994 | 24,038,875 | 0.10 | 7,643 | 31.85 |
| | Cash card | | 219,692 | 17,436,457 | 1.26 | 843,102 | 383.77 |
| | Micro credit (Note 5) | | 74,932 | 15,681,815 | 0.48 | 269,281 | 359.37 |
| | Other (Note 6) | Secured | 20,195 | 12,031,161 | 0.17 | 5,991 | 29.67 |
| | | Unsecured | 2,081 | 95,605 | 2.18 | 278 | 13.37 |
| Total | | | 437,643 | 100,982,208 | 0.43 | 1,361,745 | 311.15 |
| | | | Overdue Receivables | Account Receivables | Delinquency Ratio | Allowance for Credit Losses | Coverage Ratio |
| Credit card | | | 30,443 | 2,858,224 | 1.07 | 88,990 | 292.32 |
| Accounts receivable - factored without recourse (Note 7) | | | 45 | 125,313 | 0.04 | 5,303 | 11,715.19 |

Note 1: Nonperforming loans are reported in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans” issued by the Ministry of Finance. Overdue credit card receivables are regulated by Rule No. 0944000378 announced by the FSC on July 6, 2005.

Note 2: NPL ratio = NPL/Total loans. For credit card business: Delinquency ratio = Overdue credit card receivables/Credit card receivables balance.

Note 3: Coverage ratio = LLR/NPL. Coverage ratio of credit receivables: Allowance for credit losses/Overdue credit card receivables.

Note 4: Home mortgage refers to financing obtained to buy, build, or fix houses owned by the borrower or the borrower’s spouse or children, with the house used as loan collateral.

Note 5: Micro credit is covered by a Banking Bureau pronouncement dated December 19, 2005 (Ref. No. 09440010950) and is excluded from credit card and cash card loans.

Note 6: “Others” under consumer loans refers to secured or unsecured loans other than mortgage loans, cash cards, micro credit, and credit cards.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 094000494), allowance for bad debt is recognized once no compensation is made by a factor or insurance company within three months for accounts receivable factored without recourse.

b) Exemption on nonperforming loans and overdue receivables

| | June 30, 2015 | | June 30, 2014 | |
|---|---|---|---|---|
| | Amount Exempted from Being Reported as Non-performing Loan | Amount Exempted from Being Reported as Overdue Account Receivable | Amount Exempted from Being Reported as Non-performing Loan | Amount Exempted from Being Reported as Overdue Account Receivable |
| Amounts of executed contracts on negotiated debts not reported (Note 1) | $ 65,789 | $ 293 | $ 89,227 | $ 528 |
| Amounts of executed debt settlement program and rehabilitation program not reported (Note 2) | 42,529 | 4,222 | 49,485 | 3,546 |
| Total | $ 108,318 | $ 4,515 | $ 138,712 | $ 4,074 |

Note 1: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt negotiations and loan agreements is based on the Banking Bureau letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau letter dated September 15, 2008 (Ref. No. 09700318940).

c) Concentration of credit risk

**June 30, 2015**

**(In Thousands of New Taiwan Dollars, %)**

| Top 10 Ranking | Group (Industry Category) | Total Credit | Percentage of Net Worth |
|---|---|---|---|
| 1 | Group A (011700 petroleum and coal products manufacturing) | $ 7,893,722 | 13.95 |
| 2 | Group B (016100 telecommunications) | 5,510,700 | 9.74 |
| 3 | Group C (016022 cable and other pay programs broadcasting) | 4,330,836 | 7.65 |
| 4 | Group D (016700 real estate development) | 4,183,522 | 7.39 |
| 5 | Group E (012711 manufacturer of computers) | 4,048,060 | 7.15 |
| 6 | Group F (017112 engineering activities and related technical consultancy) | 3,992,321 | 7.05 |
| 7 | Group G (012611 IC manufacturing) | 3,285,800 | 5.81 |
| 8 | Group H (012740 data storage media manufacturing) | 2,900,000 | 5.12 |
| 9 | Group I (012641 LCD and related components manufacturing) | 2,595,553 | 4.59 |
| 10 | Group J (012611 IC manufacturing) | 2,427,420 | 4.29 |

**June 30, 2014**

**(In Thousands of New Taiwan Dollars, %)**

| Top 10 Ranking | Group (Industry Category) | Total Credit | Percentage of Net Worth |
|---|---|---|---|
| 1 | Group K (016811 real estate activities for sale and rental with own or leased property) | $ 751,450 | 4.22 |
| 2 | Group L (016700 real estate development activities) | 683,200 | 3.83 |
| 3 | Group M (130220 offshore companies firms group) | 598,300 | 3.36 |
| 4 | Group N (014100 construction of buildings) | 486,269 | 2.73 |
| 5 | Group O (130100 foreign financial) | 448,725 | 2.52 |
| 6 | Group P (012831 manufacture of electric wire and cables) | 417,617 | 2.34 |
| 7 | Group Q (016491 financial leasing) | 400,000 | 2.24 |
| 8 | Group R (015510 short-term accommodation activities) | 372,679 | 2.09 |
| 9 | Group S (016812 real estate agencies activities) | 349,000 | 1.96 |
| 10 | Group T (019329 other amusement and recreation activities) | 348,251 | 1.95 |

c. Liquidity risk

1) Definition and source of liquidity risk

Liquidity risk refers to the Bank's inability to meet its requirements for asset funding within a reasonable time, which could result in earnings or economic capital loss, because of such incidents as early termination of deposits, deterioration of the source and condition of financing from banks due to adverse market changes, loan defaults, inability to liquidate financial instruments and early rescission of contracts on interest-sensitive products. These situations may cut the source of cash needed for loans, investments, and other financial transactions. In some extreme cases, the lack of liquidity may result in a decrease in the overall position of the balance sheet and sale of assets and in a failure to honor loan commitments.

2) Management policies of liquidity risk

To control liquidity risk, the Bank calculates the maximum cumulative cash outflow (MCO) to monitor the daily funding gap by each major currency. The Bank also actively deconcentrates funding sources, due dates of funding settlement, and the counterparties to the due from other banks and call loans to other banks, as well as maintains an adequate amount of corporate cash in banks to enhance its liquidity position.

3) Maturity gap analysis of financial assets and non-derivative financial liabilities held for liquidity purposes

a) Financial assets held for liquidity management

The Bank holds cash and highly liquid and high-grade assets to pay off obligations and meet any potential emergency funding needs. The assets held for liquidity management include cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, discounts and loans, and available-for-sale financial assets.

b) Non-derivative financial liabilities

The following tables show the cash outflows on the Bank's nonderivative financial liabilities based on contract maturities. However, because the amounts disclosed were based on contractual cash flows, some of them will not match the amounts shown in the consolidated balance sheets.

**(In Thousands of New Taiwan Dollars)**

| June 30, 2015 | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
|---|---|---|---|---|---|---|
| Deposits from the Central Bank and banks | $ 84,824 | $ 121,416 | $ 507,501 | $ 577,439 | $ - | $ 1,291,180 |
| Notes and bonds issued under repurchase agreements | 6,574,557 | 300,000 | - | - | - | 6,874,557 |
| Payables | 140,496 | 26,766 | 36,707 | 31,182 | 5,401 | 240,552 |
| Deposits and remittances | 39,127,665 | 57,547,388 | 65,305,684 | 47,187,911 | 22,518,907 | 231,687,555 |
| Bank debentures payable | - | - | - | 1,063,698 | 2,750,000 | 3,813,698 |
| Other capital outflow on maturity | 1,504,722 | 174,430 | 242,189 | 335,516 | 1,159,152 | 3,416,009 |
| Total | 47,432,264 | 58,170,000 | 66,092,081 | 49,195,746 | 26,433,460 | 247,323,551 |

**(In Thousands of U.S. Dollars)**

| June 30, 2015 | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
|---|---|---|---|---|---|---|
| Deposits from the Central Bank and banks | $ 27,000 | $ - | $ - | $ - | $ - | $ 27,000 |
| Notes and bonds issued under repurchase agreements | 501,286 | 984,198 | 235,433 | - | - | 1,720,917 |
| Payables | 1,904 | 1,434 | 1,074 | 1,750 | - | 6,162 |
| Deposits and remittances | 2,175,351 | 472,991 | 545,279 | 370,001 | 267 | 3,563,889 |
| Bank debentures payable | - | - | - | - | 97,617 | 97,617 |
| Other capital outflow on maturity | 15,826 | 8,064 | 918 | 4,485 | 8,080 | 37,373 |
| Total | 2,721,367 | 1,466,687 | 782,704 | 376,236 | 105,964 | 5,452,958 |

(In Thousands of New Taiwan Dollars)

| December 31, 2014 | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
|---|---|---|---|---|---|---|
| Deposits from the Central Bank and banks | $ 6,284,126 | $ 248,456 | $ 259,430 | $ 713,742 | $ - | $ 7,505,754 |
| Notes and bonds issued under repurchase agreements | 11,906,717 | 680,194 | - | - | - | 12,586,911 |
| Payables | 1,016,023 | 647,893 | 65,395 | 94,696 | 211,979 | 2,035,986 |
| Deposits and remittances | 30,673,875 | 43,132,211 | 61,109,911 | 39,845,786 | 32,027,395 | 206,789,178 |
| Bank debentures payable | 10,071,148 | - | 1,000,000 | - | 2,750,000 | 13,821,148 |
| Other capital outflow on maturity | 864,507 | 375,364 | 15,608 | 187,751 | 1,477,531 | 2,920,761 |
| Total | 60,816,396 | 45,084,118 | 62,450,344 | 40,841,975 | 36,466,905 | 245,659,738 |

(In Thousands of U.S. Dollars)

| December 31, 2014 | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
|---|---|---|---|---|---|---|
| Deposits from the Central Bank and banks | $ 135,000 | $ - | $ - | $ - | $ - | $ 135,000 |
| Notes and bonds issued under repurchase agreements | 728,574 | 857,481 | 187,119 | - | - | 1,773,174 |
| Payables | 1,914 | 1,663 | 1,014 | 528 | 20 | 5,139 |
| Deposits and remittances | 1,975,223 | 279,736 | 382,647 | 195,857 | 106,783 | 2,940,246 |
| Other capital outflow on maturity | 21,196 | 2,620 | 197 | - | 11,995 | 36,008 |
| Total | 2,861,907 | 1,141,500 | 570,977 | 196,385 | 118,798 | 4,889,567 |

(In Thousands of New Taiwan Dollars)

| June 30, 2014 | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
|---|---|---|---|---|---|---|
| Deposits from the Central Bank and banks | $ 859,940 | $ 21,734 | $ 379,946 | $ 61,778 | $ - | $ 1,323,398 |
| Notes and bonds issued under repurchase agreements | 2,270,213 | 700,481 | - | - | - | 2,970,694 |
| Payables | 670,439 | 2,095,039 | 111,425 | 205,088 | 255,869 | 3,337,860 |
| Deposits and remittances | 11,166,471 | 20,088,071 | 23,123,543 | 31,383,676 | 35,451,569 | 121,213,330 |
| Other capital outflow on maturity | 140,524 | 1,278 | 1,917 | 15,106 | 141,342 | 300,167 |
| Total | 15,107,587 | 22,906,603 | 23,616,831 | 31,665,648 | 35,848,780 | 129,145,449 |

(In Thousands of U.S. Dollars)

| June 30, 2014 | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
|---|---|---|---|---|---|---|
| Deposits from the Central Bank and banks | $ 8,000 | $ - | $ - | $ - | $ - | $ 8,000 |
| Payables | 661 | 165 | 93 | 47 | 21 | 987 |
| Deposits and remittances | 66,712 | 72,977 | 87,530 | 81,312 | 113,219 | 421,750 |
| Other capital outflow on maturity | 244 | 101 | - | - | - | 345 |
| Total | 75,617 | 73,243 | 87,623 | 81,359 | 113,240 | 431,082 |

4) Maturity analysis of derivative instruments

Contractual maturities were assessed to have an understanding of derivative instruments presented in the consolidated balance sheet. Amounts disclosed in the table were based on contractual cash flows; however, some of these amounts did not match those in the consolidated balance sheets. The maturity analysis of net settled derivative instruments was as follows:

(In Thousands of New Taiwan Dollars)

| June 30, 2015 | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
|---|---|---|---|---|---|---|
| Derivative financial assets at FVTPL | | | | | | |
| Foreign currency derivative instruments | | | | | | |
| Cash outflow | $ (146,014,961) | $ (133,153,739) | $ (68,215,162) | $ (23,712,766) | $ (460,500) | $ (371,557,128) |
| Cash inflow | 133,270,107 | 121,987,535 | 68,188,832 | 21,867,922 | 1,381,230 | 346,695,626 |
| Interest derivative instruments | | | | | | |
| Cash outflow | (485,183) | (683,702) | (2,394,587) | (827,785) | (36,931,481) | (41,322,738) |
| Cash inflow | 174,334 | 435,524 | 36,381 | 22,637 | 47,332 | 716,208 |
| Other derivative instruments | | | | | | |
| Cash outflow | (363,781) | - | - | - | - | (363,781) |
| Cash inflow | 363,786 | - | - | - | - | 363,786 |
| Subtotal of cash outflow | (146,863,925) | (133,837,441) | (70,609,749) | (24,540,551) | (37,391,981) | (413,243,647) |
| Subtotal of cash inflow | 133,808,227 | 122,423,059 | 68,225,213 | 21,890,559 | 1,428,562 | 347,775,620 |
| Net cash flows | $ (13,055,698) | $ (11,414,382) | $ (2,384,536) | $ (2,649,992) | $ (35,963,419) | $ (65,468,027) |

(In Thousands of New Taiwan Dollars)

| December 31, 2014 | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
|---|---|---|---|---|---|---|
| Derivative financial assets at FVTPL | | | | | | |
| Foreign currency derivative instruments | | | | | | |
| Cash outflow | $ (147,438,705) | $ (184,409,292) | $ (46,497,637) | $ (28,640,725) | $ (1,199,340) | $ (408,185,699) |
| Cash inflow | 136,465,524 | 186,209,951 | 67,073,922 | 28,941,051 | 1,199,340 | 419,889,788 |
| Interest derivative instruments | | | | | | |
| Cash outflow | (1,698,393) | (1,398,702) | (1,648,300) | (4,142,367) | (50,840,787) | (59,728,549) |
| Cash inflow | 189,352 | 452,631 | 22,513 | - | 41,859 | 706,355 |
| Other derivative instruments | | | | | | |
| Cash outflow | (557,979) | - | - | - | - | (557,979) |
| Cash inflow | 562,644 | - | - | - | - | 562,644 |
| Subtotal of cash outflow | (149,695,077) | (185,807,994) | (48,145,937) | (32,783,092) | (52,040,127) | (468,472,227) |
| Subtotal of cash inflow | 137,217,520 | 186,662,582 | 67,096,435 | 28,941,051 | 1,241,199 | 421,158,787 |
| Net cash flows | $ (12,477,557) | $ 854,588 | $ 18,950,498 | $ (3,842,041) | $ (50,798,928) | $ (47,313,440) |

(In Thousands of U.S. Dollars)

| June 30, 2015 | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
|---|---|---|---|---|---|---|
| Derivative financial assets at FVTPL | | | | | | |
| Foreign currency derivative instruments | | | | | | |
| Cash outflow | $ (5,906,945) | $ (4,327,124) | $ (2,478,043) | $ (876,737) | $ (50,875) | $ (13,639,724) |
| Cash inflow | 6,417,159 | 4,621,559 | 2,520,927 | 928,147 | 20,031 | 14,507,823 |
| Interest derivative instruments | | | | | | |
| Cash outflow | (8,990) | (20,943) | (7,722) | (497) | (100,320) | (138,472) |
| Cash inflow | 8,244 | 18,152 | 6,679 | - | - | 33,075 |
| Other derivative instruments | | | | | | |
| Cash outflow | (768) | - | - | - | - | (768) |
| Cash inflow | 655 | - | - | - | - | 655 |
| Subtotal of cash outflow | (5,916,703) | (4,348,067) | (2,485,765) | (877,234) | (151,195) | (13,778,964) |
| Subtotal of cash inflow | 6,426,058 | 4,639,711 | 2,527,606 | 928,147 | 20,031 | 14,541,553 |
| Net cash flows | $ 509,355 | $ 291,644 | $ 41,841 | $ 50,913 | $ (131,164) | $ 762,589 |

(In Thousands of U.S. Dollars)

| December 31, 2014 | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
|---|---|---|---|---|---|---|
| Derivative financial assets at FVTPL | | | | | | |
| Foreign currency derivative instruments | | | | | | |
| Cash outflow | $ (6,185,499) | $ (6,349,192) | $ (2,048,739) | $ (1,060,708) | $ (40,000) | $ (15,684,138) |
| Cash inflow | 6,554,665 | 6,266,059 | 1,383,110 | 1,066,742 | 40,000 | 15,310,576 |
| Interest derivative instruments | | | | | | |
| Cash outflow | (10,909) | (33,959) | (2,651) | (2,826) | (57,808) | (108,153) |
| Cash inflow | 10,714 | 33,022 | | 2,637 | - | 46,373 |
| Other derivative instruments | | | | | | |
| Cash outflow | (6) | - | - | - | - | (6) |
| Cash inflow | 6 | - | - | - | - | 6 |
| Subtotal of cash outflow | (6,196,414) | (6,383,151) | (2,051,390) | (1,063,534) | (97,808) | (15,792,297) |
| Subtotal of cash inflow | 6,565,385 | 6,299,081 | 1,383,110 | 1,069,379 | 40,000 | 15,356,955 |
| Net cash flows | $ 368,971 | $ (84,070) | $ (668,280) | $ 5,845 | $ (57,808) | $ (435,342) |

(In Thousands of U.S. Dollars)

| June 30, 2014 | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
|---|---|---|---|---|---|---|
| Derivative financial assets at FVTPL | | | | | | |
| Foreign currency derivative instruments | | | | | | |
| Cash outflow | $ - | $ (9) | $ (11) | $ - | $ - | $ (20) |
| Cash inflow | - | - | - | - | - | - |
| Subtotal of cash outflow | - | (9) | (11) | - | - | (20) |
| Subtotal of cash inflow | - | - | - | - | - | - |
| Net cash flows | $ - | $ (9) | $ (11) | $ - | $ - | $ (20) |

5) Maturity analysis of off-balance sheet items

The following table shows the Bank's off-balance sheet items by period from the consolidated balance sheet dates to contract maturity dates. Amounts disclosed in the table were based on as the contractual cash flows; thus, some amounts will not match those in the consolidated balance sheets.

(In Thousands of New Taiwan Dollars)

| June 30, 2015 | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
|---|---|---|---|---|---|---|
| Irrevocable loan commitments, guarantees, and letters of credit | $ 3,768,910 | $ 7,614,948 | $ 7,664,034 | $ 26,883,691 | $ 46,411,695 | $ 92,343,278 |

(In Thousands of New Taiwan Dollars)

| December 31, 2014 | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
|---|---|---|---|---|---|---|
| Irrevocable loan commitments, guarantees, and letters of credit | $ 6,861,981 | $ 11,247,114 | $ 7,306,972 | $ 27,957,626 | $ 46,767,231 | $ 100,140,924 |

(In Thousands of New Taiwan Dollars)

| June 30, 2014 | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
|---|---|---|---|---|---|---|
| Irrevocable loan commitments, guarantees, and letters of credit | $ 7,374,730 | $ 12,859,088 | $ 12,591,874 | $ 12,945,529 | $ 39,698,866 | $ 85,470,087 |

6) Maturity analysis of lease commitments

The Bank and subsidiaries' lease commitments included operating leases and finance leases. Operating lease commitments referred to future minimum payments under noncancelable operating leases where the Bank or its subsidiaries are the lessees or lessors. Financial lease commitments referred to future gross payments under financial leases where the Bank or its subsidiaries are the lessees. The maturity analysis of lease commitments was as follows:

**(In Thousands of New Taiwan Dollars)**

| June 30, 2015 | Less than 1 Year | 1-5 Years | Over 5 Years | Total |
|---|---|---|---|---|
| Lease agreement | | | | |
| Financial lease gross income (lessor) | $ 4,296,447 | $ 3,110,136 | $ - | $ 7,406,583 |
| Financial lease present value income (lessor) | 3,954,933 | 2,865,808 | - | 6,820,741 |
| Operating lease payment (lessee) | 251,351 | 527,905 | 7,988 | 787,244 |
| Operating lease income (lessor) | 16,152 | 45,255 | 264 | 61,671 |
| Financial lease present value payment (lessee) | 4,642 | 2,777 | - | 7,419 |

**(In Thousands of New Taiwan Dollars)**

| December 31, 2014 | Less than 1 Year | 1-5 Years | Over 5 Years | Total |
|---|---|---|---|---|
| Lease agreement | | | | |
| Financial lease gross income (lessor) | $ 3,803,497 | $ 3,506,051 | $ - | $ 7,309,548 |
| Financial lease present value income (lessor) | 3,447,214 | 3,271,053 | - | 6,718,267 |
| Operating lease payment (lessee) | 174,511 | 301,580 | 8,498 | 484,589 |
| Operating lease income (lessor) | 11,292 | 25,994 | 1,056 | 38,342 |
| Financial lease present value payment (lessee) | 7,431 | 4,683 | - | 12,114 |

(In Thousands of New Taiwan Dollars)

| June 30, 2014 | Less than 1 Year | 1-5 Years | Over 5 Years | Total |
|---|---|---|---|---|
| Lease agreement | | | | |
| Operating lease payment (lessee) | $ 159,482 | $ 342,124 | $ 5,494 | $ 507,100 |
| Operating lease income (lessor) | 14,066 | 30,203 | 1,848 | 46,117 |
| Financial lease present value payment (lessee) | 8,770 | 5,403 | - | 14,173 |

7) Summary of required disclosures under the Regulations Governing the Preparation of Financial Reports by Public Banks:

a) Maturity analysis of assets and liabilities of the Bank (New Taiwan dollars)

(In Thousands of New Taiwan Dollars)

| June 30, 2015 | 0-10 Days | 11-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
|---|---|---|---|---|---|---|---|
| Cash inflow | $ 134,990,229 | $ 176,273,877 | $ 155,735,573 | $ 92,398,684 | $ 59,467,604 | $ 89,465,372 | $ 708,331,339 |
| Cash outflow | 93,374,849 | 126,638,681 | 242,860,180 | 175,934,696 | 100,250,655 | 157,229,043 | 896,288,104 |
| Gap | 41,615,380 | 49,635,196 | (87,124,607) | (83,536,012) | (40,783,051) | (67,763,671) | (187,956,765) |

(In Thousands of New Taiwan Dollars)

| June 30, 2014 | 0-10 Days | 11-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
|---|---|---|---|---|---|---|---|
| Cash inflow | $ 13,815,499 | $ 17,192,736 | $ 10,747,543 | $ 11,381,188 | $ 15,716,292 | $ 72,860,501 | $ 141,713,759 |
| Cash outflow | 7,835,559 | 13,833,937 | 35,217,403 | 35,691,835 | 44,475,701 | 92,124,069 | 229,178,504 |
| Gap | 5,979,940 | 3,358,799 | (24,469,860) | (24,310,647) | (28,759,409) | (19,263,568) | (87,464,745) |

b) Maturity analysis of assets and liabilities of the Bank (U.S. dollars)

(In Thousands of U.S. Dollars)

| June 30, 2015 | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
|---|---|---|---|---|---|---|
| Cash inflow | $ 8,366,454 | $ 5,603,943 | $ 3,057,620 | $ 1,645,359 | $ 857,942 | $ 19,531,318 |
| Cash outflow | 9,108,011 | 6,754,579 | 3,968,482 | 1,255,239 | 270,204 | 21,356,515 |
| Gap | (741,557) | (1,150,636) | (910,862) | 390,120 | 587,738 | (1,825,197) |

(In Thousands of U.S. Dollars)

| June 30, 2014 | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
|---|---|---|---|---|---|---|
| Cash inflow | $ 138,149 | $ 24,391 | $ 54,251 | $ 25,953 | $ 247,671 | $ 490,415 |
| Cash outflow | 95,665 | 92,766 | 102,703 | 69,811 | 110,500 | 471,445 |
| Gap | 42,484 | (68,375) | (48,452) | (43,858) | 137,171 | 18,970 |

d. Market risk

1) Definition and source of market risk

Market risk is defined as an unfavorable change in macroeconomic and financial market variables (such as interest rates, exchange rates, stock prices and commodity prices), which may cause a potential loss on financial assets held for trading.

2) Risk management policies

To have a common understanding of market risk management, definition, communication and measurement, the Bank has developed “Market Risk Policy” based on Regulations Governing the Capital Adequacy Ratio of Banks (the “CAR Regulations”) and on market risk calculation tables announced by the FSC, international standards, and CDFH’s market risk management policy framework.

The “Market Risk Policy” applies to “Trading Book” positions as defined in the market risk calculation tables contained in the CAR Regulations and is a part of the Bank’s book management approach to financial instrument handling.

Under the “Market Risk Policy”, the Bank uses the “Market Risk Management Procedure to Trading Activities” to manage market risk. These procedures include risk identification and assessment, risk measurement, risk monitoring and response, risk reporting and contingency management processes.

3) Procedures for market risk measuring, monitoring, and reporting

The Bank has market risk limits on position sensitivities and stop-loss limits and uses risk measures such as value-at-risk (VaR).

Risk factors analyzed through the Bank’s risk measurement systems are sufficient to determine all market risks on trading positions shown in the balance sheet, including interest rate, foreign exchange, equity, and commodity risks, as well as volatility risks on option transactions.

The Bank’s market risk reports include profit or loss on trading positions, limit usage, stress testing, and trading portfolio risk assessment, as well as any significant exceptions.

The risk management unit of the Bank independently daily monitors the implementation of market risk limit controls, and makes monthly reports to both the Risk Management Committee and CDFH’s Risk Management Committee. These reports are also regularly presented to the Board for reference.

4) Mitigation of risks or hedging of market risk

The Bank’s market risk positions or hedging positions are marked to market on a daily base through techniques such as model valuation. All market parameters are updated at least daily in accordance with changes in market conditions. Market Risk Limits are regularly reviewed and controlled based on the valuation results.

5) Valuation techniques of market risk

The Bank uses the VaR model and/or stress testing to evaluate the potential and/or extreme risk on trading portfolios. Through variations of the assumptions on market conditions, these techniques are used to assess the market risk of positions held and the maximum expected loss.

VaR is calculated using a one-day time horizon with a 95% confidence level.

| | For the Six Months Ended June 30, 2015 | | | For the Year Ended December 31, 2014 | | | For the Six Months Ended June 30, 2014 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average | Highest | Lowest | Average | Highest | Lowest | Average | Highest | Lowest |
| Price risk of interest rate instruments | $ 44,634 | $ 147,893 | $ - | $ 32,738 | $100,306 | $ - | $ 632 | $ 3,506 | $ - |
| Price risk of equity instruments (including hedge positions) | 11,284 | 18,642 | 4,977 | 10,249 | 18,764 | 1,627 | 3,974 | 7,109 | 1,627 |
| Price risk of exchange rate instruments | 8,337 | 24,882 | 197 | 4,688 | 17,544 | 12 | 2,378 | 7,868 | 162 |

6) Scope of interest rate risk on the banking book

The interest rate risk on the banking book refers to the interest rate sensitivity of assets and liabilities. For the management of the interest rate risk on the banking book, the adverse effects on net interest income of assets, liabilities and off-balance sheet by unfavorable interest fluctuations are measured using a sensitivity gap for asset-liability management. Risk assessment also quantify it through the dimensions of perspective in retained earnings and economic value.

7) Interest rate risk management of the banking book

The interest rate risk management strategy involving the Bank's banking book is to minimize the negative impact of changes in interest rates on net interest income and the net economic value of equity. The asset-liability management committee (ALMCO) approves the annual banking book interest rate risk limits and monitors the Bank's interest rate risk exposures daily. The interest rate risk management processes include risk identification, risk measurement, risk control, risk monitoring and others. The unit monitoring the banking book interest rate risks reports interest rate risk exposures regularly to ALMCO, and adjusts the structure of assets and liabilities in accordance with the reports to lower the amount of exposure. The asset and liability management system generates analytical reports, which are provided to the interest rate risk assessment units and top management. If a weakness in the risk management processes is detected or the risk exposure exceeds the limit set, written notices will be passed to the interest rate risk assessment units to adjust and improve the program reported to ALMCO.

8) Foreign currency rate risk information

The financial assets and liabilities denominated in foreign currency and with material influence on the Bank and subsidiaries were as follows:

**(In Thousands of Foreign currencies/New Taiwan Dollars)**

| | June 30, 2015 | | |
|---|---|---|---|
| | **Foreign Currencies** | **Exchange Rate** | **New Taiwan Dollars** |
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 5,085,563 | 31.070 | $ 158,008,434 |
| RMB | 3,095,988 | 5.007 | 15,501,613 |
| EUR | 50,576 | 34.697 | 1,754,837 |
| JPY | 4,351,573 | 0.254 | 1,105,735 |
| HKD | 130,129 | 4.008 | 521,545 |
| AUD | 7,686 | 23.863 | 183,403 |
| Nonmonetary items | | | |
| HKD | 438,799 | 4.008 | 1,758,662 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 5,995,748 | 31.070 | 185,045,076 |
| RMB | 2,240,981 | 5.007 | 11,220,590 |
| ZAR | 424,217 | 2.538 | 1,076,791 |
| JPY | 3,824,618 | 0.254 | 971,835 |
| EUR | 22,250 | 34.697 | 772,014 |
| AUD | 31,350 | 23.863 | 748,100 |
| HKD | 186,530 | 4.008 | 747,592 |
| NZD | 19,277 | 21.148 | 407,667 |
| KRW | 7,257,290 | 0.028 | 202,094 |

| | December 31, 2014 | | |
|---|---|---|---|
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 4,976,430 | 31.72 | $ 157,842,432 |
| RMB | 3,672,457 | 5.10 | 18,739,751 |
| EUR | 21,178 | 38.55 | 816,398 |
| AUD | 26,507 | 25.96 | 688,126 |
| ZAR | 238,781 | 2.74 | 654,213 |
| HKD | 146,160 | 4.09 | 597,752 |
| JPY | 2,026,127 | 0.27 | 537,328 |
| Nonmonetary items | | | |
| HKD | 363,846 | 4.09 | 1,488,021 |
| RMB | 20,070 | 5.10 | 102,423 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 3,797,315 | 31.72 | 120,253,063 |
| RMB | 3,252,756 | 5.10 | 16,599,642 |
| ZAR | 276,951 | 2.74 | 758,790 |
| AUD | 23,890 | 25.96 | 620,204 |
| JPY | 1,794,511 | 0.27 | 475,904 |
| NZD | 17,638 | 24.85 | 438,346 |
| EUR | 9,990 | 38.55 | 385,110 |
| KRW | 5,152,894 | 0.03 | 149,820 |

| | June 30, 2014 | | |
|---|---|---|---|
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 462,241 | 29.915 | $ 13,833,130 |
| RMB | 1,627,850 | 4.820 | 7,846,235 |
| HKD | 80,298 | 3.860 | 309,951 |
| AUD | 10,423 | 28.131 | 293,199 |
| EUR | 6,839 | 40.840 | 279,317 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 399,556 | 29.915 | 11,952,719 |
| RMB | 1,625,889 | 4.820 | 7,836,784 |
| ZAR | 220,095 | 2.820 | 620,669 |
| AUD | 10,352 | 28.131 | 291,210 |
| EUR | 6,840 | 40.840 | 279,337 |

9) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Analysis of interest rate-sensitive assets and liabilities (New Taiwan dollars)

**June 30, 2015**

**(In Thousands of New Taiwan Dollars, %)**

| Item | 1 to 90 Days | 91 to 180 Days | 181 Days to 1 Year | Over 1 Year | Total |
|---|---|---|---|---|---|
| Interest rate-sensitive assets | $ 227,107,127 | $ 10,601,637 | $ 2,321,526 | $ 83,965,721 | $ 323,996,011 |
| Interest rate-sensitive liabilities | 159,086,549 | 51,941,839 | 22,790,914 | 7,344,807 | 241,164,109 |
| Interest rate sensitivity gap | 68,020,578 | (41,340,202) | (20,469,388) | 76,620,914 | 82,831,902 |
| Net worth | | | | | 56,204,070 |
| Ratio of interest rate-sensitive assets to liabilities (%) | | | | | 134.35 |
| Ratio of interest rate-sensitive gap to net worth (%) | | | | | 147.38 |

**June 30, 2014**

**(In Thousands of New Taiwan Dollars, %)**

| Item | 1 to 90 Days | 91 to 180 Days | 181 Days to 1 Year | Over 1 Year | Total |
|---|---|---|---|---|---|
| Interest rate-sensitive assets | $ 116,443,368 | $ 734,678 | $ 582,536 | $ 11,209,908 | $ 128,970,490 |
| Interest rate-sensitive liabilities | 41,375,041 | 56,147,769 | 21,697,357 | 5,409,590 | 124,629,757 |
| Interest rate sensitivity gap | 75,068,327 | (55,413,091) | (21,114,821) | 5,800,318 | 4,340,733 |
| Net worth | | | | | 17,728,867 |
| Ratio of interest rate-sensitive assets to liabilities (%) | | | | | 103.48 |
| Ratio of interest rate-sensitive gap to net worth (%) | | | | | 24.48 |

Note 1: Amounts included only New Taiwan dollar held by the Bank.

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs 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 (interest rate-sensitive assets and interest rate-sensitive liabilities are in New Taiwan dollars).

b) Analysis of interest rate-sensitive assets and liabilities (U.S. dollars)

**June 30, 2015**

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

| Item | 1 to 90 Days | 91 to 180 Days | 181 Days to 1 Year | Over 1 Year | Total |
|---|---|---|---|---|---|
| Interest rate-sensitive assets | $ 2,425,131 | $ 453,802 | $ 216,226 | $ 1,699,653 | $ 4,794,812 |
| Interest rate-sensitive liabilities | 4,405,430 | 724,265 | 181,844 | 97,884 | 5,409,423 |
| Interest rate sensitivity gap | (1,980,299) | (270,463) | 34,382 | 1,601,769 | (614,611) |
| Net worth | | | | | 13,045 |
| Ratio of interest rate-sensitive assets to liabilities (%) | | | | | 88.64 |
| Ratio of interest rate-sensitive gap to net worth (%) | | | | | (4,711.47) |

**June 30, 2014**

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

| Item | 1 to 90 Days | 91 to 180 Days | 181 Days to 1 Year | Over 1 Year | Total |
|---|---|---|---|---|---|
| Interest rate-sensitive assets | $ 297,873 | $ 41,347 | $ 3,021 | $ 33,839 | $ 376,080 |
| Interest rate-sensitive liabilities | 116,160 | 207,670 | 63,627 | 11 | 387,468 |
| Interest rate sensitivity gap | 181,713 | (166,323) | (60,606) | 33,828 | (11,388) |
| Net worth | | | | | 3,198 |
| Ratio of interest rate-sensitive assets to liabilities (%) | | | | | 97.06 |
| Ratio of interest rate-sensitive gap to net worth (%) | | | | | (356.10) |

Note 1: Amounts included only U.S. dollar held by the Bank.

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs 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 (interest rate-sensitive assets and interest rate-sensitive liabilities are in U.S. dollars).

e. Transfers of financial assets

Transferred financial assets not qualifying for full derecognition

Among the daily operations of the Bank and subsidiaries, majority of the transactions on transferred financial assets not qualifying for full derecognition were notes and bonds issued under repurchase agreements. These transactions involved the Bank's and subsidiaries' collection and receipt of contractual cash flows for transfer to counterparties; thus, the Bank and subsidiaries only recognized the liabilities reflecting the obligation to repurchase the transferred financial assets at a fixed price in the future, and the transferred financial assets should not be used, sold or pledged during the duration of the contracts. The Bank and subsidiaries did not fully derecognize the assets because they remained exposed to interest rate risk, and credit risk.

The financial assets and liabilities not qualifying for full derecognition are listed below:

| June 30, 2015 | | | | | |
|---|---|---|---|---|---|
| **Category** | **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** |
| Notes and bonds issued under repurchase agreements | | | | | |
| Financial assets at fair value through profit or loss | $ 29,082,295 | $ 27,516,042 | $ 29,082,295 | $ 27,516,042 | $ 1,566,253 |
| Available-for-sale financial assets | 31,309,683 | 29,923,291 | 31,309,683 | 29,923,291 | 1,386,392 |

f. Offsetting financial assets and financial liabilities

The Bank has no transactions of financial instruments that correspond to the provisions of IAS 32-42, but there are enforceable master netting arrangements or similar agreements signed with counterparty, and the financial assets and financial liabilities can be offset when both sides of the transaction have decided to, but gross settlements if not. One can choose net settlement if the other side of the transaction is in the breach of contract.

The offsetting of financial assets and financial liabilities was as follows:

| June 30, 2015 | | | | | | |
|---|---|---|---|---|---|---|
| Financial Assets under Offsetting, Net Settlement Contracts or Similar Agreements | | | | | | |
| Items | Recognized Financial Assets - Gross Amount (a) | Netted Financial Liabilities Recognized in the Balance Sheet - Gross Amount (b) | Recognized Financial Assets - Net Amount (c)=(a)-(b) | Related Amount Not Netted in the Balance Sheet (d) | | Net Amount (e)=(c)-(d) |
| | | | | Financial Instruments (Note) | Cash Received as Collaterals | |
| Securities purchased under resell agreements | $ 30,346,398 | $ - | $ 30,346,398 | $ 30,346,398 | $ - | $ - |
| Derivative instruments | 10,089,696 | - | 10,089,696 | 2,783,027 | 433,011 | 6,873,658 |
| Total | $ 40,436,094 | $ - | $ 40,436,094 | $ 33,129,425 | $ 433,011 | $ 6,873,658 |

| June 30, 2015 | | | | | | |
|---|---|---|---|---|---|---|
| Financial Liabilities under Offsetting, Net Settlement Contracts or Similar Agreements | | | | | | |
| Items | Recognized Financial Liabilities - Gross Amount (a) | Netted Financial Liabilities Recognized in the Balance Sheet - Gross Amount (b) | Recognized Financial Liabilities - Net Amount (c)=(a)-(b) | Related Amount Not Netted in the Balance Sheet (d) | | Net Amount (e)=(c)-(d) |
| | | | | Financial Instruments (Note) | Cash Collaterals Pledged | |
| Notes and bonds issued under repurchased agreements | $ 60,806,888 | $ - | $ 60,806,888 | $ 60,806,888 | $ - | $ - |
| Derivative instruments | 11,071,140 | - | 11,071,140 | 2,783,027 | 3,158,044 | 5,130,069 |
| Total | $ 71,878,028 | $ - | $ 71,878,028 | $ 63,589,915 | $ 3,158,044 | $ 5,130,069 |

| December 31, 2014 | | | | | | |
|---|---|---|---|---|---|---|
| Financial Assets under Offsetting, Net Settlement Contracts or Similar Agreements | | | | | | |
| Items | Recognized Financial Assets - Gross Amount (a) | Netted Financial Liabilities Recognized in the Balance Sheet - Gross Amount (b) | Recognized Financial Assets - Net Amount (c)=(a)-(b) | Related Amount Not Netted in the Balance Sheet (d) | | Net Amount (e)=(c)-(d) |
| | | | | Financial Instruments (Note) | Cash Received as Collaterals | |
| Derivative instruments | $ 22,076,479 | $ - | $ 22,076,479 | $ 6,651,853 | $ 141,921 | $ 15,282,705 |
| Securities purchased under resell agreements | 23,414,342 | - | 23,414,342 | 23,414,342 | - | - |
| Total | $ 45,490,821 | $ - | $ 45,490,821 | $ 30,066,195 | $ 141,921 | $ 15,282,705 |

| December 31, 2014 | | | | | | |
|---|---|---|---|---|---|---|
| Financial Liabilities under Offsetting, Net Settlement Contracts or Similar Agreements | | | | | | |
| Items | Recognized Financial Liabilities - Gross Amount (a) | Netted Financial Liabilities Recognized in the Balance Sheet - Gross Amount (b) | Recognized Financial Liabilities - Net Amount (c)=(a)-(b) | Related Amount Not Netted in the Balance Sheet (d) | | Net Amount (e)=(c)-(d) |
| | | | | Financial Instruments (Note) | Cash Collaterals Pledged | |
| Derivative instruments | $ 23,282,436 | $ - | $ 23,282,436 | $ 6,651,853 | $ 5,896,744 | $ 10,733,839 |
| Notes and bonds issued under repurchased agreements | 68,828,445 | - | 68,828,445 | 68,828,445 | - | - |
| Total | $ 92,110,881 | $ - | $ 92,110,881 | $ 75,480,298 | $ 5,896,744 | $ 10,733,839 |

| June 30, 2014 | | | | | | |
|---|---|---|---|---|---|---|
| Financial Liabilities under Offsetting, Net Settlement Contracts or Similar Agreements | | | | | | |
| Items | Recognized Financial Liabilities - Gross Amount (a) | Netted Financial Liabilities Recognized in the Balance Sheet - Gross Amount (b) | Recognized Financial Liabilities - Net Amount (c)=(a)-(b) | Related Amount Not Netted in the Balance Sheet (d) | | Net Amount (e)=(c)-(d) |
| | | | | Financial Instruments (Note) | Cash Collaterals Pledged | |
| Notes and bonds issued under repurchased agreements | $ 2,970,694 | $ - | $ 2,970,694 | $ 2,970,694 | $ - | $ - |

Note: Including net settlement agreement and non-cash financial collaterals.

## 46. CAPITAL MANAGEMENT

a. Introduction

In accordance with the “Regulations Governing the Capital Adequacy and Capital Category of Banks” announced by the FSC, regular calculation and preparation of related reports and report to the authorities for review are required in order to perform financial disclosures and conduct internal capital adequacy management. The objectives of capital management are as follows:

1) The calculation methods of own capital should be conducted according to the regulations of authorities. The basic management objective includes sufficient capital to meet the requirements of the regulation and achieve the minimum capital adequacy ratio so as to control all risks within the risk appetite.

2) In order to undertake all kinds of risk, the Bank conducts risk management based on the risk portfolio and the assessment of risk characteristics to design the best capital allocation.

b. Basic definition

Based on the “Regulations Governing the Capital Adequacy and Capital Category of Banks” announced by the FSC, self-owned capital is classified into Tier 1 capital and Tier 2 capital:

1) Tier 1 capital: Includes common equity and other Tier 1 capital.

   a) Common equity includes common stock, capital surplus (excluding premium on preferred shares), accumulated surplus and equity adjustments, less the following items: intangible assets (including goodwill), unamortized loss on disposal of non-performing loans, major investments, deferred tax assets, deferred pension costs and the items originally deducted from Tier 1 capital and Tier 2 capital.

   b) Other Tier 1 capital includes non-cumulative perpetual preferred stock and non-cumulative perpetual subordinated debts.

2) Tier 2 capital includes cumulative perpetual preferred stock, cumulative perpetual subordinated debts, revaluation appreciation, convertible debts, operational provisions and loan-loss reserves.

c. Capital management procedures

The Bank's internal capital required assessment framework, which is based on the risk assessment, and it is classified into three pillars. The first pillar deals with maintenance of regulatory capital, where the capital provided should comply with the "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks". The credit and market risks are calculated using standardized approach, while the operational risk is calculated using the basic indicator approach. In addition to the first pillar, the second pillar includes risk assessments not covered in the first pillar (such as interest rate risk in banking book, liquidity risk and other risks) and external risk information, which assessed the capital requirement based on the operating environment and legislative change with regards to the principle of materiality.

d. Capital adequacy ratio

**(In Thousands of New Taiwan Dollars, %)**

| **Items** | | **Year** | **June 30, 2015** | **December 31, 2014** | **June 30, 2014** |
|---|---|---|---|---|---|
| Eligible capital | Common equity Tier 1 capital | | $ 51,349,289 | $ 16,294,778 | $ 15,236,806 |
| | Additional Tier 1 capital | | - | - | - |
| | Tier 2 capital | | - | - | - |
| | Eligible capital | | 51,349,289 | 16,294,778 | 15,236,806 |
| Risk-weighted assets | Credit risk | Standardized approach | 294,991,082 | 113,492,529 | 113,747,853 |
| | | Internal rating-based approach | - | - | - |
| | | Securitization | - | - | - |
| | Operational risk | Basic indicator approach | 11,389,552 | 11,389,552 | 10,686,062 |
| | | Standardized approach/ alternative standardized approach | - | - | - |
| | | Advanced measurement approach | - | - | - |
| | Market risk | Standardized approach | 33,407,700 | 1,857,484 | 2,034,945 |
| | | Internal model approach | - | - | - |
| | Total risk-weighted assets | | 339,788,334 | 126,739,565 | 126,468,860 |
| Capital adequacy ratio | | | 15.11% | 12.86% | 12.05% |
| Ratio of common equity capital to risk-weighted assets | | | 15.11% | 12.86% | 12.05% |
| Ratio of Tier 1 capital to risk-weighted assets | | | 15.11% | 12.86% | 12.05% |
| Leverage ratio | | | 8.87% | 8.59% | 8.53% |

Note 1: The table was prepared in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and the "Methods for Calculating Banks' Regulatory Capital and Risk-Weighted Assets".

Note 2: The Bank should disclose the capital adequacy ratios of the current and previous periods in annual financial reports. For semiannual financial reports, the Bank should disclose the capital adequacy ratios of the current and previous periods, and of the previous year-end.

Note 3: The formulas used in calculating the above table entries were as follows:

1) Eligible capital = Common equity capital + Additional Tier 1 capital + Tier 2 capital.

2) Total risk-weighted asset = Risk-weighted assets for credit risk + (Capital requirement for operational risk + Capital requirements for market risk) × 12.5.

3) Capital adequacy ratio = Eligible capital/Total risk-weighted assets.

4) Ratio of common equity capital to risk-weighted assets = Common equity/Total risk-weighted assets.

5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity capital + Additional Tier 1 capital)/Total risk-weighted assets.

6) Leverage ratio = Tier 1 capital/Exposure measurement.

## 47. TRUST BUSINESS OPERATIONS UNDER THE TRUST ENTERPRISES ACT

The balance sheets and income statements of the trust accounts and trust property accounts were as follows:

**Balance Sheets of Trust Accounts**

**(In Thousands of New Taiwan Dollars)**

| Trust Assets | June 30, 2015 | December 31, 2014 | June 30, 2014 | Trust Liabilities and Equity | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|---|---|---|---|
| Bank deposits | $ 960,009 | $ 769,174 | $ 196,060 | Payables | $ 152,598 | $ 157,451 | $ 77,596 |
| Short-term investments | 34,709,275 | 35,482,654 | 33,713,187 | Beneficial estate | 1,280,000 | 1,280,000 | - |
| Receivables | 125,983 | 2,900 | 13,610 | Other liabilities | 69,080 | 3,741 | 19,951 |
| Payment for others | 1,159,802 | 1,115,230 | - | Trust capital | 41,737,334 | 42,967,594 | 34,697,721 |
| Financial assets measured at cost | 1,400,000 | 1,400,000 | - | Accumulated earnings | 1,132,135 | 1,220,460 | 114,241 |
| Financial assets at fair value through profit or loss | 4,229,165 | 5,076,358 | - | | | | |
| Real estate | 797,943 | 797,943 | - | | | | |
| Intangible asset - surface rights | 984,534 | 984,534 | 984,534 | | | | |
| Other assets | 4,436 | 453 | 2,118 | | | | |
| Total | $ 44,371,147 | $ 45,629,246 | $ 34,909,509 | Total | $ 44,371,147 | $ 45,629,246 | $ 34,909,509 |

**Income Statements of Trust Accounts**

**(In Thousands of New Taiwan Dollars)**

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Trust income and gains | | | | |
| Operating income | $ 51,396 | $ 167 | $ 51,585 | $ 501 |
| Interest income | 429,819 | 334,908 | 836,219 | 643,402 |
| Rental income | 7,763 | 7,007 | 15,639 | 14,014 |
| Gains on financial assets measured at FVTPL, net | 682,311 | - | 806,021 | - |
| Other income and gains | 132 | 168 | 692 | 296 |
| Total trust income and gains | 1,171,421 | 342,250 | 1,710,156 | 658,213 |
| Property transaction loss | (254,074) | 70,871 | (411,996) | (38,100) |
| Trust expenses | | | | |
| Trust administrative expenses | 9,269 | 9,036 | 16,373 | 17,654 |
| Operating costs | 1,107 | 1,072 | 2,128 | 2,158 |
| Sales expenses | - | 58 | - | 109 |
| Operating expenses | 175 | 55 | 313 | 109 |
| Interest expenses | 16,320 | - | 32,640 | - |
| Service fee expenses | 42 | - | 42 | - |
| Other expenses | - | - | 3 | - |
| Total trust expenses | 26,913 | 10,221 | 51,499 | 20,030 |
| Net income before income tax | $ 890,434 | $ 402,900 | $ 1,246,661 | $ 600,083 |

The income from trust operations was excluded from the Banks' income.

**Trust Property Accounts**

**(In Thousands of New Taiwan Dollars)**

| Investment Portfolio | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Bank deposits | $ 960,009 | $ 769,174 | $ 196,060 |
| Short-term investments | | | |
| Funds | 33,483,556 | 34,503,272 | 32,612,560 |
| Bonds | 890,983 | 574,247 | 510,259 |
| Common shares | 82,900 | 86,120 | 96,594 |
| Structured notes | 208,302 | 286,689 | 440,651 |
| Exchange trade funds (ETF) | 43,534 | 32,326 | 53,123 |
| Financial assets at FVTPL | 4,229,165 | 5,076,358 | - |
| Financial assets measured at cost | 1,400,000 | 1,400,000 | - |
| Real estate | 797,943 | 797,943 | - |
| Payments for others | - | 1,115,230 | - |
| Other assets | - | 2,768 | - |
| Intangible assets - surface right | 984,534 | 984,534 | 984,534 |
| | $ 43,080,926 | $ 45,628,661 | $ 34,893,781 |

## 48. ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM INTERCOMPANY COOPERATION AND RESOURCE SHARING

For the cooperation and resource sharing between CDFH, the Bank's parent, and CDFH's subsidiaries, please refer to Note 41 to the consolidated financial statements.

## 49. PROFITABILITY

**(%)**

| Items | | June 30 | |
|---|---|---|---|
| | | 2015 (Note 6) | 2014 |
| Return on total assets | Before income tax | 1.24 | 2.01 |
| | After income tax | 1.08 | 1.63 |
| Return on net worth | Before income tax | 12.36 | 18.64 |
| | After income tax | 10.78 | 15.10 |
| Profit margin | | 54.45 | 45.09 |

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

Note 2: Return on net worth = Income before (after) income tax/Average net worth.

Note 3: Profit margin = Income after income tax/Total net revenues.

Note 4: Income before (after) income tax means income accumulated from January of the current period to the current period.

Note 5: The above profitability ratios are expressed annually.

Note 6: Equity and profit or loss to former owner of business combination were included.

## 50. ADDITIONAL DISCLOSURES

a. Following are the additional disclosures required by the Securities and Futures Bureau for the Bank and subsidiaries:

1) Financing provided: The Bank: Not applicable. For information on other subsidiaries: None.

2) Collaterals/guarantees provided: The Bank: Not applicable. For information on other subsidiaries: Table 1 (attached).

3) Marketable securities held: The Bank: Not applicable. For information on other subsidiaries: Table 2 (attached).

4) Subsidiaries are acquired and disposed of, at cost or price of at least NT$300 million or 10% of the issued capital (subsidiaries acquired and disposed of marketable securities, at cost or price of at least NT$300 million or 10% of the issued capital): Table 3 (attached).

5) Acquisition of individual real estate at cost of at least NT$300 million or 10% of the issued capital: None.

6) Disposal of individual real estate at price of at least NT$300 million or 10% of the issued capital: None.

7) Discount on service fees received from related parties amounting to NT$5 million: None.

8) Receivables from related parties amounting to NT$300 million or 10% of the issued capital: None.

9) Sold nonperforming loans: None.

10) Financial asset securitization: None.

11) Other significant transactions which may affect the decisions of the consolidated financial statements users: None.

12) The information of investees: Table 4 (attached).

13) Derivative transactions: Please refer to Notes 8, 44 and 45 to the consolidated financial statements.

b. Information on investments in Mainland China: Table 5 (attached).

c. Business relationships and significant transactions among the Bank and subsidiaries. Table 6 (attached).

## 51. SEGMENT INFORMATION

Segment information of organization and performance departments had adjustments due to certain transfers from the CDIB. The reportable segments of the Bank and subsidiaries were as follows:

a. Consumer banking segment: The segment mainly provides cash cards, credit cards, personal loans, mortgages, deposits, remittances, wealth management, etc.

b. Corporate banking segment: The segment mainly provides services such as processing deposits and loans of large-scale enterprises and small and medium enterprises.

c. Financial market segment: The segment's services include the distribution of funds, issuance of bank debentures, handling money market and bond market transactions, foreign exchange handling, and dealing with other financial market-related products (such as derivative instruments) and transactions.

d. Others: Mainly include the administration segment of head office and summarized of other non-independent segments.

There was no inconsistency between the accounting policies of the operating segments and the accounting policies described in Note 4. The Bank and subsidiaries use net profit before income tax as the measurement for segment profit and the basis of performance assessment. The net revenue, net profit before income tax, assets and liabilities are composed of direct attributed and allocated revenues and expenses.

a. Segment revenues and results

The following is an analysis of the Bank and subsidiaries' revenue and results of operations by reportable segment:

| | Consumer Banking Segment | Corporate Banking Segment | Financial Market Segment | Others | Total |
|---|---|---|---|---|---|
| For the three months ended June 30, 2014 | | | | | |
| Interest profit (loss), net | $ 1,039,160 | $ 162,915 | $ 15,501 | $ (58,378) | $ 1,159,198 |
| Net revenue (loss) - intersegment | (176,234) | 900 | (9,146) | 184,480 | - |
| Noninterest profits and gains (losses), net | 328,795 | 33,603 | 4,492 | (16,419) | 350,471 |
| Net revenue | 1,191,721 | 197,418 | 10,847 | 109,683 | 1,509,669 |
| Reversal of allowance for (allowance) bad debts and losses on guarantees, net | 193,138 | 14,183 | 1,469 | 65,953 | 274,743 |
| Operating expenses | (591,649) | (98,800) | (17,364) | (197,906) | (905,719) |
| Income (loss) before income tax | 793,210 | 112,801 | (5,048) | (22,270) | 878,693 |
| Income tax expense | (165,127) | (22,345) | 332 | 6,039 | (181,101) |
| Net profit (loss) | $ 628,083 | $ 90,456 | $ (4,716) | $ (16,231) | $ 697,592 |
| For the three months ended June 30, 2015 | | | | | |
| Interest profit (loss), net | $ 476,269 | $ 924,047 | $ 395,906 | $ 138,142 | $ 1,934,364 |
| Net revenue (loss) - intersegment | 364,804 | (261,746) | (276,837) | 173,779 | - |
| Noninterest profits and gains (loss), net | 358,334 | 33,582 | 585,788 | (52,696) | 925,008 |
| Net revenue | 1,199,407 | 695,883 | 704,857 | 259,225 | 2,859,372 |
| Reversal of allowance (allowance) for bad debts and losses on guarantees, net | 76,061 | 501,513 | 6,454 | (136,035) | 447,993 |
| Operating expenses | (608,534) | (159,034) | (100,582) | (502,598) | (1,370,748) |
| Income (loss) before income tax | 666,934 | 1,038,362 | 610,729 | (379,408) | 1,936,617 |
| Income tax benefit (expense) | (108,129) | (143,499) | (42,375) | 49,195 | (244,808) |
| Net profit (loss) | $ 558,805 | $ 894,863 | $ 568,354 | $ (330,213) | $ 1,691,809 |

(Continued)

| | Consumer Banking Segment | Corporate Banking Segment | Financial Market Segment | Others | Total |
|---|---|---|---|---|---|
| For the six months ended June 30, 2014 | | | | | |
| Interest profit (loss), net | $ 2,075,192 | $ 265,048 | $ 89,494 | $ (108,263) | $ 2,321,471 |
| Net revenue (loss) - intersegment | (357,781) | (385) | (23,247) | 381,413 | - |
| Noninterest profit and gain (loss), net | 644,479 | 60,920 | 6,453 | (7,052) | 704,800 |
| Net revenue | 2,361,890 | 325,583 | 72,700 | 266,098 | 3,026,271 |
| Reversal of allowance for bad debts and losses on guarantees, net | 418,327 | 23,320 | - | 22,041 | 463,688 |
| Operating expenses | (1,168,219) | (183,218) | (42,802) | (411,831) | (1,806,070) |
| Income (loss) before income tax | 1,611,998 | 165,685 | 29,898 | (123,692) | 1,683,889 |
| Income tax benefit (expense) | (305,801) | (31,431) | (5,672) | 23,465 | (319,439) |
| Net profit (loss) | $ 1,306,197 | $ 134,254 | $ 24,226 | $ (100,227) | $ 1,364,450 |
| For the six months ended June 30, 2015 | | | | | |
| Interest profit, net | $ 1,372,859 | $ 1,589,420 | $ 685,070 | $ 324,977 | $ 3,972,326 |
| Net revenue (loss) - intersegment | 226,087 | (280,220) | (286,949) | 341,082 | - |
| Noninterest profits and gains, net | 667,169 | 152,411 | 794,947 | (44,475) | 1,570,052 |
| Net revenue | 2,266,115 | 1,461,611 | 1,193,068 | 621,584 | 5,542,378 |
| Reversal of allowance (allowance) for bad debts and losses on guarantees, net | 138,796 | 598,952 | (3,732) | (123,263) | 610,753 |
| Operating expenses | (1,197,639) | (353,669) | (232,941) | (910,587) | (2,694,836) |
| Income (loss) before income tax | 1,207,272 | 1,706,894 | 956,395 | (412,266) | 3,458,295 |
| Income tax expense | (191,261) | (161,577) | (57,579) | (30,025) | (440,442) |
| Net profit (loss) | $ 1,016,011 | $ 1,545,317 | $ 898,816 | $ (442,291) | $ 3,017,853 |

(Concluded)

b. Segment assets and liabilities

| | Consumer Banking Segment | Corporate Banking Segment | Financial Market Segment | Others | Total |
|---|---|---|---|---|---|
| June 30, 2015 | | | | | |
| Assets | $ 88,684,048 | $ 243,535,404 | $ 204,308,478 | $ 14,887,307 | $ 551,415,237 |
| Liabilities | $ 234,278,821 | $ 170,841,804 | $ 80,956,941 | $ 8,531,760 | $ 494,609,326 |
| December 31, 2014 | | | | | |
| Assets | $ 78,020,640 | $ 199,034,216 | $ 266,229,066 | $ 20,198,142 | $ 563,482,064 |
| Liabilities | $ 116,667,671 | $ 202,445,719 | $ 178,943,641 | $ 10,273,148 | $ 508,330,179 |
| June 30, 2014 | | | | | |
| Assets | $ 79,887,133 | $ 23,801,039 | $ 58,817,434 | $ 5,945,884 | $ 168,451,490 |
| Liabilities | $ 122,533,113 | $ 21,042,956 | $ 4,033,022 | $ 3,017,871 | $ 150,626,962 |

TABLE 1

## KGI BANK AND SUBSIDIARIES

**COLLATERALS/GUARANTEE PROVIDED**
**FOR THE SIX MONTHS ENDED JUNE 30, 2015**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. | Collaterals/Guarantee Provider | Counter-party | | Limits on Each Counter-party's Collateral/ Guarantee Amounts | Maximum Balance for the Period | Ending Balance | Actual Amount Drawn Down | Carrying Value (as of Balance Sheet Date) of Properties Guaranteed by Collateral | Ratio of Accumulated Amount of Collateral to Net Worth Shown in the Provider's Latest Financial Statements | Maximum Collateral/ Guarantee Amounts Allowable | Provision of Endorsements by Parent Company to Subsidiary | Provision of Endorsements by Subsidiary to Parent Company | Provision of Endorsements to the Company in Mainland China |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Nature of Relationship | | | | | | | | | | |
| 1 | CDIB Management Consulting Corporation | CDIB International Leasing Corp. | Note 1 | $ 8,343,613 | $ 4,812,845 | $ 4,562,495 | $ 2,329,603 | $ - | 273.41% | $ 8,343,613 (Note 2) | No | No | Yes |

Note 1: The Bank and subsidiary own directly over 50% ownership of the investee company.

Note 2: The total amount of guarantee provided should not exceed 5 times of the net asset value shown in the latest financial report of CDIB Management Consulting Corporation.

Note 3: The related transaction was not included in the consolidated financial statements.

# KGI BANK AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD**
**JUNE 30, 2015**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Holding Company | Marketable Security Type and Issuer | Relationship with the Holding Company | Financial Statement Account | June 30, 2015 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares/Face Value/Units | Carrying Value (Note 2) | Percentage of Ownership | Market Value or Net Asset Value (Note 3) | |
| CDIB Management Consulting Corporation | Stocks | | | | | | | |
| | CDC Finance & Leasing Corp. | Subsidiary | Investments accounted for using the equity method | 58,328,460 | $ 654,775 | 76.04 | $ 654,775 | |
| | CDIB International Leasing Corp. | Subsidiary | Investments accounted for using the equity method | - | 959,101 | 100.00 | 959,101 | |
| CDC Finance & Leasing Corp. | Stocks | | | | | | | |
| | Hwahong Corporation | Associate | Investments accounted for using the equity method | 23,750 | 1,120 | 19.00 | 1,120 | |
| | First Financial Holding Co., Ltd. | - | Available-for-sale financial assets | 738,836 | 13,964 | 0.01 | 13,964 | (Note 5) |

Note 1: The Bank and subsidiaries recognized the related income or loss of investees as required by regulations. For decline in value that was other than temporary, investment loss was recognized.

Note 2: The amounts were net of allowance for losses.

Note 3: Market prices of listed and OTC stocks were calculated at the closing prices of June 30, 2015. The net worth of unlisted stocks, on which the Bank recognized its investment incomes in the current year, were calculated on the basis of the investees' audited financial statements for the same reporting period as that of the holding company, or on the basis of the net asset values of the investees, market values of emerging stocks, or the cost of acquiring an investee's newly issued shares or book value of the investees. However, the net asset values of investees do not represent the value of unlisted stocks on the balance sheet date.

Note 4: The market value or net worth of preferred stock is equal to the ratio of preferred shares held to the number of preferred shares outstanding multiplied by the total market value or total net worth of all of investee's common and preferred shares.

Note 5: Stock consisting of 611,659 shares was used as collateral.

Note 6: No securities were treated as collaterals or warrants, except for those disclosed in the Note 5.

Note 7: The above companies which are the subsidiaries of the Bank were eliminated from the consolidated financial statements.

# KGI BANK AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL**
**(FOR THE BANK'S SUBSIDIARIES, ACQUISITIONS AND DISPOSALS AMOUNTTO NT$300 MILLION OR 10% OF THE ISSUED CAPITAL)**
**FOR THE SIX MONTHS ENDED JUNE 30, 2015**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Company Name | Marketable Securities Type and Name | Financial Statement Account | Counter-party | Nature of Relationship | Beginning Balance | | Acquisition | | Disposal | | | | Ending Balance | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares/Face Value/Units | Amount | Shares/Face Value/Units | Amount | Shares/Face Value/Units | Amount | Carrying Value | Gain (Loss) on Disposal | Shares/Face Value/Units | Amount |
| KGI Bank (the Bank) | Stock<br>CDIB Management Consulting Corporation | Investment accounted for using equity method | China Development Industrial Bank | Subsidiary of the parent company | - | $ - | 153,171,873 (Note 1) | $ 1,621,468 (Note 2) | - | $ - | $ - | $ - | 153,171,873 | $ 1,621,468 |

Note 1: China Development Industrial Bank transferred 153,171,873 shares to the Bank.

Note 2: Consists of $1,597,389 thousand from accepting the transfer, exchange gain of $11,009 thousand on translating foreign operations, investment gain of $13,340 thousand, unrealized loss of $281 thousand on available-for-sale financial assets, and gains $11 thousand from change in capital surplus.

Note 3: The transaction was not included in the consolidated financial statements.

TABLE 4

## KGI BANK AND SUBSIDIARIES

**INFORMATION ON INVESTED ENTERPRISES**
**JUNE 30, 2015**
**(In Thousands of New Taiwan Dollars)**

| Investee Company | Location | Main Business | Balance as of June 30, 2015 | | | Consolidated Investment (Note 1) | | | | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Percentage of Ownership | Carrying Value | Investment Gain (Loss) (Note 3) | Present Shares | Virtual Shares (Note 2) | Shares | Percentage of Ownership | |
| Financial industry-related | | | | | | | | | | |
| Taipei Foreign Exchange Inc. | Taiwan | Foreign exchange trading, financial derivatives trading | 0.40 | $ 800 | $ - | 80,000 | - | 80,000 | 0.40 | |
| Taiwan Futures Exchange | Taiwan | Futures exchange and settlement | 0.51 | 10,250 | - | 8,986,898 | - | 8,986,898 | 3.10 | |
| Financial Information Service Co., Ltd. | Taiwan | Telecommunication service; information system service | 1.23 | 49,120 | - | 5,526,000 | - | 5,526,000 | 1.23 | |
| Taiwan Asset Management Co., Ltd. | Taiwan | Evaluating, auctioning and managing financial institutions' loans | 0.57 | 75,000 | - | 7,500,000 | - | 7,500,000 | 0.57 | |
| Reliance Securities Investment Trust Co., Ltd. | Taiwan | Issue beneficiary certificates; raise investment funds | 12.31 | 46,752 | - | 3,840,175 | - | 3,840,175 | 12.31 | |
| Sunlight Asset Management Co., Ltd. | Taiwan | Purchasing for financial institutions' loans | 5.74 | 3,445 | - | 344,476 | - | 344,476 | 5.74 | |
| Cosmos Insurance Brokers Co., Ltd. | Taiwan | Insurance brokers | 100.00 | 51,040 | 17,850 | - | - | - | 100.00 | |
| Taiwan Financial Asset Service Company | Taiwan | Other activities auxiliary to financial service activities | 2.94 | 50,000 | - | 5,000,000 | - | 5,000,000 | 2.94 | |
| Taiwan Mobile Payment | Taiwan | Communication and IT service | 1.00 | 6,000 | - | 600,000 | - | 600,000 | 1.00 | |
| CDIB Management Consulting Corporation | Taiwan | Management consultancy activities | 100.00 | 1,621,468 | 33,323 | 153,171,873 | - | 153,171,873 | 100.00 | |
| Nonfinancial industry-related | | | | | | | | | | |
| Euroc II Venture Capital Corp. | Taiwan | Venture capital corporation | 7.50 | 12,719 | - | 2,640,000 | - | 2,640,000 | 7.50 | |
| Cosmos Construction Management Corporation | Taiwan | Valuation on real estate, contract evaluation | 9.39 | - | - | 6,991,000 | - | 6,991,000 | 9.39 | |
| Lieu-An Service Co. | Taiwan | ATM cash cartridge replacement and service provision | 5.00 | 1,250 | - | 125,000 | - | 125,000 | 5.00 | |
| Euroc III Venture Capital Corp. | Taiwan | Venture capital corporation | 5.00 | 7,583 | - | 1,320,000 | - | 1,320,000 | 5.00 | |
| CDIB & Partner Investment Holding Corp. | Taiwan | General investment corporation | 4.95 | 702,567 | 21,279 | 367,200,000 | - | 367,200,000 | 33.66 | |

Note 1: All present shares or virtual shares of the Bank, directors, supervisors, the Bank's managers, and affiliates should be included.

Note 2: (1) Virtual shares refer to equity-type securities and derivative financial instrument contracts that are transferred to common shares. Based on the transaction terms or the holding purposes of the Bank, the two types of instruments are linked to the equity of investees and are recognized as investments accounted for using the equity method, available-for-sale financial assets and financial assets measured at cost, in accordance with Article 74 of the Securities and Exchange Act. (2) Equity-type securities, such as convertible bonds and warrants, are regulated by Article 11 of the Securities and Exchange Act Enforcement Rules. (3) Financial instrument contracts are those defined under International Accounting Standard 39 "Accounting for Financial Instruments", such as stock options.

Note 3: Profit or loss of former owner of business combination were included.

# KGI BANK AND SUBSIDIARIES

**INFORMATION ON INVESTMENT IN MAINLAND CHINA**
**JUNE 30, 2015**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Investee Company Name | Main Businesses and Products | Total 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 June 30, 2015 | Investee Company's Current Gain or Loss | % Ownership of Direct or Indirect Investment | Investment Gain | Carrying Value as of June 30, 2015 | Accumulated Inward Remittance of Earnings as of June 30, 2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| CDIB International Leasing Corporation | Financial leasing and management business consulting | RMB 187,750 thousand | Note 1 (d) | US$ 30,000 thousand | $ - | $ - | US$ 30,000 thousand | $ 11,779 | 100.00 | $ 11,779 | $ 959,101 | $ - |

| Accumulated Investment in Mainland China as of June 30, 2015 | Investment Amount Authorized by the Investment Commission, MOEA | Limit on Investment |
|---|---|---|
| $932,100 | US$30,000 thousand | $972,881 |

Note 1: The investment types are as follows:

a. Remittances through a third place.

b. Reinvested through a new founded company at a third place.

c. Reinvested through an investee company at a third place.

d. Direct investments.

e. Other.

Note 2: The column "Investment Gain" should state clearly:

a. If there were no gains or losses during preparation.

b. Income recognition was based on the:

1) Financial statements reviewed by an international CPA firm having a cooperative relation with CPA firms in the Republic of China;
2) Financial statements reviewed by the CPA firm of the parent company in Taiwan;
3) Other.

c. Should be specified if there can not get the investee company's current gain or loss information.

TABLE 6

**KGI BANK AND SUBSIDIARIES**

**BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**
**FOR THE SIX MONTHS ENDED JUNE 30, 2015**
**(In Thousands of New Taiwan Dollars)**

| No. (Note 1) | Trader Company | Related Party | Flow of Transactions (Note 2) | Content of Transaction (Note 5) | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Accounts | Amounts | Trading Terms | Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3) |
| 0 | KGI Bank | Cosmos Insurance Brokers Co., Ltd. | 1 | Deposit and remittances | $ 56,397 | Note 4 | 0.01% |
| 1 | Cosmos Insurance Brokers Co., Ltd. | KGI Bank | 2 | Cash and cash equivalents | 29,097 | Note 4 | 0.01% |
| 1 | Cosmos Insurance Brokers Co., Ltd. | KGI Bank | 2 | Other financial assets | 27,300 | Note 4 | - |
| 0 | KGI Bank | CDIB Management Consulting Corporation | 1 | Deposit and remittances | 14,039 | Note 4 | - |
| 1 | CDIB Management Consulting Corporation | KGI Bank | 2 | Cash and cash equivalents | 14,039 | Note 4 | - |
| 0 | KGI Bank | CDC Finance & Leasing Corp. | 1 | Deposit and remittances | 35,091 | Note 4 | 0.01% |
| 1 | CDC Finance & Leasing Corp. | KGI Bank | 2 | Cash and cash equivalents | 35,091 | Note 4 | 0.01% |
| 0 | KGI Bank | Cosmos Insurance Brokers Co., Ltd. | 1 | Receivables, net | 57,415 | Note 4 | 0.01% |
| 1 | Cosmos Insurance Brokers Co., Ltd. | KGI Bank | 2 | Payables | 57,415 | Note 4 | 0.01% |

Note 1: The consolidated entities are identified in the No. column as follows: Parent company - “0”; subsidiaries - “1” and so on.

Note 2: Transaction flows are as follows: (1) from parent to subsidiary; (2) from subsidiary to parent; and (3) between subsidiaries.

Note 3: The ratio is calculated as follows: For asset and liability accounts - Transaction amount in the ending period/Total consolidated assets; for income and expense accounts - Transaction amount in the midterm/Total consolidated net profit.

Note 4: The transaction criteria for related parties are similar to those for third parties.

Note 5: Transactions each amounted to at least NT$10 million.

Note 6: The above transactions and balances were not included in the consolidated financial statements.