KGI Bank and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

Very truly yours,

KGI BANK

March 24, 2016

INDEPENDENT AUDITORS' REPORT

KGI Bank

We have audited the accompanying consolidated balance sheets of KGI Bank (the "Bank") and subsidiaries as of December 31, 2015 and 2014 as restated, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014 as restated. 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 December 31, 2014 were audited by other certified public accountants which issue an unqualified opinion on March 19, 2015.

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 December 31, 2015 and 2014 as restated, their consolidated financial performance and cash flows for the years ended December 31, 2015 and 2014 as restated, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of the Bank as of and for the years ended December 31, 2015 and 2014 on which we have issued a modified unqualified opinion thereon, respectively.

March 24, 2016

Notice to Readers

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

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

KGI BANK AND SUBSIDIARIES

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

	2015		2014 (After Restated)	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 40)	$ 8,152,612	1	$ 10,017,697	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 7, 40 and 41)	87,125,284	16	31,265,022	6
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 40)	79,062,398	14	53,033,387	10
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 9)	36,176,824	7	23,414,342	4
RECEIVABLES, NET (Notes 4, 10, 40 and 41)	41,174,997	8	58,502,227	10
CURRENT TAX ASSETS (Notes 4 and 37)	31,312	-	82,754	-
DISCOUNTS AND LOANS, NET (Notes 4, 11 and 40)	217,780,328	40	225,777,475	40
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 4, 12 and 41)	55,250,667	10	119,149,063	21
HELD-TO-MATURITY FINANCIAL ASSETS, NET (Notes 4 and 13)	-	-	18,600,000	3
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Notes 4 and 14)	701,633	-	710,350	-
OTHER FINANCIAL ASSETS (Notes 15 and 41)	268,704	-	4,282,840	1
PROPERTY AND EQUIPMENT, NET (Notes 4, 16 and 41)	6,034,773	1	5,804,333	1
INVESTMENT PROPERTY, NET (Notes 4, 17 and 41)	560,471	-	564,101	-
INTANGIBLE ASSETS, NET	205,124	-	185,373	-
DEFERRED TAX ASSETS (Notes 4 and 37)	5,059,326	1	5,293,992	1
OTHER ASSETS, NET (Notes 18, 27, 40 and 41)	8,600,643	2	6,799,108	1
TOTAL	$ 546,185,096	100	$ 563,482,064	100
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from the Central Bank and banks (Note 19)	$ 9,561,475	2	$ 12,680,778	2
Financial liabilities at fair value through profit or loss (Notes 4, 8 and 40)	26,184,655	5	24,353,584	5
Notes and bonds issued under repurchase agreements (Notes 4, 8, 12 and 20)	61,010,030	11	68,828,445	12
Payables (Notes 21 and 40)	4,269,459	1	4,327,750	1
Current tax liabilities (Notes 4, 37 and 40)	187,682	-	15,249	-
Deposits and remittances (Notes 22 and 40)	354,170,845	65	316,576,347	56
Bank debentures payable (Note 23)	2,612,172	-	12,540,304	2
Principal received on structured notes	22,300,825	4	60,671,951	11
Commercial paper payable, net (Note 24)	2,107,782	-	906,537	-
Other borrowings (Notes 25 and 40)	3,872,209	1	5,051,655	1
Other financial liabilities	4,792	-	12,114	-
Provisions (Notes 4, 26 and 27)	379,698	-	514,347	-
Deferred tax liabilities (Notes 4 and 37)	58,580	-	90,441	-
Other liabilities (Note 28)	1,566,487	-	1,760,677	-
Total liabilities	488,286,691	89	508,330,179	90
EQUITY (Notes 4 and 29)				
Equity attributable to owners of parent				
Capital				
Common stock	46,061,623	9	15,307,334	3
Capital surplus				
Additional paid-in capital	7,245,710	1	21,275	-
Other capital surplus	1,568	-	116,056	-
Total capital surplus	7,247,278	1	137,331	-
Retained earnings				
Legal reserve	1,626,036	-	915,755	-
Special reserve	-	-	142,987	-
Unappropriated earnings	3,159,273	1	2,405,405	1
Total retained earnings	4,785,309	1	3,464,147	1
Exchange differences on translation of foreign financial statements	168,161	-	36,313	-
Unrealized gains (losses) on available-for-sale financial assets	(577,831)	-	(31,466)	-
Total equity of parent company	57,684,540	11	18,913,659	4
Equity to the former owner of business combination under common control	-	-	36,018,251	6
Non-controlling interests	213,865	-	219,975	-
Total equity	57,898,405	11	55,151,885	10
TOTAL	$ 546,185,096	100	$ 563,482,064	100

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

(With Deloitte & Touche audit report dated March 24, 2016)

KGI BANK AND SUBSIDIARIES

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

	2015		2014 (After Restated)		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
INTEREST REVENUES (Notes 4, 30 and 40)	$ 11,185,216	102	$ 8,418,778	105	33
INTEREST EXPENSES (Notes 4, 30 and 40)	(3,857,876)	(35)	(2,456,514)	(31)	57
NET INTEREST	7,327,340	67	5,962,264	74	23
NET REVENUES OTHER THAN INTEREST					
Service fee income, net (Notes 4, 31 and 40)	1,364,728	13	1,355,761	17	1
Gains (losses) on financial assets or liabilities measured at fair value through profit or loss, net (Notes 4 and 32)	1,445,569	13	(23,300)	-	6,304
Realized gains on available-for-sale financial assets, net (Notes 4 and 33)	2,027,304	19	231,146	3	777
Foreign exchange (loss) gain, net (Note 4)	(1,388,706)	(13)	173,901	2	(899)
Impairment loss on assets, net	-	-	(18,587)	-	100
Share of the profit of associates for using equity method	17,138	-	5,172	-	231
Gains on financial assets measured at cost, net	24,622	-	247,229	3	(90)
Other non-interest income, net (Notes 34 and 40)	139,927	1	96,969	1	44
Total net revenues other than interest	3,630,582	33	2,068,291	26	76
TOTAL NET REVENUE	10,957,922	100	8,030,555	100	36
REVERSAL OF BAD DEBTS EXPENSE AND GUARANTEE LIABILITY PROVISION (Note 4)	416,765	4	781,306	10	(47)

(Continued)

KGI BANK AND SUBSIDIARIES

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

	2015		2014 (After Restated)		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
OPERATING EXPENSES (Notes 27, 35, 36 and 40)					
Employee benefits expense	$ (3,238,243)	(30)	$ (2,889,391)	(36)	12
Depreciation and amortization expense	(261,261)	(2)	(205,217)	(3)	27
Other general and administrative expenses	(2,056,494)	(19)	(1,809,667)	(22)	14
Total operating expenses	(5,555,998)	(51)	(4,904,275)	(61)	13
INCOME BEFORE INCOME TAX	5,818,689	53	3,907,586	49	49
INCOME TAX EXPENSE (Notes 4 and 37)	(617,272)	(6)	(532,346)	(7)	16
NET INCOME	5,201,417	47	3,375,240	42	54
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss, net of tax					
(Losses) gains on remeasurements of defined benefit plans	(111,788)	(1)	45,489	1	(346)
Share of the other comprehensive income of associates-items that will not be reclassified subsequently to profit or loss	(39)	-	119	-	(133)
Income tax related to the items that will not be reclassified subsequently to profit or loss	18,585	-	(7,733)	-	340
Items that will be reclassified subsequently to profit or loss, net of tax					
Exchange differences on translation of foreign financial statements	46,843	1	35,758	-	31

(Continued)

KGI BANK AND SUBSIDIARIES

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

	2015		2014 (After Restated)		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
Unrealized gains (losses) on available-for-sale financial assets	$ (547,141)	(5)	$ 305,318	4	(279)
Share of the other comprehensive income of associates-items that will be reclassified subsequently to profit or loss	(1,572)	-	7,550	-	(121)
Other comprehensive income (loss), net of tax	(595,112)	(5)	386,501	5	(254)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	$ 4,606,305	42	$ 3,761,741	47	22
NET PROFIT ATTRIBUTABLE TO:					
Shareholders of parent company	$ 4,017,475	37	$ 2,367,605	29	70
Former owner of business combination under common control	1,165,910	10	1,004,246	13	16
Non-controlling interests	18,032	-	3,389	-	432
	$ 5,201,417	47	$ 3,375,240	42	54
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Shareholders of parent company	$ 2,607,484	24	$ 2,553,314	32	2
Former owner of business combination under common control	1,981,749	18	1,205,316	15	64
Non-controlling interests	17,072	-	3,111	-	449
	$ 4,606,305	42	$ 3,761,741	47	22
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 38)					
Basic	$ 1.13		$ 1.38		

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

(With Deloitte & Touche audit report dated March 24, 2016) (Concluded)

KGI BANK AND SUBSIDIARIES

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

	Equity Attributable to Owners of Parent											
	Capital			Retained Earnings			Other Equity			Equity to Former Owner of Business Combination under Common Control	Non-controlling Interests	Total Equity
	Common Stock	Advance Receipts for Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Total			
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)
Change in equity of associate accounted for using equity method	-	-	-	-	-	(75)	-	-	(75)	-	-	(75)
Net income for the year ended December 31, 2014	-	-	-	-	-	2,367,605	-	-	2,367,605	-	-	2,367,605
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	-	37,875	35,202	112,632	185,709	-	-	185,709
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	2,405,480	35,202	112,632	2,553,314	-	-	2,553,314
Retrospective adjustment of equity attributable to the former owner's reorganization of entities under its common control	-	-	-	-	-	-	-	-	-	34,812,935	216,864	35,029,799
Total comprehensive income of former owner of business combination under common control	-	-	-	-	-	-	-	-	-	1,205,316	3,111	1,208,427
Share-based payments	51,198	(1,544)	(6,515)	-	-	-	-	-	43,139	-	-	43,139
BALANCE AT DECEMBER 31, 2014	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)	-	-	-	-	-	-
Cash dividends - common stocks	-	-	-	-	-	(1,838,110)	-	-	(1,838,110)	-	-	(1,838,110)
Reversal of special reserve	-	-	-	-	(142,987)	142,987	-	-	-	-	-	-
Change in equity of associate accounted for using equity method	-	-	103	-	-	-	-	-	103	-	-	103
Net income for the year ended December 31, 2015	-	-	-	-	-	4,017,475	-	-	4,017,475	-	11,825	4,029,300
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(92,654)	102,919	(1,420,256)	(1,409,991)	-	(1,134)	(1,411,125)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	3,924,821	102,919	(1,420,256)	2,607,484	-	10,691	2,618,175
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	-	-	1,404	-	-	-	-	-	1,404	-	-	1,404
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(23,182)	(23,182)
BALANCE AT DECEMBER 31, 2015	$ 46,061,623	$ -	$ 7,247,278	$ 1,626,036	$ -	$ 3,159,273	$ 168,161	$ (577,831)	$ 57,684,540	$ -	$ 213,865	$ 57,898,405

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

(With Deloitte & Touche audit report dated March 24, 2016)

KGI BANK AND SUBSIDIARIES

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

	2015	2014 (After Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 5,818,689	$ 3,907,586
Adjustments to reconcile net profit		
Depreciation expenses	175,042	112,393
Amortization expenses	86,219	92,824
Reversal of bad debts expense and guarantee liability provision	(416,765)	(781,306)
Interest expense	3,857,876	2,456,514
Interest income	(11,185,216)	(8,418,778)
Dividend income	(294,819)	(70,437)
Share of profits of associates accounted for using equity method	(17,138)	(5,172)
Gain on disposal of investment	-	(196,343)
Others	1,842	53,892
Changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to banks	(12,455,322)	(3,274,138)
Increase in financial assets at fair value through profit or loss	(26,029,011)	(23,125,541)
Decrease in securities purchased under resell agreements	-	4,983,529
Decrease (increase) in receivables	16,446,664	(16,182,904)
Decrease in discounts and loans	8,630,578	479,662
Decrease (increase) in available-for-sale financial assets	63,377,611	(6,309,600)
Decrease (increase) in held-to-maturity financial assets	18,600,000	(400,000)
Decrease (increase) in other financial assets	4,041,436	(3,157,250)
Increase in other assets	(1,851,966)	(5,250,511)
(Decrease) increase in deposits from the Central Bank and banks	(3,119,303)	2,477,593
Increase in financial liabilities at fair value through profit or loss	1,831,071	12,831,010
(Decrease) increase in notes and bonds issued under repurchase agreements	(7,818,415)	5,942,308
Increase in payables	50,064	13,128,814
Increase (decrease) in deposits and remittances	37,594,497	(10,224,506)
Decrease in other financial liabilities	(38,378,448)	(7,501,057)
Decrease in other liabilities	(323,178)	(59,078)
Cash inflow (outflow) generated from operations	58,622,008	(38,490,496)
Interest received	11,807,755	8,294,588
Dividend received	319,120	70,437
Interest paid	(3,992,739)	(2,486,599)
Income taxes paid	(184,184)	(42,960)
Net cash flows generated from (used in) operating activities	66,571,960	(32,655,030)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(414,768)	(83,638)
Others	(79,005)	(87,729)
Net cash flows used in investing activities	(493,773)	(171,367)

(Continued)

KGI BANK AND SUBSIDIARIES

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

	2015	2014 (After Restated)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	$ -	$ 349,038
Decrease in short-term borrowings	(536,775)	(405,162)
Increase in commercial paper payable	1,201,245	27,736
Repayments in bank debentures payable	(9,928,132)	-
Proceeds from long-term borrowings	-	599,892
Repayments of long-term borrowings	(642,671)	(723,408)
Cash dividends paid	(1,861,292)	(2,000,913)
Others	-	79,800,325
Net cash flows (used in) generated from financing activities	(11,767,625)	77,647,508
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(8,225)	(5,757)
NET INCREASE IN CASH AND CASH EQUIVALENTS	54,302,337	44,815,354
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	56,335,757	11,520,403
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 110,638,094	$ 56,335,757

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

	2015	2014 (After Restated)
Cash and cash equivalents in consolidated balance sheets	$ 8,152,612	$ 10,017,697
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	66,308,658	22,903,718
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	36,176,824	23,414,342
Cash and cash equivalents in consolidated statements of cash flows	$ 110,638,094	$ 56,335,757

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

(With Deloitte & Touche audit report dated March 24, 2016) (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 December 31, 2015 the Bank had a main office, an international banking department, a trust department, various operation departments, an offshore banking unit (OBU), and 51 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 the bank's name became KGI Bank. The FSC approved the 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 and 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 the date of transfer of business on May 1, 2015.

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 March 24, 2016.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks 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 starting in 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 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 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

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

The Bank and subsidiaries has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB (Note 4)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses" related to debt instruments measured at fair value	January 1, 2017
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Allow the Use of the Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

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: The postponement in June 2015 applies to changes introduced by the IASB in September 2014 through narrow-scope amendments to IFRS 10 and IAS 28. Earlier application is permitted.

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.

The impairment of financial assets

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

For purchased or originated credit-impaired financial assets, the 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.

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.

10) IFRS 16 "Leases"

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

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

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

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

11) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Bank and subsidiaries expect to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Bank and subsidiaries should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses to deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Bank and subsidiaries' assets for more than their carrying amount if there is sufficient evidence that the Bank and subsidiaries will achieve this, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Bank and subsidiaries is continuously 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 completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with Regulations Governing the Preparation of Financial Reports by Public Banks, and the “IFRSs” as endorsed by the FSC.

Basis of Preparation

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

The operating cycle in the banking industry cannot be reasonably identified; thus, asset and liability accounts were not classified as current or noncurrent. Nevertheless, these accounts were properly categorized in accordance with the nature of each account and sequenced according to their liquidity. Please refer to Note 44 for the maturity analysis of assets and liabilities.

Principles for Preparing Consolidated Financial Statements

The Bank’s subsidiaries have been included in the consolidated financial statements since 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.

The consolidated entities were as follows:

Investor	Subsidiary	Business Features	Holding Percentage (%) December 31, 2015	Holding Percentage (%) December 31, 2014	Note
The Bank	Cosmos Insurance Brokers Co., Ltd.	Insurance broker	100.00	100.00	
	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.

Foreign Currencies

The Bank recognizes foreign-currency transactions in the respective currencies in which they are denominated, while the Bank and subsidiaries other than the Bank recognizes at the rates of exchange prevailing at the dates of transactions. Foreign-currency gains or losses of the Bank are recorded in New Taiwan dollars using rates in effect at the time of the transactions.

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

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

Nonmonetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Bank and subsidiaries' foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the shareholders of the parent company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the parent company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Bank losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Cash and Cash Equivalents

Cash and cash equivalents include time deposits with maturities of three months or less from the date of acquisition and excess margin of futures classified as cash equivalents. Their carrying amounts are similar to fair value.

Investments in Associates

An associate is an entity over which the Bank and subsidiaries have significant influence and that is not a subsidiary.

The Bank and subsidiaries uses the equity method to account for their investments in associates.

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Bank and subsidiaries' share of profit or loss and other comprehensive income of the associate. The Bank and subsidiaries also recognize the changes in the Bank and subsidiaries' share of equity of associates.

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

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

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

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

The Bank and subsidiaries discontinue the use of the equity method from the date on which it ceases to have significant influence over the associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Bank and subsidiaries account for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Bank and subsidiaries transact with its associate, profits and losses resulting from the transactions with the associate are recognized in the Bank and subsidiaries' consolidated financial statements only to the extent of interests in the associate that are not related to the Bank and subsidiaries.

Financial Instruments

Financial assets and financial liabilities are recognized when the Bank and subsidiaries become a party to the contractual provisions of the instruments.

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

a. Financial assets and liabilities

   All regular way purchases or sales of financial assets and liabilities are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

1) Measurement category

a) Financial assets or liabilities at fair value through profit or loss

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

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

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

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

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

Financial assets or liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Other financial liabilities are measured at amortized cost using the effective interest method. Fair value is determined in the manner described in Note 43.

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

b) Available-for-sale financial assets

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

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

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

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

c) Loans and receivables

Loans and receivables are initially recognized at its fair value, which is usually the transaction price, plus significant transaction costs, service fees paid or received, premiums or discounts, etc. After initial recognition, loans and receivables shall be measured subsequently using the effective interest method in accordance with related rules. If the effect of discounting is not significant, the loans and receivables can be measured at initial undiscounted value in accordance with Regulations Governing the Preparation of Financial Reports by Public Banks.

d) Held-to-maturity financial assets

Held-to-maturity financial assets with fixed or determinable payments, fixed maturity, not initial recognition designates as at fair value through profit or loss, and do not meet the definition of loans and receivables. The Bank and subsidiaries have a positive intent and ability to hold to maturity are classified as held-to-maturity financial assets. Subsequent to initial measurement, held-to-maturity financial assets are recorded at amortized cost less impairment.

2) Impairment of financial assets

a) Financial assets measured at amortized cost

The Bank and subsidiaries' discounts and loans, accounts receivable, interest receivable, acquired loans, and other receivables are assessed for impairment at each balance sheet date and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the above credit losses, the estimated future cash flows of the asset have been affected. Loans and receivables that are assessed as not impaired individually are further assessed for impairment on a collective basis.

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

Based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual loans, credit assets classified as normal (this balance should be net of the balance of borrowings by ROC government agencies from the Bank), special mention, substandard, with doubtful collectability and uncollectible or loss incurring are evaluated on the basis of the borrowers'/clients' financial condition and delinquency record on interest payments, and these assets have allowances at 1%, 2%, 10%, 50% and 100%, respectively, of outstanding credit. The doubtful accounts of credit cards receivables are evaluated on the basis of Regulations Governing Institutions Engaging In Credit Card Business. The minimum allowance for credit assets on or off balance sheet is equal to the book value of the above listed.

Based on Rule No. 10300329440 issued by the FSC, for the Bank to have an enhanced risk coverage, the minimum provision is 1.5% of the loans for house purchases, renovations and constructions that have been classified as normal assets before 2016. Based on Rule No. 10410001840 issued by the FSC, for the Bank to have an enhanced control of the exposure to risk in Mainland China, the minimum provision is 1.5% of the credit assets in Mainland China (pertaining to short-term advance for trade finance) before 2015 and classified as normal assets.

Credit deemed uncollectible may be written off under the approval of the board of directors.

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

b) Available-for-sale financial asset

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

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

c) Financial assets measured at cost

When objective evidences indicate that financial assets measured at cost are impaired, the amount of the loss is recognized as “loss on asset impairment’ and cannot be reversed.

5) Derecognition of financial assets or liabilities

The Bank and subsidiaries derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party; and derecognize a financial liability when obligations are discharged, cancelled or they expire.

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

b. Derivative financial instruments

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

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

Securities Purchased and Sold Under Resell and Repurchase Agreements

For securities purchased under resell agreements, the payment to a counter-party is treated as a financing transaction. For securities sold under repurchase agreements, the payment by a counter-party and the related interest revenue or interest expense are recognized on the accrual basis.

Property and Equipment

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

Depreciation on property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property and equipment, the difference between the sales proceeds, and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use, in which case, the land is regarded as held for capital appreciation.

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

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss.

Nonfinancial Asset Impairment

The Bank and subsidiaries evaluate the possibility of impairment loss on nonfinancial assets as of the balance sheet date. If there is sufficient objective evidence of asset impairment, the Bank and subsidiaries recognizes impairment whenever the recoverable amount of the asset or the cash-generating unit is below the carrying amount of an asset, and this impairment loss either is charged to accumulated impairment or reduces the carrying amount of an asset directly. After the recognition of an impairment loss, the depreciation (amortization) charged to the assets should be adjusted in future years at the revised asset carrying amount (net of accumulated impairment), less its salvage value, on a systematic basis over its remaining service life. If asset impairment loss (excluding goodwill) is reversed, the increase in the carrying amount resulting from reversal is credited to current income and debited to accumulated impairment or is used to increase the carrying amount of the asset. However, loss reversal should not be more than the carrying amount (net of depreciation) had the impairment not been recognized.

Provisions and Contingent Liabilities

Provisions are recognized when the Bank and subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank and subsidiaries will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability.

Employee Benefits

a. Short-term employee benefits

   The undiscounted amount of benefits expected to be paid in respect of service rendered by employees in an accounting period is recognized in that period.

b. Retirement benefits

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

   Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, 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 and subsidiaries 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.

c. Other long-term employee benefits

   Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

Taxation

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

a. Current tax

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

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

Since 2015, the Bank has used the linked-tax system for income tax filings. Under this system, the Bank adjusts the current/deferred income tax assets (liabilities), income tax payable (receivable) and income tax expense (profit) on a systematic and consistent basis. Related payables and receivables are recorded in each book of the Bank's qualified subsidiaries.

Based on the "Basic Income Tax Act," if the basic income tax is greater than the amount of regular income tax, the income tax payable should be the basic income tax. The incremental tax payable is recorded as current income tax expense.

b. Deferred tax

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits acquisition to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

c. Current and deferred tax for the period

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

Revenue Recognition

Interest revenue arose from credits are estimated on an accrual basis. All interest accrued shall be suspended from the date the loans are classified as nonperforming loans. Interest earned from nonperforming loans shall be recognized as interest income when collected.

Service fee income is recognized when collected or when the majority of project is completed. Service fee income is received when loans and receivables are recognized. The service fee income which is caused by loans or receivables shall be recognized as interest revenue when they meet a suggested policy announced by the Bankers Association of the Republic of China. This policy requires an individual loan that meets the materiality criteria to have its effective interest rate be consistent with its interest revenue. Overall, the service fees shall be adjusted from the original agreed interest rate to the effective interest rate.

Leasing

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

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

Rental income (expense) from operating leases is recognized on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the lessee's benefit from the use (consumption) of the leased asset. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Impairment loss on loans and receivables

   The Bank and subsidiaries review loan portfolios to assess impairment periodically. In determining whether an impairment loss should be recognized, the Bank and subsidiaries make judgments as to whether there are any observable data indicating an impairment loss. For the purpose of assessing impairment, the management determines the future cash flows on portfolios using estimates based on historical loss experience for financial assets grouped on the basis of similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to decrease any difference between estimated loss and actual loss.

b. Pricing process of fair value of financial instruments

Valuation models and assumptions used as the basis in recognizing valuation through fair value were recognized by the industry for its academic theory and correspond to the market common practice. The valuation models and assumptions use market data with reliable sources which reflects reasonable prices under normal circumstances and fair value used were examined periodically to insure its outcome are rationale.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in notes 43.

c. Income tax

The realizability of the deferred income tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. However, management prudently estimates the possibilities of realization of the deferred income tax assets based on the factors of future profit and economic situation because of the unpredictability of future profit.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	2014
Due from banks	$ 6,538,878	$ 8,190,534
Cash on hand	1,277,725	1,228,539
Checks for clearing	220,931	394,712
Excess margin of futures	115,078	203,912
	$ 8,152,612	$ 10,017,697

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

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

	December 31	
	2015	2014
Due from the Central Bank	$ 44,020,000	$ 20,563,363
Call loans to banks	32,785,506	1,125,786
Deposit reserve - demand accounts	6,675,432	7,849,296
Deposit reserve - checking accounts	2,791,414	1,083,555
Due from the Central Bank - interbank settlement funds	700,828	500,291
Deposit reserve - foreign currencies	152,104	142,731
	$ 87,125,284	$ 31,265,022

Under a directive issued by the Central Bank of the ROC, 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 at no interest.

For the certificates of deposit issued by the Central Bank of the ROC and pledged as collateral for day-term overdraft, please refer to Note 41.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2015	2014
Financial assets held for trading		
Derivative instruments		
Currency swap contracts	$ 11,267,269	$ 13,707,739
Interest rate swap contracts	4,866,036	4,517,404
Option contracts	3,357,704	2,668,798
Others	483,568	1,182,538
Non-derivative financial assets		
Bank debentures	33,176,658	21,008,563
Corporate bonds	2,370,073	5,306,309
Convertible (exchangeable) corporate bonds	2,184,662	2,733,520
Government bonds	982,889	1,255,262
Others	217,063	653,254
	58,905,922	53,033,387
Financial assets designated as at FVTPL		
Government bonds	19,299,321	-
Others	857,155	-
	20,156,476	-
Financial assets at FVTPL	$ 79,062,398	$ 53,033,387
Financial liabilities held for trading		
Derivative instruments		
Currency swap contracts	$ 11,379,184	$ 14,393,340
Interest rate swap contracts	5,263,561	4,578,719
Option contracts	4,712,267	2,989,904
Others	477,145	1,320,473
	21,832,157	23,282,436
Financial liabilities designated as at FVTPL		
Bank debentures payable	4,352,498	1,071,148
Financial liabilities at FVTPL	$ 26,184,655	$ 24,353,584

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

Name	December 31 2015	December 31 2014	Issuance Period	Method of Paying Principal and Interests	Interest Rate
04 KGIB 1	$ 1,050,000	$ 1,050,000	2006.5.18-2016.5. 18	Principal due on maturity; interest payable annually	2.15%
15 KGIB 1	3,504,996	-	2015.3.24-2045.3.24 (Note)	Principal due on maturity	0%
	4,554,996	1,050,000			
Valuation adjustments	(202,498)	21,148			
	$ 4,352,498	$ 1,071,148			

Note: Based on 100% of the carrying value of each bond principal plus the 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 December 31, 2015 and 2014 are summarized as follows:

	Contract Amount December 31 2015	Contract Amount December 31 2014
Currency swap contracts	$ 1,167,714,201	$ 897,250,032
Interest rate swap contracts	488,633,722	536,720,132
Option contracts	233,499,625	225,025,838
Forward exchange contracts	33,209,003	40,037,779
Cross-currency swap contracts	8,830,876	28,485,909
Asset swap contracts	1,832,764	2,292,748
Non-deliverable forward contracts	1,609,868	3,331,462
Futures contracts	297,594	8,925,445
Commodity swap contracts	1,143,416	213,193

As of December 31, 2015 and 2014, financial assets held for trading with aggregate carrying values of $35,862,865 thousand and $23,843,582 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

The Bank has not applied hedged accounting.

The Bank has not pledged any financial assets at fair value through profit or loss as collateral or as guarantee.

9. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2015	2014
Commercial paper	$ 35,413,781	$ 14,572,223
Government bonds	630,216	5,727,062
Bank debentures	132,827	2,157,088
Corporate bonds	-	957,969
	$ 36,176,824	$ 23,414,342
Agreed-upon resell amounts	$ 36,189,449	$ 23,428,235
Last maturity date	March 2016	February 2015

10. RECEIVABLES, NET

	December 31	
	2015	2014
Accounts receivable - forfaiting	$ 26,685,120	$ 44,598,847
Lease receivables	7,462,931	7,309,548
Credit cards	2,707,234	2,522,220
Interest receivable	1,395,540	2,019,501
Accounts receivables factoring without recourse	1,234,873	1,204,883
Acceptances receivable	992,975	96,078
PEM receivable	960,040	915,842
Rental deposits	511,397	528,479
Receivables on securities sold	360,586	56,747
Interest receivable on interest rate swap contract	322,690	301,447
Others	789,066	1,222,009
	43,422,452	60,775,601
Less: Unrealized interest	(521,616)	(591,281)
Allowance for bad debts	(1,725,839)	(1,682,093)
Net amount	$ 41,174,997	$ 58,502,227

As of December 31, 2015 and 2014, the rental deposits receivable amounting to $511,397 thousand, and $528,479 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 allowance for bad debts 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 receivables received by the Bank. Please refer to Note 42 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 before March 31, 2010 and ask for compensation from PEM Group.

PEM Group had invested in life insurance policy products, etc. In order to recover its 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 December 31, 2015, the PEM receivable amounting to $960,040 thousand (US$29,034 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 bad debts was as follows:

(In Thousands of USD/TWD)

	December 31, 2015	
	USD	TWD
Life insurance policies	$ 13,112	$ 433,556
Non-life insurance policies	15,922	526,484
	29,034	960,040
Less: Allowance for bad debts	(16,561)	(547,600)
Net amount	$ 12,473	$ 412,440

	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 bad debts	(16,561)	(525,276)
Net amount	$ 12,313	$ 390,566

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

	For the Years Ended December 31	
	2015	2014
Balance, January 1	$ 1,682,093	$ 1,097,171
Provisions (reversal)	280,384	(23,014)
Write-off	(267,347)	(67,865)
Effect of exchange rate changes	30,709	62,613
Business transfer stated in the Note 1	-	613,188
Balance, December 31	$ 1,725,839	$ 1,682,093

For the impairment loss analysis of receivables, please refer to Note 44.

For the receivables pledged as collaterals for subsidiaries' loans, please refer to Note 41.

11. DISCOUNTS AND LOANS, NET

	December 31	
	2015	2014
Short-term loans	$ 45,337,996	$ 42,485,133
Medium-term loans	132,596,923	133,677,487
Long-term loans	41,698,553	50,596,458
Overdue loans	541,860	633,353
Export negotiations	750,976	1,895,072
	220,926,308	229,287,503
Less: Allowance for bad debts	(3,115,696)	(3,447,239)
Less: Discounts on loans	(30,284)	(62,789)
Net amount	$ 217,780,328	$ 225,777,475

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 42, and following under two methods - actively disposed other collaterals one after another, and called in loans by means of negotiation. As of December 31, 2015 the total written-off liabilities that remained unrecovered amounted to $315,338 thousand.

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

	For the Years Ended December 31	
	2015	2014
Balance, January 1	$ 3,447,239	$ 1,356,430
Reversal	(655,675)	(663,701)
Recovery of written-off credits	1,137,538	1,479,829
Write-offs	(829,902)	(705,082)
Reduction and exemption	(20,932)	(30,053)
Effects of exchange rate changes	37,428	28,376
Business transfer stated in the Note 1	-	1,981,440
Balance, December 31	$ 3,115,696	$ 3,447,239

For the impairment loss analysis of discounts and loans, please refer to Note 44.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2015	2014
Bank debentures	$ 20,924,625	$ 18,002,005
Government bonds	19,856,627	77,466,942
Corporate bonds	9,032,190	17,863,707
Stocks	5,437,225	5,816,409
	$ 55,250,667	$ 119,149,063

As of December 31, 2015 and 2014, available-for-sale financial assets, with aggregate carrying values of $25,014,339 thousand and $41,869,805 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 41.

13. HELD-TO-MATURITY FINANCIAL ASSETS, NET

	December 31	
	2015	**2014**
Negotiable certificates of deposit issued by the Central Bank of the ROC	$ -	$ 18,600,000

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

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET

	December 31			
	2015		**2014**	
	Carrying Amount	**%**	**Carrying Amount**	**%**
CDIB & Partners Investment Holding Corporation	$ 700,638	4.95	$ 709,159	4.95
Others	995		1,191	
	$ 701,633		$ 710,350	

Aggregate information of associates that are not individually material.

	For the Years Ended December 31	
	2015	**2014**
The Bank and subsidiaries' share of:		
Net income	$ 17,138	$ 5,172
Other comprehensive income	(1,611)	7,669
Total comprehensive income	$ 15,527	$ 12,841

The above investments accounted for using 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 any of the equity-method investments as collateral.

15. OTHER FINANCIAL ASSETS

	December 31	
	2015	2014
Financial assets measured at cost - unlisted, non-OTC common stock	$ 262,919	$ 272,819
Overdue receivables	27,574	17,847
Pledged time deposits	1,300	1,300
Due from banks (over three months)	-	4,008,721
	291,793	4,300,687
Less: Allowance for bad debts - overdue receivables	(23,089)	(17,847)
Net amount	$ 268,704	$ 4,282,840

For other assets pledged as collaterals, please refer to Note 41.

16. PROPERTY AND EQUIPMENT, NET

	December 31	
	2015	2014
Land	$ 3,756,724	$ 3,756,724
Buildings and facilities	1,802,437	1,846,005
Machinery and computer equipment	109,000	69,139
Leased assets	231,352	76,851
Leasehold improvements	96,284	15,231
Transportation equipment	15,575	10,856
Other equipment	22,907	23,448
Prepayments for acquisition of properties	494	6,079
	$ 6,034,773	$ 5,804,333

	Land	Buildings and Facilities	Machinery and Computer Equipment	Leased Assets	Leasehold Improvements	Transportation Equipment	Other Equipment	Prepayments for Acquisition of Properties	Total
Cost									
Balance at January 1, 2014	$ 4,153,044	$ 2,657,102	$ 1,067,463	$ 18,099	$ -	$ 154,565	$ 291,755	$ -	$ 8,342,028
Addition	-	2,175	26,718	34,223	1,467	2,025	10,472	6,558	83,638
Deduction	-	-	(170,857)	(564)	-	(21,480)	(19,142)	-	(212,043)
Reclassification	(394,989)	(95,843)	479	-	-	-	-	(479)	(490,832)
Effect of exchange rate changes	-	-	369	-	736	-	107	-	1,212
Business transfer stated in the Note 1	2,926	17,611	24,449	97,970	21,768	62	6,929	-	171,715
Balance at December 31, 2014	3,760,981	2,581,045	948,621	149,728	23,971	135,172	290,121	6,079	7,895,718
Accumulated depreciation and impairment									
Balance at January 1, 2014	(4,257)	(701,815)	(1,018,849)	(4,759)	-	(140,369)	(276,873)	-	(2,146,922)
Depreciation	-	(55,535)	(28,318)	(12,010)	(1,215)	(5,427)	(7,244)	-	(109,749)
Deduction	-	-	170,857	471	-	21,480	19,142	-	211,950
Reclassification	-	28,315	-	-	-	-	-	-	28,315
Effect of exchange rate changes	-	-	(126)	-	(267)	-	(51)	-	(444)
Business transfer stated in the Note 1	-	(6,005)	(3,046)	(56,579)	(7,258)	-	(1,647)	-	(74,535)
Balance at December 31, 2014	(4,257)	(735,040)	(879,482)	(72,877)	(8,740)	(124,316)	(266,673)	-	(2,091,385)
Balance at December 31, 2014, net	$ 3,756,724	$ 1,846,005	$ 69,139	$ 76,851	$ 15,231	$ 10,856	$ 23,448	$ 6,079	$ 5,804,333
Cost									
Balance at January 1, 2015	$ 3,760,981	$ 2,581,045	$ 948,621	$ 149,728	$ 23,971	$ 135,172	$ 290,121	$ 6,079	$ 7,895,718
Additions	-	12,688	48,840	206,938	92,223	12,943	7,556	33,580	414,768
Deduction	-	-	(851,156)	(72,519)	(5,107)	(112,402)	(259,580)	-	(1,300,764)
Reclassification	-	-	32,600	(15,216)	21,574	-	-	(39,165)	(207)
Effect of exchange rate changes	-	-	(150)	-	(275)	-	(47)	-	(472)
Balance at December 31, 2015	3,760,981	2,593,733	178,755	268,931	132,386	35,713	38,050	494	7,009,043

(Continued)

	Land	Buildings and Facilities	Machinery and Computer Equipment	Leased Assets	Leasehold Improvements	Transportation Equipment	Other Equipment	Prepayments for Acquisition of Properties	Total
Accumulated depreciation and impairment									
Balance at January 1, 2015	$ (4,257)	$ (735,040)	$ (879,482)	$ (72,877)	$ (8,740)	$ (124,316)	$ (266,673)	$ -	$ (2,091,385)
Depreciation	-	(56,256)	(30,046)	(41,694)	(29,795)	(5,535)	(8,086)	-	(171,412)
Deduction	-	-	851,098	65,604	2,104	109,713	259,592	-	1,288,111
Reclassification	-	-	(11,388)	11,388	207	-	-	-	207
Effect of exchange rate changes	-	-	63	-	122	-	24	-	209
Balance at December 31, 2015	(4,257)	(791,296)	(69,755)	(37,579)	(36,102)	(20,138)	(15,143)	-	(974,270)
Balance at December 31, 2015, net	$ 3,756,724	$ 1,802,437	$ 109,000	$ 231,352	$ 96,284	$ 15,575	$ 22,907	$ 494	$ 6,034,773

(Concluded)

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

Buildings and facilities	5-61 years
Machinery and computer equipment	2-6 years
Transportation equipment	3-16 years
Other equipment	3-11 years
Leasehold improvement	1-5 years
Leased assets	1-10 years

For the information on property and equipment pledged as collaterals, please refer to Note 41.

17. INVESTMENT PROPERTY, NET

	December 31	
	2015	2014
Land	$ 466,875	$ 466,875
Buildings and facilities	93,596	97,226
	$ 560,471	$ 564,101

The changes in the Bank and subsidiaries' investment properties were as follows:

	For the Years Ended December 31	
	2015	2014
Cost		
Beginning balance	$ 773,349	$ 23,296
Reclassification	-	490,832
Business transfer stated in the Note 1	-	259,221
Ending balance	773,349	773,349
Accumulated depreciation		
Beginning balance	(58,332)	(3,568)
Depreciation	(3,630)	(2,644)
Reclassification	-	(28,315)
Business transfer stated in the Note 1	-	(23,805)
Ending balance	(61,962)	(58,332)

(Continued)

	For the Years Ended December 31	
	2015	2014
Accumulated impairment		
Beginning balance	$ (150,916)	$ -
Impairment	-	(18,587)
Business transfer stated in the Note 1	-	(132,329)
Ending balance	(150,916)	(150,916)
Carrying amount	$ 560,471	$ 564,101

(Concluded)

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 and subsidiaries' investment property was based on the assessment of an external independent appraiser and is reviewed by the Bank and subsidiaries' management that considers the validity of appraisal report in 2015 and 2014 and regard the fair value as effective. 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. Based on these valuations, the fair values of the Bank and subsidiaries' investment properties as of December 31, 2015 and 2014 were $710,905 thousand and $625,207 thousand, respectively.

For the investment properties pledged as collaterals for bank loans, please refer to Note 41.

18. OTHER ASSETS, NET

	December 31	
	2015	2014
Guarantee deposits paid	$ 8,182,045	$ 6,061,828
Prepaid expenses	141,284	99,791
Prepaid pension costs	23,227	322,965
Others	254,087	314,524
	$ 8,600,643	$ 6,799,108

19. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2015	2014
Call loans from banks	$ 8,334,746	$ 11,375,025
Deposits from Chunghwa Post Co., Ltd.	1,226,729	1,305,753
	$ 9,561,475	$ 12,680,778

20. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	December 31	
	2015	2014
Bank debentures	$ 46,751,563	$ 36,753,950
Corporate bonds	10,105,712	20,152,583
Government bonds	4,152,755	11,921,912
	$ 61,010,030	$ 68,828,445
Repurchase amounts	$ 61,075,384	$ 68,903,634
Last maturity date	March 2016	April 2015

21. PAYABLES

	December 31	
	2015	2014
Acceptances	$ 992,975	$ 100,212
Accrued expenses	881,373	734,031
Accrued interest	633,673	768,114
Interest payable on interest rate swap contracts	427,442	372,257
Funds for clearing	270,396	270,013
Checks for clearing	220,931	394,712
Payables for securities purchased	193,325	19,815
Accounts payable factoring	133,615	721,471
Premiums of call options payable	16,048	558,160
Others	499,681	388,965
	$ 4,269,459	$ 4,327,750

22. DEPOSITS AND REMITTANCES

	December 31	
	2015	2014
Time deposits	$ 234,874,821	$ 205,172,030
Savings deposits	88,713,219	85,397,967
Demand deposits	28,579,863	23,898,511
Checking deposits	1,891,110	2,042,867
Negotiable certificates of deposits	100,700	55,900
Remittances	11,132	9,072
	$ 354,170,845	$ 316,576,347

23. BANK DEBENTURES PAYABLE

Name	December 31 2015	December 31 2014	Issuance Period	Method of Paying Principle and Interests	Interest Rate	Note
04 KGIB 2	$ 2,750,000	$ 2,750,000	2008.01.09-2017.12.13	Principal due on maturity.	0.00%	
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	(137,828)	(209,696)				
Net amount	$ 2,612,172	$ 12,540,304				

Note: The Bank debentures were matured before the transfer date stated in the Note 1.

24. COMMERCIAL PAPER PAYABLE, NET

	December 31 2015	December 31 2014
Commercial paper payable	$ 2,111,000	$ 907,000
Less: Unamortized discount	(3,218)	(463)
	$ 2,107,782	$ 906,537
Interest rate	1.15%-2.02%	1.30%-1.64%
Last maturity date	November 2016	February 2015

25. OTHER BORROWINGS

	December 31 2015	December 31 2014
Short-term credit borrowings	$ 1,993,461	$ 2,295,236
Note issuance facility	1,299,341	1,599,331
Short-term secured borrowings	245,000	480,000
Long-term credit borrowings	334,407	338,808
Long-term secured borrowings	-	338,280
	$ 3,872,209	$ 5,051,655
Interest rate	1.30%-5.25%	1.53%-6.77%
Last maturity date	July 2018	August 2018

26. PROVISIONS

	December 31	
	2015	2014
Provision for employee benefits	$ 155,692	$ 387,582
Provision for guarantee liabilities	104,564	109,498
Others	119,442	17,267
	$ 379,698	$ 514,347

27. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Bank and domestic subsidiaries adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, the Bank and subsidiaries make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The total pension expenses recognized were $98,056 thousand and $85,056 thousand for the years ended December 31, 2015 and 2014, respectively.

The Bank's foreign subsidiaries recognized their contributions as pension expenses in accordance with their local laws and regulations amounting to $5,744 thousand and $3,534 thousand for the years ended December 31, 2015 and 2014, respectively.

b. Defined benefit plan

The Bank and domestic subsidiaries adopted a defined benefit pension plan for all formal employees based on the Labor Standards Act. Pension benefits are calculated on the bases of the length of service and average monthly salaries and wages at the time of retirement.

The Bank places its monthly contributions to the non-managers' pension fund at authorized ratios, which is deposited in the Bank of Taiwan and administered by the pension fund monitoring committee. Managers' pension funds are managed by the Employee Retirement Fund Management Committee and deposited in KGI's Chungho Branch in the committee's name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year.

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

	December 31	
	2015	2014
Present value of defined benefit obligation	$ 852,802	$ 527,318
Fair value of plan assets	(855,174)	(831,256)
Net defined benefit asset	$ (2,372)	$ (303,938)

Movements in net defined benefit liability (asset) were as follows:

The Bank

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Asset
Balance at January 1, 2014	$ 543,726	$ (803,460)	$ (259,734)
Service cost			
Current service cost	3,462	-	3,462
Net interest expense (income)	9,943	(15,950)	(6,007)
Recognized in profit or loss	13,405	(15,950)	(2,545)
Remeasurement			
Actuarial gain - changes in demographic assumptions	5,190	-	5,190
Actuarial (gain) loss - experience adjustments	(53,267)	2,588	(50,679)
Recognized in other comprehensive income	(48,077)	2,588	(45,489)
Contributions from the employer	-	(15,197)	(15,197)
Benefits paid	(6,133)	6,133	-
Balance at December 31, 2014	$ 502,921	$ (825,886)	$ (322,965)

CDIB Management Consulting Corporation and subsidiaries

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2014	$ 22,643	$ (4,828)	$ 17,815
Service cost			
Current service cost	396	-	396
Net interest expense (income)	396	(88)	308
Recognized in profit or loss	792	(88)	704
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(26)	(26)
Actuarial (gain) loss - changes in financial assumptions	322	-	322
Actuarial (gain) loss - experience adjustments	640	-	640
Recognized in other comprehensive income	962	(26)	936
Contributions from the employer	-	(428)	(428)
Balance at December 31, 2014	$ 24,397	$ (5,370)	$ 19,027

The Bank and subsidiaries

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2015	$ 527,318	$ (831,256)	$ (303,938)
Service cost			
Current service cost	4,892	-	4,892
Net interest expense (income)	11,868	(15,787)	(3,919)
Others	821	-	821
Recognized in profit or loss	17,581	(15,787)	1,794
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	35	35
Actuarial (gain) loss - changes in demographic assumptions	21,275	-	21,275
Actuarial (gain) loss - changes in financial assumptions	27,974	-	27,974
Actuarial (gain) loss - experience adjustments	62,504	-	62,504
Recognized in other comprehensive income	111,753	35	111,788
Contributions from the employer	-	(16,459)	(16,459)
Benefits paid	(8,293)	8,293	-
Business transfer stated in the Note 1	204,443	-	204,443
Balance at December 31, 2015	$ 852,802	$ (855,174)	$ (2,372)

Through the defined benefit plans under the Labor Standards Act, the Bank and subsidiaries are exposed to the following risks:

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

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

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

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

The Bank

	December 31	
	2015	**2014**
Discount rates	1.625%	1.875%
Expected rates of salary increase	3.000%	3.000%

CDIB Management Consulting Corporation and subsidiaries

	December 31	
	2015	**2014**
Discount rates	1.200%	1.650%
Expected rates of salary increase	2.500%	2.500%

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

	December 31, 2015
Discount rate	
0.25% increase	$ (27,948)
0.25% decrease	$ 29,238
Expected rate of salary increase	
0.25% increase	$ 28,290
0.25% decrease	$ (27,192)

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

The Bank

	December 31	
	2015	**2014**
The expected contributions to the plan for the next year	$ 15,500	$ 15,000
The average duration of the defined benefit obligation	13.4 years	14.5 years

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	December 31	
	2015	**2014**
The expected contributions to the plan for the next year	$ 447	$ 423
The average duration of the defined benefit obligation	12.92 years	6.12-13.53 years

c. Early retirement plans

On December 6, 2007, the Bank signed with the bank's labor union an Employee benefit Proposal - Early Retirement Plan (ERP), under which the Bank would carry out the pension plan in stages. The board of director approved the ERP on December 11, 2007 and January 15, 2009. As of December 31, 2015 and 2014, provisions for preferential early retirement plans were $134,837 thousand.

28. OTHER LIABILITIES

	December 31	
	2015	2014
Guarantee deposits received	$ 748,384	$ 339,572
Temporary receipts and suspense accounts	471,089	494,669
Advance receipts	255,253	842,687
Others	91,761	83,749
	$ 1,566,487	$ 1,760,677

29. EQUITY

a. Capital

Common stock

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

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

b. Capital surplus

	December 31	
	2015	2014
Additional paid-in capital	$ 7,245,710	$ 21,275
Issuance of employee share options	1,424	20
Change in capital surplus from investments in associates accounted for by using equity method	144	-
Expiration of employee share options	-	103,324
Expiration of options	-	12,712
	$ 7,247,278	$ 137,331

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, such capital surplus may be distributed as cash dividends or 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 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. Further, if the amount of legal reserve 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

In order to expand the Bank's operations and consider the benefit of shareholders 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.

The current year's earnings will be first applied to cover losses of the past years as well as settle all taxes payable. After covering losses and settling taxes, the balance will then be used to appropriate legal reserve and special reserve and to reverse a special reserve in accordance with relevant laws and regulations. The remainder will then be used to pay the accrued dividends of the past years and dividend of the current year.

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 earnings for 2014 and 2013 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 of) special reserve	(142,987)	142,987
Cash dividends	1,838,110	2,000,913

The appropriations of the earnings for 2015 had been proposed by the Bank's board of directors on March 24, 2016. The appropriations and dividends per share were as follows:

	Appropriation of Earnings
Legal reserve	$ 947,782
Special reserve	409,670
Cash dividends	1,801,821

The appropriations of earnings for 2015 are subject to the resolution of the shareholders' meeting to be held in 2016.

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).

30. NET INTEREST

	For the Years Ended December 31	
	2015	2014
Interest revenues		
Discounts and loans	$ 7,346,179	$ 6,059,256
Securities	1,559,117	860,802
Accounts receivable - forfaiting	941,838	598,786
Due from and call loans to banks	656,883	469,055
Others	681,199	430,879
	11,185,216	8,418,778
Interest expenses		
Deposits	3,032,370	2,068,681
Notes and bonds issued under repurchase agreements	331,250	104,396
Structured notes	185,410	103,514
Due to/borrowings from the Central Bank and other banks	71,242	30,921
Others	237,604	149,002
	3,857,876	2,456,514
	$ 7,327,340	$ 5,962,264

31. SERVICE FEE INCOME, NET

	For the Years Ended December 31	
	2015	2014
Service fee revenues		
Agency	$ 560,414	$ 345,361
Trust	372,901	524,352
Loans	164,970	196,093
Cash card	142,965	149,118
Credit card	139,931	164,014
Others	207,260	160,529
	1,588,441	1,539,467
Service fee expenses		
Agency	93,652	85,744
Interbank	32,724	24,090
Custodian	4,155	2,847
Trust	3,440	3,440
Others	89,742	67,585
	223,713	183,706
	$ 1,364,728	$ 1,355,761

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

	For the Years Ended December 31	
	2015	2014
Realized gain (loss)		
Bonds	$ 800,827	$ 210,196
Derivative instruments	166,184	993,117
Stocks	(37,658)	(19,206)
Others	(1,869)	(882)
	927,484	1,183,225
Revaluation gain (loss)		
Derivative instruments	387,397	(1,037,343)
Bonds	367,820	(174,197)
Stocks	(34,180)	1,967
Others	(202,952)	3,048
	518,085	(1,206,525)
	$ 1,445,569	$ (23,300)

For the years ended December 31, 2015 and 2014, the realized gain or loss on the Bank and subsidiaries' financial assets and liabilities at FVTPL included (a) disposal loss of $69,565 thousand and disposal gain of $980,115 thousand, respectively, (b) interest revenues of $1,108,854 thousand and $202,824 thousand, respectively, (c) dividend incomes of $26,803 thousand and $6,904 thousand, respectively, and (d) and interest expenses of $138,608 thousand and $6,618 thousand, respectively.

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

	For the Years Ended December 31	
	2015	2014
Gain on bond disposal	$ 1,621,820	$ 187,281
Dividend income	243,394	12,647
Gain on stock disposal	162,195	32,848
Others	(105)	(1,630)
	$ 2,027,304	$ 231,146

34. OTHER NON-INTEREST PROFIT AND GAIN

	For the Years Ended December 31	
	2015	2014
Commission revenues	$ 138,133	$ 97,070
Rental income	61,659	23,781
Financial consulting income	5,813	21,483
Provision	(72,803)	(12,813)
Others	7,125	(32,552)
	$ 139,927	$ 96,969

35. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Years Ended December 31	
	2015	2014
Employee benefit expense		
Salaries and wages	$ 2,709,845	$ 2,226,323
Employee insurance	192,643	151,404
Pension	105,594	86,045
Others	230,161	425,619
	$ 3,238,243	$ 2,889,391
Depreciation and amortization expenses	$ 261,261	$ 205,217

The original Articles of Incorporation of the Bank stipulate to distribute bonus to employees at the rates no less than 0.01% and no higher than 3%, respectively, of net income (net of the bonus). For the year ended December 31, 2014, the bonus to employees was $1,800 thousand.

To be in compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation passed by the Bank's board of directors, which stipulate to distribute employees' compensation at the rates no less than 0.01% and no higher than 3%, respectively, of net profit before income tax, employees' compensation. However, if the Bank had incurred cumulative losses, the profit should be used to offset the losses. For the year ended December 31, 2015, the employees' compensation was $3,755 thousand. The employees' compensation for the year ended December 31, 2015 has been approved by the Bank's board of directors on March 24, 2016.

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

The 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	2013
	Cash Bonus	**Cash Bonus**
Employees' bonus	$ 1,800	$ 2,137

	2014	2013
	Employees' Bonus	**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
	$ -	$ -

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).

36. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Years Ended December 31	
	2015	**2014**
Taxation	$ 508,953	$ 345,194
Rental	289,079	242,612
Professional services	224,977	401,291
Marketing	198,654	133,082
Postage	137,055	99,037
Computer information	129,762	73,718
Maintenance and insurance	99,977	91,627
Commission	90,997	103,547
Office administration	76,470	61,831
Others	300,570	257,728
	$ 2,056,494	$ 1,809,667

37. INCOME TAX

a. Income tax expense

	For the Years Ended December 31	
	2015	2014
Current income tax		
Current year	$ 330,272	$ 89,284
Prior year's adjustments	17	23,335
	330,289	112,619
Deferred income tax	286,983	419,727
Income tax expenses	$ 617,272	$ 532,346

The reconciliation of accounting profit and income tax expense were as follows:

	For the Years Ended December 31	
	2015	2014
Income tax expenses calculated at the statutory rate	$ 915,475	$ 664,290
Nondeductible expenses in determine taxable income	(731,141)	(73,092)
Unrecognized temporary differences	45,142	(165,161)
Prior year's adjustments	17	23,335
Additional income tax under the Alternative Minimum Tax Act	366,923	62,242
Others	20,856	20,732
Income tax expenses recognized in profit or loss	$ 617,272	$ 532,346

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

As the status of 2016 appropriations of earnings is uncertain, the potential income tax consequences of 10% of 2015 unappropriated earnings are not reliably determinable.

b. Income tax expense (benefit) recognized in other comprehensive income were as follows:

	For the Years Ended December 31	
	2015	2014
Remeasurement of defined benefit plans	$ (18,585)	$ 7,733

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

	December 31, 2015
Tax paid to the parent company	$ 181,150

d. Deferred tax assets and liabilities

	December 31 2015	December 31 2014
Deferred tax assets		
Loss carryforwards	$ 4,428,039	$ 4,866,525
Allowance for bad debts	542,923	388,326
Provision for employee benefits	22,922	22,922
Others	65,442	16,219
	$ 5,059,326	$ 5,293,992
Deferred tax liabilities		
Defined benefit plans	$ 38,703	$ 54,904
Land value increment tax	19,877	19,877
Others	-	15,660
	$ 58,580	$ 90,441

e. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31 2015	December 31 2014
Loss carryforwards		
Expire in 2018	$ 5,494,558	$ 5,494,558
Expire in 2019	3,487,795	3,487,795
	$ 8,982,353	$ 8,982,353

f. Information about unused loss carry-forward

Loss carryforward as of December 31, 2015 comprised of:

Unused Amount	Expiry Year
$ 7,033,130	2017
13,762,127	2018
10,187,530	2019
2,624,589	2020
1,240,412	2021
$ 34,847,788	

g. Integrated income tax

	December 31 2015	December 31 2014
Imputation credits accounts - the Bank	$ 23,617	$ 422,560

The Bank’s creditable tax ratio for the distribution of earnings of 2015 and 2014 were 0.75% (estimated) and 17.96%, respectively.

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

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

h. Income tax assessments

Since 2015, 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 income tax returns of the Bank, Cosmos Insurance Brokers Co., Ltd., CDIB Management Consulting Corporation and CDC Finance & Leasing Corporation through 2013 had been examined by the tax authorities.

38. EARNINGS PER SHARE

Earnings per share (EPS) after retrospective adjustments were as follow:

	For the Years Ended December 31	
	2015	**2014**
Earnings used in the computation of the EPS		
Attributable to shareholders of parent company	$ 4,017,475	$ 2,367,605
Attributable to former owner of business combination under common control	1,165,910	1,004,246
	$ 5,183,385	$ 3,371,851
Weighted average outstanding common shares (in thousands)	4,606,162	2,438,052
Basic EPS	$1.13	$1.38

39. 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:

	December 31, 2014		
	Employee Stock Option (I)	**Employee Stock Option (II)**	**Stock Appreciation Rights Plan of Executives**
Fair value on grant date (NT$)	3.43	2.526	3.45-4.38
Share price on grant date (NT$)	8.12	6.24	8.66-14.95
Exercise price (NT$) (before capital reduction)	8.12	6.24	8.66-14.95
Exercise price (NT$) (after capital reduction)	15.19	11.67	14.95-16.20
Expected volatility (%)	51.48	48.56	28.30-30.16
Weighted-average duration (years)	6.76	6.66	4.43-4.93
Risk-free interest rate (%)	1.60	1.62	1.13-1.20

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

	For the Year Ended December 31, 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	-	(763)
Exercised during the period	11.71	(4,966)
Transfer during the period	-	(27,595)
Outstanding on December 31	-	-

	For the Year Ended December 31, 2014	
	Exercise Price (NT$)	**Shares (Thousand)**
Stock appreciation rights plan		
Outstanding on January 1	$11.43-16.20	9,730
Exercised during the period	11.43-14.53	(5,872)
Outstanding on December 31	14.95-16.20	3,858

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

	December 31, 2014
Employee stock option	
Exercise price (NT$)	$11.67-15.19
Weighted-average duration (years)	6.85-7.17
Stock appreciation rights plan	
Exercise price (NT$)	$14.95-16.20
Weighted-average of duration (years)	4.43-4.93

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

	For the Year Ended December 31, 2014
Share-based payment expense	$ (15,023)
Cash-settled stock appreciation rights plan	(13,076)
	$ (28,099)

	December 31, 2014
Total carrying amount of liabilities for cash-settled stock appreciation rights plan	$ 903
Total price of vested interest	$ 903
Total capital surplus from employee stock options	$ 103,344

40. 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 counterparty was a related party as of the balance sheet date

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

	Amount	%
December 31, 2015	$ 65,144	1
December 31, 2014	59,533	1

For the years ended December 31, 2015 and 2014, the interest revenue from due from banks was $0 thousand.

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

	Amount	%
December 31, 2015	$ 18,004	-
December 31, 2014	35,725	-

c. Call loans to Banks (recognized as due from the Central Bank and call loans to banks)

	Amount	%
December 31, 2015	$ 4,629,240	5
December 31, 2014	-	-

For the years ended December 31, 2015 and 2014, the interest revenues from call loans to banks were $2,268 thousand and $2,321 thousand, respectively.

d. Credit card (recognized as receivable, net)

	Amount	%
December 31, 2015	$ 27,612	-
December 31, 2014	8,272	-

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

	Amount	%
December 31, 2015	$ 117,459	-
December 31, 2014	40,466	-

f. Discounts and loans, net

	Amount	%	Interest Rate (%)
December 31, 2015	$ 999,266	-	1.43-18.25
December 31, 2014	485,119	-	1.42-18.25

For the years ended December 31, 2015 and 2014, the interest revenues from discounts and loans were $16,502 thousand and $2,623 thousand, respectively.

Balance as of December 31, 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	34	$ 24,394	$ 16,314	$ 16,314	-	None	Yes
Residential mortgage loans	60	1,145,950	974,484	974,484	-	Real estate	Yes
Others	7	113,608	8,468	8,468	-	Deposit/real estate	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	5	5,204	4,402	4,402	-	Deposit/real estate	Yes

g. Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the year ended December 31, 2015		
Subsidiary of the parent company	$ 6,070,655	$ 9,488,960
For the year ended December 31, 2014		
Subsidiary of the parent company	2,908,551	1,452,338

h. Guarantee deposits paid (recognized as other assets)

	Amount	%
December 31, 2015	$ 18,582	-
December 31, 2014	2,049	-

i. Payables for securities purchased (recognized as payables)

	Amount	%
December 31, 2015	$ 193,325	5
December 31, 2014	18,629	-

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

	December 31, 2015	
	Amount	%
Parent company	$ 181,150	97

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 (%)
December 31, 2015	$ 29,796,397	8	0-6.50
December 31, 2014	12,558,797	4	0-6.50

For the years ended December 31, 2015 and 2014, the interest expenses for deposits were $57,700 thousand and $20,195 thousand, respectively.

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

	Amount	%
December 31, 2015	$ 25,000	1
December 31, 2014	134,297	3

For the years ended December 31, 2015 and 2014, the interest expenses for short-term borrowings were $2,819 thousand and $510 thousand, respectively.

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

	For the Year Ended December 31	
	Amount	%
2015	$ 8,634	1
2014	3,696	-

Service fee revenue was comprised of sale fund, the business of trusts and other agency business.

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

	For the Year Ended December 31	
	Amount	%
2015	$ 53,095	3
2014	2,274	-

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

o. Other general and administrative expenses (Note)

	For the Year Ended December 31	
	Amount	%
2015	$ 6,785	-

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

p. Outstanding derivative financial instruments

December 31, 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	April 10, 2015 - November 17, 2016	$ 1,913,574	$ 415,513	Financial assets held for trading	$ 18,890
					Financial liabilities held for trading	30,786
Subsidiaries of the parent company	Asset swap-interest rate swap contracts	April 17, 2014 - November 13, 2017	47,000	(1,612)	Financial assets held for trading	459
	Asset swap option contracts	April 17, 2014 - October 30, 2017	47,000	(258)	Financial liabilities held for trading	7,101

December 31, 2014

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Currency swap contracts	February 7, 2014 - July 21, 2015	$ 12,208,213	$ (436,570)	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	(1,578)	Financial assets held for trading	2,140
	Asset swap option contracts	April 17, 2014 - July 14, 2017	103,900	(11,791)	Financial liabilities held for trading	6,844
	Asset swap-interest rate swap contracts	April 17, 2014 - July 30, 2017	103,900	265	Financial assets held for trading	2,071
	Equity option contracts	January 13, 2014- October 27, 2015	7,832,000	342,441	Financial assets held for trading	1,019,026

q. Compensation of key management personnel

	For the Year Ended December 31	
	2015	2014
Salary and short-term employee benefits	$ 138,709	$ 311,984
Post-employment benefits	2,247	23,426
Share-based payment	-	3,713
	$ 140,956	$ 339,123

In addition to the above, the Bank also paid housing rental, car rental, drivers' salaries; and other personal expenses, $6,666 thousand and $5,313 thousand for the years ended December 31, 2015 and 2014, respectively.

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.

41. PLEDGED ASSETS

The assets pledged as collaterals of the Bank and subsidiaries were as follows:

Assets	Object	Purpose	December 31	
			2015	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	$ 10,075,000	$ 11,300,000
Lease receivables	Notes receivable	Short-term borrowing	3,424,754	3,360,837
Available-for-sale financial assets	Government bonds	Guarantees for provisional seizure	22,219	19,600
Available-for-sale financial assets	Government bonds	Guarantees and provisions	161,432	364,611
Available-for-sale financial assets	Stocks	Short-term borrowing	9,358	11,407
Property and equipment	Property	Short-term borrowing	13,556	13,869
Investment property, net	Investment property	Short-term borrowing	44,255	45,610
Other financial assets	Time deposits	Short-term borrowing	1,300	1,300
Other assets	Cash in banks - impound account	Commercial paper payable and short-term borrowing	49,178	53,759

42. 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 December 31, 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 $1,022,770 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. The Bank has appealed against this sentence on March 10, 2014. On March 2, 2016, 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 high court is hearing this case on second trial now.

43. 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:

December 31, 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	$ 217,063	$ -	$ -	$ 217,063
Bond investments	38,608,846	105,436	-	38,714,282
Financial assets designated as at FVTPL	234,787	19,921,689	-	20,156,476
Available-for-sale financial assets				
Stock investments	5,437,225	-	-	5,437,225
Bond investments	38,853,112	10,632,605	327,725	49,813,442
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	-	4,352,498	-	4,352,498
Derivative financial instruments				
Assets				
Financial assets at FVTPL	2,946	17,052,611	2,919,020	19,974,577
Liabilities				
Financial liabilities at FVTPL	-	18,788,835	3,043,322	21,832,157

December 31, 2014

(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	$ 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

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 uses PD no lower than 60%.

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) Transfer between the first level and the second level

	For the Year Ended December 31			
	2015		2014	
	Transfer from Level One to Level Two	Transfer from Level Two To Level One	Transfer from Level One to Level Two	Transfer from Level Two to Level One
Available-for-sale financial assets - bond investments	$ 1,643,248	$ 234,787	$ 954,890	$ -

Because of changes in market liquidity, evaluation sources applied by some NTD treasury bill will change. It makes the applicable level of bonds' fair value change from level one into level two or from level two into level one.

5) Reconciliation of Level III items of financial instruments

The movements of Level III financial assets were as follows:

For the Year Ended December 31, 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 (2)	Sale, Disposal or Settlement	Transfer from Level III	
Financial assets at FVTPL	$ 1,994,719	$ 1,736,345	$ 31,783	$ 1,819	$ 845,646	$ -	$ 2,919,020
Available-for-sale financial assets	311,154	16,571	-	-	-	-	327,725

For the Year Ended December 31, 2014

(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	$ -	$ 1,591,413	$ 654,079	$ -	$ 64,285	$ 186,488	$ 1,994,719
Available-for-sale financial assets	-	16,599	294,555	-	-	-	311,154

a) Including amount due to business transfer stated in the Note 1.

b) The main reason of recognition on items or date movement of financial instruments is policies of enterprise.

c) Level III securities turn into Level II one resulted from that observable data is available.

The movements of Level III financial liabilities were as follows:

For the Year Ended December 31, 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 (2)	Sale, Disposal or Settlement	Transfer from Level III	
Financial liabilities at FVTPL	$ 2,114,959	$ 1,708,624	$ 76,296	$ 2,234	$ 858,791	$ -	$ 3,043,322

The movements of Level III financial liabilities were as follows:

For the Year Ended December 31, 2014

(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	$ -	$ 1,245,950	$ 1,014,020	$ -	$ 75,081	$ 69,930	$ 2,114,959

a) Including amount due to business transfer stated in the Note 1.

b) The main reason of recognition on items or date movement of financial instruments is policies of enterprise.

c) Level III securities turn into Level II one resulted from that observable data is available.

The total losses for the years ended December 31, 2015 and 2014 were $48,725 thousand and $176,348 thousand relating to assets and liabilities measured at fair value on Level III fair value measured and held at the end of reporting date.

6) 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 December 31, 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	$ 327,725	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	2,919,020	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	3,043,322	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

7) 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 the instruments not carried at fair value

1) Fair value information

Assets and liabilities measured at cost, excluding investment properties and bank debentures payable, have carrying amounts that are reasonably close to their fair value; thus, their fair values are not disclosed.

2) Information of fair value hierarchy

December 31, 2015

(In Thousands of New Taiwan Dollars)

	Level I	Level II	Level III	Total
Non-financial assets				
Investment property, net	$ -	$ -	$ 710,905	$ 710,905
Financial liabilities				
Bank debentures payable	-	2,592,759	-	2,592,759

December 31, 2014

(In Thousands of New Taiwan Dollars)

	Level I	Level II	Level III	Total
Non-financial assets				
Investment property, net	$ -	$ -	$ 625,207	$ 625,207
Financial liabilities				
Bank debentures payable	-	12,538,099	-	12,538,099

3) Measurement technique

a) The carrying amounts of financial instruments such as cash and cash equivalents, due from the Central Bank and call loans to other banks, securities purchased under resell agreements, receivables, held-to-maturity financial assets, other financial assets, guarantee deposits paid, deposits from the Central Bank and other banks, notes and bonds issued under repurchase agreements, deposits and remittances, other financial liabilities and guarantee deposits paid approximate their fair values because of the short maturities of these instruments.

b) Investments accounted for using the equity method - unlisted stocks and financial assets measured at cost both are unlisted financial assets, which have no quoted market prices in an active market owing to the variation interval of the estimate of the fair value is not quite small and the possibilities of the estimates in the interval cannot be assessed reasonably. The fair value cannot be reliably measured, thus the Corporation and subsidiaries do not disclose their fair value.

c) Loan rate usually uses base rate (floating rate) because it can reflect market rate. Thus, using its carrying amount to consider the probability of repossession and estimate its fair value is reasonable.

d) The fair values of bonds payable are determined by the present values of future cash flows, with the values discounted at the interest rates of similar bonds payable available for the Corporation.

e) For fair value measurement of investment property, please refer to Note 17.

44. 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 reduction strategies, mainly on loan objects and hedge transactions involving assets with doubtful collectability or a long period of duration, including methods for increasing appropriate collaterals with good liquidity, or transferring to credit guarantee institutions such as the Small and Medium Credit Guarantee Fund to maximize the collateral. 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 of borrower and guarantor and take measures, such as demanding an early repayment or additional collateral in mitigating the Bank's credit risk. 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:

	December 31	
Items	**2015**	**2014**
Irrevocable loan commitments, guarantees and letters of credit issued yet unused	$ 95,728,457	$ 100,140,924

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 (e.g. Machinery), rights certificates and securities (e.g. 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 (e.g. 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

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 arise in 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 object

	December 31, 2015		December 31, 2014	
	Amount	**%**	**Amount**	**%**
Public and private enterprises	$ 144,211,746	65.28	$ 156,287,653	68.16
Natural persons	76,343,186	34.56	72,855,295	31.77
Non-profit organizations	371,376	0.16	144,555	0.07
Total	$ 220,926,308	100.00	$ 229,287,503	100.00

b) By region

	December 31, 2015		December 31, 2014	
	Amount	**%**	**Amount**	**%**
Domestic	$ 178,752,940	80.91	$ 174,789,429	76.23
Overseas	42,173,368	19.09	54,498,074	23.77
Total	$ 220,926,308	100.00	$ 229,287,503	100.00

c) By collateral

	December 31, 2015		December 31, 2014	
	Amount	**%**	**Amount**	**%**
Non-collaterals	$ 137,464,454	62.22	$ 126,393,932	55.12
Collaterals				
Financial collaterals	6,047,359	2.74	4,928,137	2.15
Receivables	-	-	819,758	0.36
Property	58,966,463	26.69	63,062,131	27.50
Guarantees	13,689,559	6.20	28,760,359	12.54
Other	4,758,473	2.15	5,323,186	2.33
Total	$ 220,926,308	100.00	$ 229,287,503	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, securities purchased under resell agreement, financial assets at fair value through profit or loss, parts of receivables, refundable deposits, deposits for business operations and clearing and settlement fund are regarded as having very low credit risk because of the counterparties' good credit ratings.

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

a) Credit quality analysis of discounts and loans and receivables

December 31, 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	$ 31,474,699	$ 54,359	$ 82,095	$ 31,611,153	$ 44,059	$ 441,654	$ 31,125,440
Other	9,003,149	5,637	1,890,064	10,898,850	1,178,715	84,500	9,635,635
Discounts and loans	218,352,917	1,578,720	994,671	220,926,308	517,140	2,598,556	217,810,612

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	$ 73,213	$ 48,415,783	$ 40,359	$ 491,270	$ 47,884,154
Other	7,778,892	3,413	1,712,042	9,494,347	1,084,725	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

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 neither overdue nor impaired as shown by internal rating standards was as follows:

December 31, 2015	Neither Overdue Nor Impaired Amount				
	Excellent	Good	Normal	No Ratings	Total (A)
Consumer banking					
Mortgage loans	$ 17,864,395	$ 8,315,062	$ 9,373	$ -	$ 26,188,830
Cash card	8,616,261	2,757,230	721,108	3,317,166	15,411,765
Micro credit loans	15,765,075	2,048,055	94,379	86,296	17,993,805
Other - secured	12,592,495	1,076,063	116,301	83,256	13,868,115
Other - unsecured	54,469	-	-	4,794	59,263
Corporate banking					
Secured	16,074,747	21,936,111	9,384,955	3,016,334	50,412,147
Unsecured	20,983,684	52,954,031	16,647,518	3,833,759	94,418,992
Total	$ 91,951,126	$ 89,086,552	$ 26,973,634	$ 10,341,605	$ 218,352,917

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

December 31, 2015	Neither Overdue Nor Impaired Amount				
	Excellent	Good	Normal	No Ratings	Total (A)
Credit card and credit business					
Credit card	$ 772,327	$ 565,877	$ 801,291	$ 422,276	$ 2,561,771
Accounts receivable - forfaiting	14,699,335	9,825,446	-	2,160,340	26,685,121
Accounts receivable - factoring without recourse	43,968	499,491	6,454	684,919	1,234,832
Acceptances	54,073	917,910	20,992	-	992,975
Total	$ 15,569,703	$ 11,808,724	$ 828,737	$ 3,267,535	$ 31,474,699

December 31, 2014	Neither Overdue Nor Impaired Amount				
	Excellent	Good	Normal	No Ratings	Total (A)
Credit card and credit business					
Credit card	$ 662,666	$ 450,289	$ 889,440	$ 397,732	$ 2,400,127
Accounts receivable - forfaiting	27,137,276	17,461,571	-	-	44,598,847
Accounts receivable - factoring without recourse	21,041	48,040	94,829	1,040,949	1,204,859
Acceptances	-	66,096	29,982	-	96,078
Total	$ 27,820,983	$ 18,025,996	$ 1,014,251	$ 1,438,681	$ 48,299,911

c) Credit analysis of marketable securities

December 31, 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 Bond investments	$ 49,813,442	$ -	$ -	$ 49,813,442	$ -	$ -	$ 49,813,442	$ -	$ 49,813,442

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $6,574,790 thousand, loss on valuation of $1,137,565 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 Bond investments	$ 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.

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 loans, financial assets overdue within 90 days are not considered impaired unless other evidence proves otherwise.

Items	December 31, 2015		
	1 Month	Over 1 Month - 3 Month	Total
Credit cards	$ 29,346	$ 25,013	$ 54,359
Discounts and loans			
Consumer banking			
Mortgage loans	265,087	58,556	323,643
Cash card	287,792	71,877	359,669
Micro credit loans	481,712	68,717	550,429
Other - secured	240,793	25,445	266,238
Other - unsecured	1,361	-	1,361
Corporate banking			
Secured	50,367	22,141	72,508
Unsecured	2,258	2,614	4,872
Total	$ 1,329,370	$ 249,350	$ 1,578,720

Items	December 31, 2014		
	1 Month	Over 1 Month - 3 Month	Total
Credit cards	$ 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

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	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
With objective evidence of impairment	Assessment of individual impairment	$ 209,879	$ 515,078	$ 84,667	$ 364,018
	Assessment of collective impairment	784,792	777,683	432,473	412,112
With no objective evidence of impairment	Assessment of collective impairment	219,931,637	227,994,742	2,598,556	2,671,109
Total		$ 220,926,308	$ 229,287,503	$ 3,115,696	$ 3,447,239

Items		Receivables		Allowance for Bad Debts	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
With objective evidence of impairment	Assessment of individual impairment	$ 1,884,175	$ 1,701,076	$ 1,169,447	$ 1,076,237
	Assessment of collective impairment	87,984	84,179	53,327	48,847
With no objective evidence of impairment	Assessment of collective impairment	40,537,844	56,124,875	526,154	574,856
Total		$ 42,510,003	$ 57,910,130	$ 1,748,928	$ 1,699,940

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 December 31, 2015 and 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			December 31, 2015				
			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 198,376	$ 50,656,014	0.39	$ 609,454	307.22
	Unsecured		156,970	94,575,365	0.17	1,225,613	780.79
Consumer banking	Mortgage (Note 4)		22,106	26,545,251	0.08	356,874	1,614.38
	Cash card		228,108	16,187,477	1.41	479,420	210.17
	Micro credit (Note 5)		130,395	18,753,073	0.70	253,514	194.42
	Other (Note 6)	Secured	14,303	14,147,202	0.10	189,988	1,328.31
		Unsecured	2,686	61,926	4.34	833	31.00
Total			752,944	220,926,308	0.34	3,115,696	413.80
			Overdue Receivables	Accounts Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			40,847	2,693,158	1.52	56,968	139.47
Accounts receivable - factoring without recourse (Note 7)			84	1,234,916	0.01	18,010	21,428.45

Item			December 31, 2014				
			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 56,544	$ 64,976,504	0.09	$ 999,562	1,767.76
	Unsecured		354,130	92,352,544	0.38	1,331,583	376.02
Consumer banking	Mortgage (Note 4)		27,867	24,849,910	0.11	7,987	28.66
	Cash card		209,291	16,899,221	1.24	751,452	359.05
	Micro credit (Note 5)		91,479	17,235,950	0.53	351,813	384.58
	Other (Note 6)	Secured	14,212	12,893,974	0.11	4,552	32.03
		Unsecured	-	79,400	-	290	-
Total			753,523	229,287,503	0.33	3,447,239	457.48
			Overdue Receivables	Account Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			32,465	2,515,931	1.29	$ 84,931	261.61
Accounts receivable - factoring without recourse (Note 7)			44	1,204,928	0.00	15,169	34,475.00

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

	December 31, 2015		December 31, 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)	$ 53,096	$ 216	$ 76,408	$ 325
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	37,718	4,831	47,724	3,684
Total	$ 90,814	$ 5,047	$ 124,132	$ 4,009

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

December 31, 2015

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	**Group (Industry Category)**	**Total Credit**	**Percentage of Net Worth**
1	A Group (016100 telecommunication industry)	$ 5,881,320	10.20
2	B Group (016700 real estate brokerage)	4,265,522	7.39
3	C Group (012711 computer manufacturing)	3,914,028	6.79
4	D Group (012740 data storage media)	3,650,000	6.33
5	E Group (015100 civil aviation transportation)	3,148,506	5.46
6	F Group (012641 LCD and related components manufacturing)	3,084,530	5.35
7	G Group (017112 engineering activities and related technical consultancy)	2,965,947	5.14
8	H Group (012630 manufacture of bare printed circuit boards)	2,896,983	5.02
9	I Group (012413 iron and steel rolls over extends and crowding)	2,656,132	4.61
10	J Group (012641 LCD and related components manufacturing)	2,547,683	4.42

December 31, 2014

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	**Group (Industry Category)**	**Total Credit**	**Percentage of Net Worth**
1	K Group (011700 petroleum and coal products manufacturing)	$ 8,810,256	16.04
2	L Group (016022 cable and other pay programs broadcasting)	4,551,280	8.29
3	A Group (011850 artificial fiber manufacturing)	4,044,000	7.36
4	B Group (016700 real estate development)	3,872,522	7.05
5	F Group (012641 LCD and related components manufacturing)	3,562,109	6.48
6	C Group (010319 manufacture of computers, electronic and optical products)	3,453,744	6.29
7	G Group (017112 engineering activities and related technical consultancy)	2,944,758	5.36
8	M Group (012611 IC manufacturing)	2,566,170	4.67
9	H Group (012630 manufacture of bare printed circuit boards)	2,477,067	4.51
10	N Group (010315 manufacture of other non-metallic mineral products)	1,932,978	3.52

c. Liquidity risk

1) Definition and source of liquidity risk

Liquidity risk of the Bank refers to the risks of bearing financial loss because of the inability to liquidate assets or obtain financing to provide funds to meet the financial obligation, such as early termination of deposits, deteriorating of the source and condition of financing from banks influenced by specific market, abnormal recover of funds due to default from borrowers, inability to liquidate financial instruments and early exertion of rights of rescission of interest sensitive product by the assured. The aforementioned situation may reduce cash source of loan, transactions and investment. In some extreme cases, the lack of liquidity may result in a decrease in the overall position of the balance sheet, sale of assets and failure to perform loan commitments. Liquidity risk is inherent risk in banking operations and can be affected by various industry-specific or overall market events, including but are not limited to credit events, mergers or acquisitions, systemic shocks and natural disasters.

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 balance sheets.

(In Thousands of New Taiwan Dollars)

December 31, 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	$ 1,184,126	$ 233,883	$ 259,430	$ 649,290	$ -	$ 2,326,729
Notes and bonds issued under repurchase agreements	3,555,537	439,228	-	-	-	3,994,765
Deposits and remittances	38,936,723	74,633,425	38,705,271	62,391,930	19,763,994	234,431,343
Bank debentures payable	-	-	1,056,148	-	2,750,000	3,806,148
Other items of cash outflow on maturity	1,149,059	626,503	329,557	210,316	993,105	3,308,540
Total	$ 44,825,445	$ 75,933,039	$ 40,350,406	$ 63,251,536	$ 23,507,099	$ 247,867,525

(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
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 items of cash outflow on maturity	1,200,647	681,320	75,825	276,421	457,867	2,692,080
Total	$ 60,136,513	$ 44,742,181	$ 62,445,166	$ 40,835,949	$ 35,235,262	$ 243,395,071

(In Thousands of U.S. Dollars)

December 31, 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	$ 72,000	$ 129,000	$ -	$ -	$ -	$ 201,000
Notes and bonds issued under repurchase agreements	1,326,354	397,933	-	-	-	1,724,287
Deposits and remittances	1,615,814	562,184	532,550	367,017	14,143	3,091,708
Bank debentures payable	-	-	-	-	99,690	99,690
Other items of cash outflow on maturity	4,570	7,355	2,647	446	9,713	24,731
Total	$ 3,018,738	$ 1,096,472	$ 535,197	$ 367,463	$ 123,546	$ 5,141,416

(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
Deposits and remittances	1,975,223	279,736	382,647	195,857	106,783	2,940,246
Other items of cash outflow on maturity	23,105	4,283	1,211	528	12,015	41,142
Total	$ 2,861,902	$ 1,141,500	$ 570,977	$ 196,385	$ 118,798	$ 4,889,562

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 balance sheets. The maturity analysis of net settled derivative instruments was as follows:

(In Thousands of New Taiwan Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign currency derivative instruments						
Cash outflow	$ (210,247,189)	$ (193,308,282)	$ (154,000,151)	$ (16,434,098)	$ (327,000)	$ (574,316,720)
Cash inflow	208,228,429	193,153,076	112,725,144	36,762,530	-	550,869,179
Interest derivative instruments						
Cash outflow	(1,311,706)	(642,549)	(24,974)	(1,001,557)	(11,936,792)	(14,917,578)
Cash inflow	186,298	430,290	33,537	-	52,369	702,494
Other derivative instruments						
Cash outflow	(770)	-	-	-	-	(770)
Cash inflow	-	-	-	-	-	-
Subtotal of cash outflow	(211,559,665)	(193,950,831)	(154,025,125)	(17,435,655)	(12,263,792)	(589,235,068)
Subtotal of cash inflow	208,414,727	193,583,366	112,758,681	36,762,530	52,369	551,571,673
Net cash flows	$ (3,144,938)	$ (367,465)	$ (41,266,444)	$ 19,326,875	$ (12,211,423)	$ (37,663,395)

(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 instruments 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)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign currency derivative instruments						
Cash outflow	$ (7,415,898)	$ (6,183,680)	$ (3,596,863)	$ (1,520,370)	$ (62,396)	$ (18,779,207)
Cash inflow	7,281,650	6,166,764	4,903,978	831,482	72,396	19,256,270
Interest derivative instruments						
Cash outflow	(9,019)	(19,479)	(6,388)	(3,985)	(193,715)	(232,586)
Cash inflow	7,759	17,486	4,269	3,615	-	33,129
Other derivative instruments						
Cash outflow	(460)	-	-	-	-	(460)
Cash inflow	259	-	-	-	-	259
Subtotal of cash outflow	(7,425,377)	(6,203,159)	(3,603,251)	(1,524,355)	(256,111)	(19,012,253)
Subtotal of cash inflow	7,289,668	6,184,250	4,908,247	835,097	72,396	19,289,658
Net cash flows	$ (135,709)	$ (18,909)	$ 1,304,996	$ (689,258)	$ (183,715)	$ 277,405

(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 instruments 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)

5) Maturity analysis of off-balance sheet items

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

(In Thousands of New Taiwan Dollars)

December 31, 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 issued yet unused	$ 3,955,556	$ 7,293,085	$ 8,414,438	$ 29,975,155	$ 46,090,223	$ 95,728,457

(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 issued yet unused	$ 6,861,981	$ 11,247,114	$ 7,306,972	$ 27,957,626	$ 46,767,231	$ 100,140,924

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)

December 31, 2015	Less than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	$ 3,719,977	$ 3,742,954	$ -	$ 7,462,931
Financial lease present value income (lessor)	3,408,517	3,532,798	-	6,941,315
Operating lease payment (lessee)	250,983	475,217	3,630	729,830
Operating lease income (lessor)	36,748	63,091	-	99,839
Financial lease present value payment (lessee)	3,916	876	-	4,792

(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

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)

December 31, 2015	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Cash inflow	$ 125,323,653	$ 236,796,241	$ 225,304,405	$ 139,833,808	$ 70,212,758	$ 90,356,431	$ 887,827,296
Cash outflow	94,800,542	188,125,816	322,057,926	234,885,133	108,241,802	130,644,304	1,078,755,523
Gap	30,523,111	48,670,425	(96,753,521)	(95,051,325)	(38,029,044)	(40,287,873)	(190,928,227)

(In Thousands of New Taiwan Dollars)

December 31, 2014	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Cash inflow	$ 97,702,250	$ 168,356,754	$ 214,718,269	$ 90,634,376	$ 56,534,078	$ 131,909,991	$ 759,855,718
Cash outflow	75,445,003	147,305,793	252,848,345	132,385,750	120,364,595	209,910,742	938,260,228
Gap	22,257,247	21,050,961	(38,130,076)	(41,751,374)	(63,830,517)	(78,000,751)	(178,404,510)

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

(In Thousands of U.S. Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Cash inflow	$ 10,051,229	$ 7,117,708	$ 5,277,364	$ 1,372,405	$ 622,496	$ 24,441,202
Cash outflow	11,105,526	8,622,456	5,122,254	1,894,680	418,621	27,163,537
Gap	(1,054,297)	(1,504,748)	155,110	(522,275)	203,875	(2,722,335)

(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
Cash inflow	$ 8,252,007	$ 7,167,199	$ 2,070,446	$ 2,115,633	$ 1,381,476	$ 20,986,761
Cash outflow	9,205,426	7,790,003	2,942,486	1,703,677	952,423	22,594,015
Gap	(953,419)	(622,804)	(872,040)	411,956	429,053	(1,607,254)

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

In order to have a common-language 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” is applicable to “Trading Book” positions defined by the Regulations Governing the Capital Adequacy Ratio of the Bank related market risk calculation tables and the Bank’s book management approach to financial instrument handling.

Following the “Market Risk Policy”, the Bank sets up the “Market Risk Management Procedure to Trading Activities” to manage market risk throughout the Firm. This procedure includes 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’s market risk limits include position sensitivities, stop-loss limits and 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 risk, foreign exchange risk, equity risk, and commodity risks, as well as volatility risks on option transactions which arise out of the 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 significant exceptions if any.

The risk management unit of the Bank independently performs daily market risk limit controls, and makes monthly reports to both the Risk Management Committee and CDFH’s Risk Management Committee. Besides, the above reports are 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 Year Ended December 31, 2015			For the Year Ended December 31, 2014		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	$ 47,779	$ 118,218	$ 11,394	$ 32,738	$100,306	$ -
Equity risk	15,831	28,568	7,542	10,249	18,764	1,627
Foreign exchange risk	8,539	27,412	1,514	4,688	17,544	12

6) Interest rate risk in banking book

The scope of interest rate risk in banking book includes interest rate sensitivity of assets and liabilities, but do not include risk management of trading book. Interest rate risk in banking book measures the adverse effects on net interest income of assets, liabilities and off-balance sheet as a result of adverse fluctuations in interest. Risk assessment not only builds the sensitivity gap between assets and liabilities, but also quantifies through the dimension of retained earnings and economic value perspectives.

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 every day. 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 according to the reports, lowering the amount of exposure. For risk monitoring, the asset and liability management system outputs and analysis reports, which is provided to the interest rate risk execution units and top management. If risk missing or excess of limit occur from monitor, written notices will be passed to the interest rate risk assessment units to adjust and improve the program reported to ALMCO.

8) Concentration of currency 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)

	December 31, 2015		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 7,048,458	33.07	$ 233,064,309
EUR	107,545	36.14	3,886,770
RMB	589,247	5.03	2,965,446
JPY	6,099,692	0.27	1,675,585
HKD	287,940	4.27	1,228,467
GBP	4,641	49.04	227,599
AUD	7,311	24.16	176,650
Nonmonetary items			
HKD	377,926	4.27	1,612,385
Financial liabilities			
Monetary items			
USD	7,400,004	33.07	244,688,523
EUR	73,888	36.14	2,670,401
JPY	9,047,194	0.27	2,485,264
AUD	53,950	24.16	1,303,487
GBP	16,720	49.04	819,945
HKD	152,150	4.27	649,133
NZD	20,986	22.69	476,137
RMB	72,551	5.03	365,121

	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	26,623	38.55	1,026,298
HKD	184,282	4.09	753,659
AUD	26,507	25.96	688,126
ZAR	238,781	2.74	654,213
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

(Continued)

	December 31, 2014		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
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	15,436	38.55	595,057
KRW	5,152,894	0.03	149,820

(Concluded)

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)

December 31, 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	$ 250,256,425	$ 9,228,268	$ 3,692,381	$ 50,790,267	$ 313,967,341
Interest rate-sensitive liabilities	114,720,285	80,048,442	40,511,307	7,387,827	242,667,861
Interest rate sensitivity gap	135,536,140	(70,820,174)	(36,818,926)	43,402,440	71,299,480
Net worth					56,366,901
Ratio of interest rate-sensitive assets to liabilities (%)					129.38
Ratio of interest rate-sensitive gap to net worth (%)					126.49

December 31, 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	$ 222,226,668	$ 5,891,482	$ 942,948	$ 87,118,744	$ 316,179,842
Interest rate-sensitive liabilities	109,226,735	91,362,896	29,284,113	8,786,379	238,660,123
Interest rate sensitivity gap	112,999,933	(85,471,414)	(28,341,165)	78,332,365	77,519,719
Net worth					53,771,598
Ratio of interest rate-sensitive assets to liabilities (%)					132.48
Ratio of interest rate-sensitive gap to net worth (%)					144.16

Note 1: The above amounts included only New Taiwan dollar amounts held by the Bank (excluded contingent assets and contingent liabilities).

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

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

December 31, 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	$ 2,312,571	$ 233,877	$ 333,663	$ 1,936,818	$ 4,816,929
Interest rate-sensitive liabilities	4,292,300	488,931	221,621	113,833	5,116,685
Interest rate sensitivity gap	(1,979,729)	(255,054)	112,042	1,822,985	(299,756)
Net worth					38,963
Ratio of interest rate-sensitive assets to liabilities (%)					94.14
Ratio of interest rate-sensitive gap to net worth (%)					(769.34)

December 31, 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	$ 2,281,165	$ 470,587	$ 663,580	$1,874,335	$ 5,289,667
Interest rate-sensitive liabilities	3,959,676	692,820	195,857	-	4,848,353
Interest rate sensitivity gap	(1,678,511)	(222,233)	467,723	1,874,335	441,314
Net worth					36,692
Ratio of interest rate-sensitive assets to liabilities (%)					109.10
Ratio of interest rate-sensitive gap to net worth (%)					1,202.75

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

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

e. Transfers of financial assets

<u>Transferred financial assets not qualifying for full derecognition</u>

Among daily operations of the Bank, most of the transactions of transferred financial assets not qualifying for full derecognition are debt securities under repurchase agreements. As the Bank's right to receive cash flows of the financial assets transferred to the counterparties, and reflecting the obligation to repurchase the transferred financial assets for a fixed price at a future date, the transferred financial assets cannot be used, sold or pledged in the duration of the transaction. The Bank does not derecognize it entirely because the Bank remains exposed to interest rate risk and credit risk on these pledged instruments.

Related information of financial assets and liabilities not qualifying for full derecognition are listed below:

December 31, 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	Fair Value of Net Position
Notes and bonds issued under repurchase agreements					
Financial assets at fair value through profit or loss	$ 37,960,373	$ 35,862,865	$ 37,960,373	$ 35,862,865	$ 2,097,508
Available-for-sale financial assets	26,418,401	25,014,339	26,418,401	25,014,339	1,404,062

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.

Related information of offsetting of financial assets and financial liabilities are as follows:

December 31, 2015						
Subject to Offsetting, Enforceable Master Netting Arrangement or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Securities purchased under resell agreements	$ 36,176,824	$ -	$ 36,176,824	$ 36,176,824	$ -	$ -
Derivative instruments	19,974,577	-	19,974,577	7,673,054	510,105	11,791,418
Total	$ 56,151,401	$ -	$ 56,151,401	$ 43,849,878	$ 510,105	$ 11,791,418

December 31, 2015						
Subject to Offsetting, Enforceable Master Netting Arrangement or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Notes and bonds issued under repurchased agreements	$ 61,010,030	$ -	$ 61,010,030	$ 60,540,403	$ 469,627	$ -
Derivative instruments	21,832,157	-	21,832,157	7,673,054	7,390,082	6,769,021
Total	$ 82,842,187	$ -	$ 82,842,187	$ 68,213,457	$ 7,859,709	$ 6,769,021

December 31, 2014						
Subject to Offsetting, Enforceable Master Netting Arrangement or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Securities purchased under resell agreements	$ 23,414,342	$ -	$ 23,414,342	$ 23,414,342	$ -	$ -
Derivative instruments	22,076,479	-	22,076,479	6,651,853	141,921	15,282,705
Total	$ 45,490,821	$ -	$ 45,490,821	$ 30,066,195	$ 141,921	$ 15,282,705

December 31, 2014						
Subject to Offsetting, Enforceable Master Netting Arrangement or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Notes and bonds issued under repurchased agreements	$ 68,828,445	$ -	$ 68,828,445	$ 68,828,445	$ -	$ -
Derivative instruments	23,282,436	-	23,282,436	6,651,853	5,896,744	10,733,839
Total	$ 92,110,881	$ -	$ 92,110,881	$ 75,480,298	$ 5,896,744	$ 10,733,839

Note: Financial instruments include master netting arrangement and non-cash financial collaterals.

45. CAPITAL MANAGEMENT

a. Objects of capital management

The calculation methods of self-owned 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.

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. Capital management procedures

The Bank had met the authorities' minimum requirements for capital adequacy ratio and reported to the authority quarterly. Eligible capital is calculated according with the "Regulations Governing the Capital Adequacy and Capital Category of Banks"

c. Capital adequacy ratio

(In Thousands of New Taiwan Dollars, %)

Items \ Year			December 31, 2015	December 31, 2014
Eligible capital	Common equity Tier 1 capital		$ 53,124,545	$ 16,294,778
	Additional Tier 1 capital		-	-
	Tier 2 capital		179,269	-
	Eligible capital		53,303,814	16,294,778
Risk-weighted assets	Credit risk	Standardized approach	296,938,821	113,492,529
		Internal rating-based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	18,407,174	11,389,552
		Standardized approach/ alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	40,872,275	1,857,484
		Internal model approach	-	-
	Total risk-weighted assets		356,218,270	126,739,565
Capital adequacy ratio			14.96%	12.86%
Ratio of common equity capital to risk-weighted assets			14.91%	12.86%
Ratio of Tier 1 capital to risk-weighted assets			14.91%	12.86%
Leverage ratio			9.28%	8.59%

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.

46. 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	December 31 2015	December 31 2014	Trust Liabilities and Equity	December 31 2015	December 31 2014
Bank deposits	$ 654,161	$ 769,174	Payables	$ 154,615	$ 157,451
Short-term investments	31,338,483	35,482,654	Other liabilities	1,336,311	1,283,741
Financial assets at FVTPL	3,697,006	5,076,358	Trust capital	37,805,193	42,967,594
Receivables	51,927	2,900	Accumulated earnings	795,758	1,220,460
Payment for others	1,166,813	1,115,230			
Financial assets measured at cost	1,401,010	1,400,000			
Real estate, net	797,943	797,943			
Intangible asset - surface rights	984,534	984,534			
Other assets	-	453			
Total	$ 40,091,877	$ 45,629,246	Total	$ 40,091,877	$ 45,629,246

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31 2015	For the Year Ended December 31 2014
Trust income and gains		
Operating income	$ 157,838	$ 2,215
Interest income	1,640,239	1,563,593
Rental income	31,947	31,941
Gains on financial assets measured at FVTPL, net	415,920	130,190
Other income and gains	915	532
Total trust income and gains	2,246,859	1,728,471
Property transaction losses	(1,576,080)	(151,777)
Trust expenses		
Trust administrative expenses	36,800	34,942
Interest expenses	65,285	45,645
Service fee expenses	94	224
Other expenses	12,385	4,951
Total trust expenses	114,564	85,762
Net income before income tax	$ 556,215	$ 1,490,932

The above income from trust operations were excluded from the Banks' income.

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	December 31 2015	December 31 2014
Bank deposits	$ 654,161	$ 769,174
Short-term investments		
Funds	29,808,756	34,503,272
Bonds	1,113,036	574,247
Common shares	81,400	86,120
Structured notes	215,507	286,689
Exchange trade funds (ETF)	119,784	32,326
Financial assets at FVTPL	3,697,006	5,076,358
Payments for others	1,166,813	1,115,230
Financial assets measured at cost	1,401,010	1,400,000
Real estate	797,943	797,943
Intangible assets - surface right	984,534	984,534
Other assets	51,927	3,353
	$ 40,091,877	$ 45,629,246

47. 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 40 to the consolidated financial statements.

48. PROFITABILITY

(%)

Items		December 31	
		2015 (Note 6)	**2014 (Note 6)**
Return on total assets	Before income tax	1.05	1.07
	After income tax	0.94	0.92
Return on net worth	Before income tax	10.29	10.64
	After income tax	9.20	9.19
Profit margin		47.47	42.03

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.

49. 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 other subsidiaries' information: None.

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

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

4) Acquired and disposed of, at cost or price of at least NT$300 million or 10% of the issued capital (For subsidiaries acquiring and disposing 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: For the Bank and other subsidiaries' information: None.

6) Disposal of individual real estate at price of at least NT$300 million or 10% of the issued capital: For the Bank and other subsidiaries' information: 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: For the Bank and other subsidiaries' information: None.

9) Sold nonperforming loans: For the Bank and other subsidiaries' information: 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, 43 and 44 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).

50. SEGMENT INFORMATION

Segment information of organization and performance departments had adjustments due to business transfer from the CDIB stated in the Note 1. 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. Global markets 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.

The accounting policies of the operating segments are the same as the accounting policies described in Note 4. The Bank and subsidiaries use income before income tax as the measurement for segment profit and the basis of performance assessment. The net revenue, income before income tax, assets and liabilities are composed of revenues and expenses directly attributable to an operating segment.

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	Global Markets Segment	Others	Total
For the year ended December 31, 2014					
Interest profit (loss), net	$ 4,154,496	$ 1,228,961	$ 649,321	$ (70,514)	$ 5,962,264
Net revenue (loss) - intersegment	(709,105)	13,195	(61,635)	757,545	-
Noninterest profits and gains (losses), net	1,355,632	168,419	(5,869)	550,109	2,068,291
Net revenue	4,801,023	1,410,575	581,817	1,237,140	8,030,555
Reversal of allowance for (allowance) bad debts and losses on guarantees, net	664,368	36,285	(38,616)	119,269	781,306
Operating expenses	(2,468,827)	(533,105)	(195,366)	(1,706,977)	(4,904,275)
Income (loss) before income tax	2,996,564	913,755	347,835	(350,568)	3,907,586
Income tax expense	-	-	-	(532,346)	(532,346)
Net income (loss)	$ 2,996,564	$ 913,755	$ 347,835	$ (882,914)	$ 3,375,240
For the year ended December 31, 2015					
Interest profit, net	$ 2,556,392	$ 3,050,479	$ 1,244,187	$ 476,282	$ 7,327,340
Net revenue (loss) - intersegment	1,518,416	(598,100)	(1,063,769)	143,453	-
Noninterest profits and gains (loss), net	1,259,061	193,530	2,261,994	(84,003)	3,630,582
Net revenue	5,333,869	2,645,909	2,442,412	535,732	10,957,922
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	93,084	548,301	(63,925)	(160,695)	416,765
Operating expenses	(2,714,952)	(632,454)	(422,236)	(1,786,356)	(5,555,998)
Income (loss) before income tax	2,712,001	2,561,756	1,956,251	(1,411,319)	5,818,689
Income tax expense	-	-	-	(617,272)	(617,272)
Net income (loss)	$ 2,712,001	$ 2,561,756	$ 1,956,251	$ (2,028,591)	$ 5,201,417

b. Segment assets and liabilities

	Consumer Banking Segment	Corporate Banking Segment	Global Markets Segment	Others	Total
December 31, 2015					
Assets	$ 82,730,947	$ 169,912,309	$ 272,797,628	$ 20,744,212	$ 546,185,096
Liabilities	$ 139,216,101	$ 219,442,850	$ 121,903,092	$ 7,724,648	$ 488,286,691
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

c. Geographical information

The revenue of the Bank and subsidiaries from external customers by location of operations are detailed below.

	For the Year Ended December 31	
	2015	2014
Taiwan	$ 10,859,888	$ 7,950,006
Other	98,034	80,549
	$ 10,957,922	$ 8,030,555

d. Information about major customers

No single customer contributed 10% or more revenue to the Bank and subsidiaries.

KGI BANK AND SUBSIDIARIES

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

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	$ 7,776,988	$ 5,349,071	$ 3,405,798	$ 1,752,498	$ -	218.97%	$ 7,776,988 (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 above companies which are the subsidiaries of the Bank were eliminated from the consolidated financial statement.

KGI BANK AND SUBSIDIARIES

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

Holding Company	Marketable Security Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 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	$ 678,756	76.04	$ 678,756	
	CDIB International Leasing Corp.	Subsidiary	Investments accounted for using the equity method	-	707,038	100.00	707,038	
CDC Finance & Leasing Corp.	Stocks							
	Hwahong Corporation	Associate	Investments accounted for using the equity method	23,750	995	19.00	995	
	First Financial Holding Co., Ltd.	-	Available-for-sale financial assets	786,860	12,039	0.01	12,039	(Note 3)

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: Market prices of listed and OTC stocks were calculated at the closing prices of December 31, 2015. The net asset value 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 3: Stock consisting of 611,659 shares was used as collateral.

Note 4: No securities were treated as collaterals or warrants, except for those disclosed in the Note 3.

Note 5: 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 YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

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 CDIB Management Consulting Corporation	Investment accounted for using equity method	China Development Industrial Bank	Subsidiary	-	$ -	153,171,873 (Note 1)	$ 1,381,047 (Note 2)	-	$ -	$ -	$ -	153,171,873	$ 1,381,047

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 business transfer stated in the Note 1 of the financial statement, exchange gain of $17,286 thousand on translating foreign operations, investment loss of $230,057 thousand, unrealized loss of $1,745 thousand on available-for-sale financial assets, loss of $1,872 thousand from defined benefit plans, and gains $46 thousand from change in capital surplus.

Note 3: The above companies which are the subsidiaries of the Bank were eliminated from the consolidated financial statement.

KGI BANK AND SUBSIDIARIES

INFORMATION ON INVESTED ENTERPRISES
DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business	Balance as of December 31, 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	$ 320	80,000	-	80,000	0.40	
Taiwan Futures Exchange	Taiwan	Futures exchange and settlement	0.51	10,250	2,897	18,189,253	-	18,189,253	6.12	
Financial Information Service Co., Ltd.	Taiwan	Telecommunication service; information system service	1.23	49,120	14,367	6,410,160	-	6,410,160	1.23	
Taiwan Asset Management Co., Ltd.	Taiwan	Evaluating, auctioning and managing financial institutions' loans	0.57	75,000	6,084	7,500,000	-	7,500,000	0.57	
Sunlight Asset Management Co., Ltd.	Taiwan	Purchasing for financial institutions' loans	5.74	3,445	375	344,476	-	344,476	5.74	
Cosmos Insurance Brokers Co., Ltd.	Taiwan	Insurance brokers	100.00	77,398	44,208	-	-	-	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	1,381,047	(210,075)	153,171,873	-	153,171,873	100.00	
Nonfinancial industry-related										
Euroc II Venture Capital Corp.	Taiwan	Venture capital corporation	7.50	12,719	47	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	125,000	-	125,000	5.00	
Euroc III Venture Capital Corp.	Taiwan	Venture capital corporation	5.00	7,583	407	1,320,000	-	1,320,000	5.00	
CDIB & Partners Investment Holding Corp.	Taiwan	General investment corporation	4.95	700,638	17,333	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 Paragraph 1 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
DECEMBER 31, 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 December 31, 2015	Net Income (Loss) of the investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2015	Accumulated Inward Remittance of Earnings as of December 31, 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	$ (246,561)	100.00	$ (246,561)	$ 707,038	$ -

Accumulated Investment in Mainland China as of December 31, 2015	Investment Amount Authorized by the Investment Commission, MOEA	Limit on Investment
$991,980 (US$30,000 thousand)	US$30,000 thousand	$828,628

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. If information of net income (loss) of the investee is not available.

Note 3: Exchange rate as of reporting date of the financial statement was used in translating foreign currency.

KGI BANK AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 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	$ 89,221	Note 4	0.02%
1	Cosmos Insurance Brokers Co., Ltd.	KGI Bank	2	Cash and cash equivalents	66,921	Note 4	0.01%
1	Cosmos Insurance Brokers Co., Ltd.	KGI Bank	2	Other financial assets	22,300	Note 4	-
0	KGI Bank	CDC Finance & Leasing Corp.	1	Deposit and remittances	11,555	Note 4	-
2	CDC Finance & Leasing Corp.	KGI Bank	2	Cash and cash equivalents	11,555	Note 4	-
0	KGI Bank	Cosmos Insurance Brokers Co., Ltd.	1	Receivables, net	51,678	Note 4	0.01%
1	Cosmos Insurance Brokers Co., Ltd.	KGI Bank	2	Payables	51,678	Note 4	0.01%

Note 1: The consolidated entities are identified in the No. column as follows: Parent company - “0”; subsidiaries – numbered from 1 by company.

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 annual/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.