KGI Bank and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2016 and 2015 and Independent Auditors’ Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
KGI Bank

We have audited the accompanying consolidated balance sheets of KGI Bank (the "Bank") and subsidiaries as of June 30, 2016, December 31, 2015 and June 30, 2015, and the related consolidated statements of comprehensive income for the three and six months ended June 30, 2016 and 2015, changes in equity and cash flows for the six months ended June 30, 2016 and 2015. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Bank and subsidiaries as of June 30, 2016, December 31, 2015 and June 30, 2015, their consolidated financial performance for the three and six months ended June 30, 2016 and 2015 and cash flows for the six months ended June 30, 2016 and 2015, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of the Bank as of and for the six months ended June 30, 2016 and 2015 on which we have issued an unqualified opinion thereon, respectively.

August 25, 2016

Notice to Readers

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

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

KGI BANK AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2016		December 31, 2015		June 30, 2015	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 6 and 38)	$ 4,741,802	1	$ 8,152,612	1	$ 9,024,605	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 7, 38 and 39)	75,352,677	14	87,125,284	16	75,433,971	14
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 38)	83,704,394	16	79,062,398	14	44,513,563	8
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 9)	8,016,394	2	36,176,824	7	30,346,398	5
RECEIVABLES, NET (Notes 10, 38 and 39)	30,551,197	6	41,174,997	8	49,498,130	9
CURRENT TAX ASSETS (Note 36)	16	-	31,312	-	66,531	-
DISCOUNTS AND LOANS, NET (Notes 11 and 38)	233,103,615	45	217,780,328	40	221,182,539	40
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 12 and 39)	59,778,373	11	55,250,667	10	104,467,021	19
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Note 13)	689,168	-	701,633	-	703,687	-
OTHER FINANCIAL ASSETS (Notes 14 and 39)	3,088,366	1	268,704	-	356,849	-
PROPERTY AND EQUIPMENT, NET (Notes 15 and 39)	6,042,288	1	6,034,773	1	5,804,889	1
INVESTMENT PROPERTY, NET (Notes 16 and 39)	558,656	-	560,471	-	562,255	-
INTANGIBLE ASSETS, NET	236,451	-	205,124	-	182,765	-
DEFERRED TAX ASSETS (Note 36)	5,115,397	1	5,059,326	1	5,062,050	1
OTHER ASSETS, NET (Notes 17, 26, 38 and 39)	8,077,566	2	8,600,643	2	4,209,984	1
TOTAL	$ 519,056,360	100	$ 546,185,096	100	$ 551,415,237	100
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits from the Central Bank and banks (Notes 18 and 38)	$ 19,122,498	4	$ 9,561,475	2	$ 2,861,426	1
Financial liabilities at fair value through profit or loss (Notes 8 and 38)	31,365,808	6	26,184,655	5	15,167,796	3
Notes and bonds issued under repurchase agreements (Notes 8, 12 and 19)	49,128,784	9	61,010,030	11	60,806,888	11
Payables (Notes 20 and 38)	5,275,963	1	4,269,459	1	5,379,326	1
Current tax liabilities (Notes 36 and 38)	290,433	-	187,682	-	34,646	-
Deposits and remittances (Notes 21 and 38)	326,213,961	63	354,170,845	65	354,771,515	64
Bank debentures payable (Note 22)	2,648,007	-	2,612,172	-	2,575,943	1
Principal received on structured notes	17,621,073	3	22,300,825	4	44,603,142	8
Commercial paper payable, net (Note 23)	2,744,211	1	2,107,782	-	1,065,521	-
Other borrowings (Notes 24 and 38)	2,841,630	1	3,872,209	1	5,210,947	1
Other financial liabilities	2,776	-	4,792	-	7,418	-
Provisions (Notes 25 and 26)	369,042	-	379,698	-	288,116	-
Deferred tax liabilities (Note 36)	59,369	-	58,580	-	109,911	-
Other liabilities (Note 27)	2,766,796	1	1,566,487	-	1,726,731	-
Total liabilities	460,450,351	89	488,286,691	89	494,609,326	90
EQUITY (Note 28)						
Equity attributable to owners of parent						
Capital						
Common stock	46,061,623	9	46,061,623	9	46,061,623	8
Capital surplus						
Additional paid-in capital	7,245,710	1	7,245,710	1	7,245,710	1
Other capital surplus	2,643	-	1,568	-	445	-
Total capital surplus	7,248,353	1	7,247,278	1	7,246,155	1
Retained earnings						
Legal reserve	2,573,818	1	1,626,036	-	1,626,036	1
Special reserve	409,670	-	-	-	-	-
Unappropriated earnings	2,024,409	-	3,159,273	1	1,076,972	-
Total retained earnings	5,007,897	1	4,785,309	1	2,703,008	1
Exchange differences on translation of foreign financial statements	45,990	-	168,161	-	58,060	-
Unrealized gains (losses) on available-for-sale financial assets	34,190	-	(577,831)	-	530,765	-
Total equity of parent company	58,398,053	11	57,684,540	11	56,599,611	10
Non-controlling interests	207,956	-	213,865	-	206,300	-
Total equity	58,606,009	11	57,898,405	11	56,805,911	10
TOTAL	$ 519,056,360	100	$ 546,185,096	100	$ 551,415,237	100

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

KGI BANK AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUES (Notes 29 and 38)	$ 2,196,114	88	$ 2,918,624	102	$ 4,489,146	91	$ 6,015,585	109
INTEREST EXPENSES (Notes 29 and 38)	(800,297)	(32)	(984,260)	(34)	(1,717,711)	(35)	(2,043,259)	(37)
NET INTEREST	1,395,817	56	1,934,364	68	2,771,435	56	3,972,326	72
NET REVENUES OTHER THAN INTEREST								
Service fee income, net (Notes 30 and 38)	373,731	15	394,318	14	678,876	14	797,033	14
Gains on financial assets or liabilities measured at fair value through profit or loss, net (Note 31)	94,908	4	64,969	2	716,497	15	4,333	-
Realized gains on available-for-sale financial assets, net (Note 32)	423,355	17	368,659	13	680,597	14	541,848	10
Foreign exchange gain (loss), net	166,647	7	67,918	2	(1,671)	-	166,993	3
Share of the profit of associates for using equity method	5,521	-	7,942	-	4,189	-	21,209	-
Other non-interest income, net (Note 33)	32,145	1	21,202	1	59,643	1	38,636	1
Total net revenues other than interest	1,096,307	44	925,008	32	2,138,131	44	1,570,052	28
TOTAL NET REVENUE	2,492,124	100	2,859,372	100	4,909,566	100	5,542,378	100
REVERSAL OF ALLOWANCE (ALLOWANCE) FOR BAD DEBTS EXPENSE AND GUARANTEE LIABILITY PROVISION	(54,470)	(2)	447,993	16	(22,944)	(1)	610,753	11
OPERATING EXPENSES (Notes 26, 34, 35 and 38)								
Employee benefits expense	(813,912)	(33)	(804,825)	(28)	(1,622,182)	(33)	(1,585,774)	(29)
Depreciation and amortization expense	(74,480)	(3)	(64,925)	(2)	(147,683)	(3)	(122,996)	(2)
Other general and administrative expenses	(410,023)	(16)	(500,998)	(18)	(949,503)	(19)	(986,066)	(18)
Total operating expenses	(1,298,415)	(52)	(1,370,748)	(48)	(2,719,368)	(55)	(2,694,836)	(49)
INCOME BEFORE INCOME TAX	1,139,239	46	1,936,617	68	2,167,254	44	3,458,295	62
INCOME TAX EXPENSE (Note 36)	(102,129)	(4)	(244,808)	(9)	(130,584)	(3)	(440,442)	(8)
NET INCOME	1,037,110	42	1,691,809	59	2,036,670	41	3,017,853	54

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KGI BANK AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME								
Items that will be reclassified subsequently to profit or loss, net of tax								
Exchange differences on translation of foreign financial statements	$ (21,520)	(1)	$ (9,061)	-	$ (110,475)	(2)	$ (22,949)	-
Unrealized gains (losses) on available-for-sale financial assets	(24,206)	(1)	(295,737)	(11)	598,382	12	523,659	9
Share of the other comprehensive income (loss) of associates accounted for using the equity method	7,908	-	(7,786)	-	2,245	-	(3,629)	-
Other comprehensive income (loss), net of tax	(37,818)	(2)	(312,584)	(11)	490,152	10	497,081	9
TOTAL COMPREHENSIVE INCOME, NET OF TAX	$ 999,292	40	$ 1,379,225	48	$ 2,526,822	51	$ 3,514,934	63
NET PROFIT ATTRIBUTABLE TO:								
Shareholders of parent company	$ 1,030,833	42	$ 1,249,000	44	$ 2,024,409	41	$ 1,842,520	33
Former owner of business combination under common control	-	-	438,288	15	-	-	1,165,910	21
Non-controlling interests	6,277	-	4,521	-	12,261	-	9,423	-
	$ 1,037,110	42	$ 1,691,809	59	$ 2,036,670	41	$ 3,017,853	54
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Shareholders of parent company	$ 992,826	40	$ 911,801	32	$ 2,514,259	51	$ 1,523,678	27
Former owner of business combination under common control	-	-	462,781	16	-	-	1,981,749	36
Non-controlling interests	6,466	-	4,643	-	12,563	-	9,507	-
	$ 999,292	40	$ 1,379,225	48	$ 2,526,822	51	$ 3,514,934	63
EARNINGS PER SHARE (NEW TAIWAN DOLLAR; Note 37)								
Basic	$0.22		$0.37		$0.44		$0.65	

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

KGI BANK AND SUBSIDIARIES

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

	Equity Attributable to Owners of Parent										
			Retained Earnings			Other Equity					
	Common 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	Equity to Former Owner of Business Combination under Common Control	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2015	$ 15,307,334	$ 137,331	$ 915,755	$ 142,987	$ 2,405,405	$ 36,313	$ (31,466)	$ 18,913,659	$ -	$ -	$ 18,913,659
Retrospective adjustment of equity attributable to the former owner's reorganization of entities under its common control	-	-	-	-	-	-	-	-	36,018,251	219,975	36,238,226
BALANCE AT JANUARY 1, 2015 AS RESTATED	15,307,334	137,331	915,755	142,987	2,405,405	36,313	(31,466)	18,913,659	36,018,251	219,975	55,151,885
Appropriation of earnings											
Legal reserve	-	-	710,281	-	(710,281)	-	-	-	-	-	-
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	-	69	-	-	-	-	-	69	-	-	69
Net income for the six months ended June 30, 2015	-	-	-	-	1,842,520	-	-	1,842,520	-	3,215	1,845,735
Other comprehensive loss for the six months ended June 30, 2015, net of income tax	-	-	-	-	-	(7,182)	(311,660)	(318,842)	-	(89)	(318,931)
Total comprehensive income (loss) for the six months ended June 30, 2015	-	-	-	-	1,842,520	(7,182)	(311,660)	1,523,678	-	3,126	1,526,804
Total comprehensive income of former owner of business combination under common control	-	-	-	-	-	-	-	-	1,981,749	6,381	1,988,130
Reorganization	30,754,289	7,108,440	-	-	(765,549)	28,929	873,891	38,000,000	(38,000,000)	-	-
Share-based payments	-	315	-	-	-	-	-	315	-	-	315
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	(23,182)	(23,182)
BALANCE AT JUNE 30, 2015	$ 46,061,623	$ 7,246,155	$ 1,626,036	$ -	$ 1,076,972	$ 58,060	$ 530,765	$ 56,599,611	$ -	$ 206,300	$ 56,805,911
BALANCE AT JANUARY 1, 2016	$ 46,061,623	$ 7,247,278	$ 1,626,036	$ -	$ 3,159,273	$ 168,161	$ (577,831)	$ 57,684,540	$ -	$ 213,865	$ 57,898,405
Appropriation of earnings											
Legal reserve	-	-	947,782	-	(947,782)	-	-	-	-	-	-
Special Reserve	-	-	-	409,670	(409,670)	-	-	-	-	-	-
Cash dividends - common stocks	-	-	-	-	(1,801,821)	-	-	(1,801,821)	-	-	(1,801,821)
Change in equity of associate accounted for using equity method	-	35	-	-	-	-	-	35	-	-	35
Net income for the six months ended June 30, 2016	-	-	-	-	2,024,409	-	-	2,024,409	-	12,261	2,036,670
Other comprehensive income (loss) for the six months ended June 30, 2016, net of income tax	-	-	-	-	-	(122,171)	612,021	489,850	-	302	490,152
Total comprehensive income (loss) for the six months ended June 30, 2016	-	-	-	-	2,024,409	(122,171)	612,021	2,514,259	-	12,563	2,526,822
Share-based payments	-	1,040	-	-	-	-	-	1,040	-	-	1,040
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	(18,472)	(18,472)
BALANCE AT JUNE 30, 2016	$ 46,061,623	$ 7,248,353	$ 2,573,818	$ 409,670	$ 2,024,409	$ 45,990	$ 34,190	$ 58,398,053	$ -	$ 207,956	$ 58,606,009

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

KGI BANK AND SUBSIDIARIES

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

	For the Six Months Ended June 30 2016	For the Six Months Ended June 30 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,167,254	$ 3,458,295
Adjustments for:		
Depreciation expenses	101,752	75,145
Amortization expenses	45,931	47,851
Allowance (reversal of allowance) for bad debts expense and guarantee liability provision	22,944	(610,753)
Interest expense	1,717,711	2,043,259
Interest income	(4,489,146)	(6,015,585)
Dividend income	(81,922)	(72,536)
Share of profits of associates accounted for using equity method	(4,189)	(21,209)
Others	1,281	720
Changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to banks	(16,007,046)	(12,032,698)
Decrease (increase) in financial assets at fair value through profit or loss	(4,641,996)	8,519,824
Increase in securities purchased under resell agreements	-	(496,873)
Decrease in receivables	10,661,011	8,711,141
Decrease (increase) in discounts and loans	(15,392,490)	5,128,308
Decrease (increase) in available-for-sale financial assets	(3,929,325)	15,232,063
Decrease in held-to-maturity financial assets	-	18,600,000
Decrease (increase) in other financial assets	(2,816,254)	3,953,291
Decrease in other assets	563,620	2,466,809
Increase (decrease) in deposits from the Central Bank and banks	9,561,023	(9,819,352)
Increase (decrease) in financial liabilities at fair value through profit or loss	5,181,153	(9,185,788)
Decrease in notes and bonds issued under repurchase agreements	(11,881,246)	(8,021,557)
Increase in payables	944,407	1,225,855
Increase (decrease) in deposits and remittances	(27,956,884)	38,195,168
Decrease in other liabilities	(3,443,261)	(16,371,934)
Cash inflow (outflow) generated from operations	(59,675,672)	45,009,444
Interest received	4,419,299	6,408,594
Dividend received	99,260	70,286
Interest paid	(1,653,752)	(2,264,374)
Income taxes paid	(169,319)	(38,310)
Net cash flows generated from (used in) operating activities	(56,980,184)	49,185,640
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(101,125)	(91,112)
Proceeds from disposal of property and equipments	14,518	87,985
Acquisition of intangible assets	(67,813)	(44,999)
Net cash flows used in investing activities	(154,420)	(48,126)

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KGI BANK AND SUBSIDIARIES

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

	For the Six Months Ended June 30 2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	$ (436,658)	$ 487,499
Increase in commercial paper payable	636,429	378,003
Repayments in bank debentures payable	-	(9,964,362)
Repayments of long-term borrowings	(593,921)	(484,524)
Cash dividends paid	(1,801,821)	(1,861,292)
Net cash flows used in financing activities	(2,195,971)	(11,444,676)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(20,317)	(32,740)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(59,350,892)	37,660,098
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	110,638,094	56,335,757
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 51,287,202	$ 93,995,855

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of June 30, 2016 and 2015:

	June 30 2016	2015
Cash and cash equivalents in consolidated balance sheets	$ 4,741,802	$ 9,024,605
Due from the Central Bank and call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7	38,529,006	55,121,724
Securities purchased under agreements to resell qualifying as cash and cash equivalents under the definition of IAS 7	8,016,394	29,849,526
Cash and cash equivalents in consolidated statements of cash flows	$ 51,287,202	$ 93,995,855

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

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

KGI BANK AND SUBSIDIARIES

1. GENERAL INFORMATION

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

As of June 30, 2016 the Bank had a main office, an international banking department, a trust department, various major 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. 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). 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.

The Bank's board of director approved application for operating insurance broker business according to Regulations Governing Insurance Brokers and conducted the short-form merger with the subsidiary Cosmos Insurance Brokers Co., Ltd. according to Business Mergers and Acquisitions Act. The Bank was the survivor company after the merger. The application and the merger were approved by the FSC on May 12, 2016. For cooperating to operate insurance broker business, the Bank's board of director approved the date of the merger on June 30, 2016 and completed merger process in the same date.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the board of directors and authorized for issue on August 25, 2016.

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

a. International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

Rule No. 1050026834 issued by the FSC endorsed the following IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") for application starting January 1, 2017.

New, Amended or Revised Standards and Interpretations (the "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)
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
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
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 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.

Except for the following, the initial application of the above New IFRSs in 2017 would not have any material impact on the Bank and subsidiaries' accounting policies:

1) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

   The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Bank and subsidiaries are required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendment will be applied retrospectively.

2) 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.

3) Annual Improvements to IFRSs: 2010-2012 Cycle

   The amended IFRS 8 requires the Bank and subsidiaries 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 Bank and subsidiaries' assets should only be provided if the segments' assets are regularly provided to the chief operating decision-maker. The judgements made in applying aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

   When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

4) 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.

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.

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

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

The FSC announced that the Bank and subsidiaries 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 IFRSs.

New IFRSs	Effective Date Announced by IASB (Note)
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IFRS 15 "Clarification to IFRS 15"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017

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

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

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

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

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

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

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

When applying IFRS 15, the Bank and subsidiaries shall recognize revenue by applying the following steps:

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

When IFRS 15 and related amendment are 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.

3) 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.

4) 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.

5) 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

The accounting policies used in the preparation of the accompanying consolidated financial statements are the same as those applied in the preparation of the Bank and subsidiaries' consolidated financial statements as of and for the year ended December 31, 2015, except for those described below.

Statement of Compliance

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

Basis of Preparation

The consolidated financial report includes the financial reports of the Bank and subsidiaries. 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 (%)			Note
			June 30, 2016	December 31, 2015	June 30, 2015	
The Bank	Cosmos Insurance Brokers Co., Ltd.	Insurance broker	-	100.00	100.00	Please refer to Note 1.
	CDIB Management Consulting Corporation	Management and consulting	100.00	100.00	100.00	
CDIB Management Consulting Corporation	CDC Finance & Leasing Corporation	Leasing	76.04	76.04	76.04	
	CDIB International Leasing Corp.	Leasing	100.00	100.00	100.00	

Retirement Benefits

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

Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2015.

6. CASH AND CASH EQUIVALENTS

	June 30, 2016	December 31, 2015	June 30, 2015
Due from banks	$ 3,122,928	$ 6,538,878	$ 6,423,900
Cash on hand	1,325,814	1,277,725	1,201,500
Checks for clearing	179,151	220,931	1,018,003
Excess margin of futures	113,909	115,078	381,202
	$ 4,741,802	$ 8,152,612	$ 9,024,605

Cash and cash equivalents as of December 31, 2015 as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated balance sheets as follows; please refer to the consolidated statement of cash flows for the reconciliation information as of June 30, 2016 and 2015:

	December 31, 2015
Cash and cash equivalents in consolidated balance sheets	$ 8,152,612
Due from the Central Bank and call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7	66,308,658
Securities purchased under agreements to resell qualifying as cash and cash equivalents under the definition of IAS 7	36,176,824
Cash and cash equivalents in consolidated statements of cash flows	$ 110,638,094

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

	June 30, 2016	December 31, 2015	June 30, 2015
Due from the Central Bank	$ 42,540,000	$ 44,020,000	$ 38,135,000
Call loans to banks	19,369,696	32,785,506	13,169,809
Deposit reserve - demand accounts	7,173,647	6,675,432	7,671,781
Deposit reserve - checking accounts	5,939,157	2,791,414	16,126,800
Due from the Central Bank - interbank settlement funds	181,661	700,828	187,659
Deposit reserve - foreign currencies	148,516	152,104	142,922
	$ 75,352,677	$ 87,125,284	$ 75,433,971

Under a directive issued by the Central Bank of the ROC, New Taiwan dollar - 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 pledged as collateral for day-term overdraft, please refer to Note 39.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2016	December 31, 2015	June 30, 2015
Financial assets held for trading			
Derivative instruments			
Interest rate swap contracts	$ 7,806,763	$ 4,866,036	$ 3,718,644
Currency swap contracts	6,834,357	11,267,269	4,208,182
Option contracts	2,326,567	3,357,704	1,676,647
Others	770,226	483,568	486,223
Non-derivative financial assets			
Bank debentures	21,347,064	33,176,658	23,789,895
Convertible (exchangeable) corporate bonds	2,585,340	2,184,662	2,598,003
Corporate bonds	1,998,739	2,370,073	4,913,953
Government bonds	-	982,889	1,816,598
Others	69,786	217,063	623,198
	43,738,842	58,905,922	43,831,343
Financial assets designated as at FVTPL			
Government bonds	38,272,002	19,299,321	-
Others	1,693,550	857,155	682,220
	39,965,552	20,156,476	682,220
Financial assets at FVTPL	$ 83,704,394	$ 79,062,398	$ 44,513,563
Financial liabilities held for trading			
Derivative instruments			
Interest rate swap contracts	$ 8,229,737	$ 5,263,561	$ 4,182,610
Currency swap contracts	6,981,269	11,379,184	3,704,178
Option contracts	4,901,225	4,712,267	2,769,601
Others	759,670	477,145	414,751
	20,871,901	21,832,157	11,071,140
Financial liabilities designated as at FVTPL			
Bank debentures payable	10,493,907	4,352,498	4,096,656
Financial liabilities at FVTPL	$ 31,365,808	$ 26,184,655	$ 15,167,796

As of June 30, 2016, December 31, 2015 and June 30, 2015, bank debentures issued by the Bank and designated as at FVTPL were as follows:

Name	June 30, 2016	December 31, 2015	June 30, 2015	Issuance Period	Method of Paying Principal and Interests	Interest Rate
04 KGIB 1	$ -	$ 1,050,000	$ 1,050,000	2006.05.18-2016.05.18	Principal due on maturity; interest payable annually	2.15%
15KGIB1	3,422,316	3,504,996	3,293,420	2015.03.24-2045.03.24 (Note 1)	Principal due on maturity	0%
P16KGIB 1	3,551,460	-	-	2016.05.03-2046.05.03 (Note 2)	Principal due on maturity	0%
P16KGIB 2	3,551,460	-	-	2016.05.27-2046.05.27 (Note 2)	Principal due on maturity	0%
	10,525,236	4,554,996	4,343,420			
Valuation adjustments	(31,329)	(202,498)	(246,764)			
	$ 10,493,907	$ 4,352,498	$ 4,096,656			

Note 1: 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.

Note 2: Based on 100% of the carrying value of each bond principal plus the interest; the Bank may redeem all the debentures after one year from the issue date.

The contract (nominal) amounts of the Bank's outstanding derivative financial instruments as of June 30, 2016, December 31, 2015 and June 30, 2015 are summarized as follows:

	Contract Amount		
	June 30, 2016	December 31, 2015	June 30, 2015
Currency swap contracts	$ 1,133,622,254	$ 1,167,714,201	$ 786,634,993
Interest rate swap contracts	537,862,282	488,633,722	480,127,728
Option contracts	220,169,604	233,499,625	222,248,499
Forward exchange contracts	43,691,033	33,209,003	33,260,540
Cross-currency swap contracts	30,616,276	8,830,876	13,586,699
Asset swap contracts	2,136,644	1,832,764	2,190,530
Non-deliverable forward contracts	1,343,347	1,609,868	1,932,530
Commodity swap contracts	163,167	1,143,416	1,185,305
Futures contracts	16,900	297,594	1,700,054

As of June 30, 2016, December 31, 2015 and June 30, 2015, financial assets at fair value through profit or loss with aggregate carrying values of $22,952,345 thousand, $35,862,865 thousand and $27,516,042 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

	June 30, 2016	December 31, 2015	June 30, 2015
Commercial paper	$ 2,784,501	$ 35,413,781	$ 26,978,842
Bank debentures	829,080	132,827	2,514,927
Corporate bonds	830,098	-	852,629
Government bonds	3,572,715	630,216	-
	$ 8,016,394	$ 36,176,824	$ 30,346,398
Agreed-upon resell amounts	$ 8,018,277	$ 36,189,449	$ 30,362,479
Last maturity date	August 2016	March 2016	September 2015

10. RECEIVABLES, NET

	June 30, 2016	December 31, 2015	June 30, 2015
Accounts receivable - forfaiting	$ 15,000,285	$ 26,685,120	$ 34,519,324
Lease receivables	6,600,210	7,462,931	7,406,583
Credit cards	2,928,754	2,707,234	3,271,694
Accounts receivables factoring without recourse	2,002,681	1,234,873	1,201,081
Receivables on securities sold	1,985,198	360,586	1,786
Interest receivable	1,463,246	1,395,540	1,617,211
PEM receivable	926,229	960,040	897,131
Rental deposits	467,748	511,397	520,023
Acceptances receivable	358,037	992,975	659,510
Others	793,549	1,111,756	1,559,383
	32,525,937	43,422,452	51,653,726
Less: Unrealized interest	(423,889)	(521,616)	(585,842)
Allowance for bad debts	(1,550,851)	(1,725,839)	(1,569,754)
Net amount	$ 30,551,197	$ 41,174,997	$ 49,498,130

As of June 30, 2016, December 31, 2015 and June 30, 2015 the rental deposits receivable amounting to $467,748 thousand, $511,397 thousand and $520,023 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, the lawyers have replied that the Bank has a high possibility of winning the lawsuit if the Bank continues to appeal and has no impact on the receivables received by the Bank. Please refer to Note 40 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 June 30, 2016, the PEM receivable amounting to $926,229 thousand (US$28,688 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)

	June 30, 2016	
	USD	**TWD**
Life insurance policies	$ 13,112	$ 423,329
Non-life insurance policies	15,576	502,900
	28,688	926,229
Less: Allowance for bad debts	(16,215)	(523,518)
Net amount	$ 12,473	$ 402,711

	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

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

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

	For the Six Months Ended June 30	
	2016	2015
Balance, January 1	$ 1,725,839	$ 1,682,093
Reversal	(31,799)	(34,350)
Write-off	(118,967)	(56,459)
Effect of exchange rate changes	(24,222)	(21,530)
Balance, June 30	$ 1,550,851	$ 1,569,754

For the impairment loss analysis of receivables, please refer to Note 42.

For the receivables pledged as collaterals for subsidiaries' borrowings, please refer to Note 39.

11. DISCOUNTS AND LOANS, NET

	June 30, 2016	December 31, 2015	June 30, 2015
Short-term loans	$ 51,194,844	$ 45,337,996	$ 41,040,849
Medium-term loans	144,056,024	132,596,923	134,567,081
Long-term loans	40,580,500	41,698,553	47,091,651
Overdue loans	558,998	541,860	554,147
Export negotiations	63,309	750,976	924,679
Bills and notes discounted	-	-	1,328
	236,453,675	220,926,308	224,179,735
Less: Allowance for bad debts	(3,266,846)	(3,115,696)	(2,944,725)
Less: Discounts on loans	(83,214)	(30,284)	(52,471)
Net amount	$ 233,103,615	$ 217,780,328	$ 221,182,539

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, and following under two methods - actively disposed other collaterals one after another, and called in loans by means of negotiation. As of June 30, 2016 the total written-off liabilities that remained unrecovered amounted to $303,601 thousand.

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

	For the Six Months Ended June 30	
	2016	2015
Balance, January 1	$ 3,115,696	$ 3,447,239
Provisions (reversal)	69,203	(555,470)
Recovery of written-off credits	374,420	642,872
Write-offs	(264,008)	(579,186)

(Continued)

	For the Six Months Ended June 30	
	2016	2015
Reduction and exemption	$ (14,249)	$ (9,859)
Effects of exchange rate changes	(14,216)	(871)
Balance, June 30	$ 3,266,846	$ 2,944,725

(Concluded)

For the impairment loss analysis of discounts and loans, please refer to Note 42.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
Government bonds	$ 30,035,141	$ 19,856,627	$ 74,280,740
Bank debentures	16,086,121	20,924,625	14,067,158
Corporate bonds	7,840,784	9,032,190	10,617,576
Stocks	5,816,327	5,437,225	5,501,547
	$ 59,778,373	$ 55,250,667	$ 104,467,021

As of June 30, 2016, December 31, 2015 and June 30, 2015, available-for-sale financial assets, with aggregate carrying values of $20,829,209 thousand, $25,014,339 thousand and $29,923,291 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 39.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET

Immaterial associates:

	June 30, 2016		December 31, 2015		June 30, 2015	
	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%
CDIB & Partners Investment Holding Corporation	$ 688,291	4.95	$ 700,638	4.95	$ 702,567	4.95
Others	877		995		1,120	
	$ 689,168		$ 701,633		$ 703,687	

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 and subsidiaries had not pledged any of the equity-method investments as collateral.

14. OTHER FINANCIAL ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
Financial assets measured at cost - unlisted, non-OTC common stock	$ 255,659	$ 262,919	$ 262,919
Due from banks (over three months)	2,831,407	-	92,630
Overdue receivables	28,315	27,574	20,551
Pledged time deposits	1,300	1,300	1,300
	3,116,681	291,793	377,400
Less: Allowance for bad debts - overdue receivables	(28,315)	(23,089)	(20,551)
Net amount	$ 3,088,366	$ 268,704	$ 356,849

For the other financial assets pledged as collaterals by the Bank and subsidiaries, please refer to Note 39.

15. PROPERTY AND EQUIPMENT, NET

	June 30, 2016	December 31, 2015	June 30, 2015
Land	$ 3,756,724	$ 3,756,724	$ 3,756,724
Buildings and facilities	1,775,618	1,802,437	1,820,208
Machinery and computer equipment	113,008	109,000	73,999
Leased assets	227,843	231,352	96,994
Leasehold improvements	122,649	96,284	19,733
Transportation equipment	16,289	15,575	7,213
Other equipment	23,958	22,907	20,366
Prepayments for acquisition of properties	6,199	494	9,652
	$ 6,042,288	$ 6,034,773	$ 5,804,889

Except for depreciation recognized, the Bank and subsidiaries' had no significant addition, disposal and impairment of property and equipment during the three and six months ended June 30, 2016 and 2015.

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

Buildings and facilities	4-60 years
Machinery and computer equipment	1-8 years
Transportation equipment	2-15 years
Other equipment	2-10 years
Leasehold improvement	1-10 years
Leased assets	1-10 years

For the property and equipment pledged as collaterals by the Bank and subsidiaries, please refer to Note 39.

16. INVESTMENT PROPERTY, NET

	June 30, 2016	December 31, 2015	June 30, 2015
Land	$ 466,875	$ 466,875	$ 466,875
Buildings and facilities	91,781	93,596	95,380
	$ 558,656	$ 560,471	$ 562,255

Except for depreciation recognized, the Bank and subsidiaries' had no significant addition, disposal and impairment of investment property during the three and six months ended June 30, 2016 and 2015.

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 June 30, 2016, December 31, 2015 and June 30, 2015 were $710,905 thousand, $710,905 thousand, $625,207 thousand, respectively.

For the investment properties pledged as collaterals by the Bank and subsidiaries, please refer to Note 39.

17. OTHER ASSETS, NET

	June 30, 2016	December 31, 2015	June 30, 2015
Guarantee deposits paid	$ 7,344,397	$ 8,182,045	$ 3,514,092
Prepaid expenses	298,466	141,284	258,569
Prepaid pension costs	232,313	23,227	127,246
Others	202,390	254,087	310,077
	$ 8,077,566	$ 8,600,643	$ 4,209,984

For the other assets pledged as collaterals by the Bank and subsidiaries, please refer to Note 39.

18. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	June 30, 2016	December 31, 2015	June 30, 2015
Call loans from banks	$ 17,901,460	$ 8,334,746	$ 1,570,246
Deposits from Chunghwa Post Co., Ltd.	1,221,038	1,226,729	1,291,180
	$ 19,122,498	$ 9,561,475	$ 2,861,426

19. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	June 30, 2016	December 31, 2015	June 30, 2015
Bank debentures	$ 31,444,622	$ 46,751,563	$ 38,222,598
Corporate bonds	8,899,706	10,105,712	15,560,302
Government bonds	8,784,456	4,152,755	7,023,988
	$ 49,128,784	$ 61,010,030	$ 60,806,888
Repurchase amounts	$ 49,190,344	$ 61,075,384	$ 60,883,082
Last maturity date	August 2016	March 2016	October 2015

20. PAYABLES

	June 30, 2016	December 31, 2015	June 30, 2015
Payables for securities purchased	$ 1,995,047	$ 193,325	$ 60,486
Accounts payable factoring	750,396	133,615	695,983
Accrued interest	693,173	633,673	546,451
Accrued expenses	493,041	881,373	704,124
Acceptances	358,037	992,975	659,510
Funds for clearing	258,837	270,396	270,099
Checks for clearing	179,151	220,931	1,018,003
Premiums of call options payable	14,694	16,048	387,639
Others	533,587	927,123	1,037,031
	$ 5,275,963	$ 4,269,459	$ 5,379,326

21. DEPOSITS AND REMITTANCES

	June 30, 2016	December 31, 2015	June 30, 2015
Time deposits	$ 195,097,183	$ 234,874,821	$ 222,924,060
Savings deposits	95,593,964	88,713,219	86,414,470
Demand deposits	31,728,222	28,579,863	42,797,610
Checking deposits	3,679,771	1,891,110	2,502,806
Negotiable certificates of deposits	67,200	100,700	96,300
Remittances	47,621	11,132	36,269
	$ 326,213,961	$ 354,170,845	$ 354,771,515

22. BANK DEBENTURES PAYABLE

Name	June 30, 2016	December 31, 2015	June 30, 2015	Issuance Period	Method of Paying Principle and Interests	Interest Rate
04 KGIB 2	$ 2,750,000	$ 2,750,000	$ 2,750,000	2008.01.09-2017.12.13	Principal due on maturity.	0.00%
Unamortized discount	(101,993)	(137,828)	(174,057)			
Net amount	$ 2,648,007	$ 2,612,172	$ 2,575,943			
Fair value	$ 2,632,119	$ 2,592,759	$ 2,553,661			

23. COMMERCIAL PAPER PAYABLE, NET

	June 30, 2016	December 31, 2015	June 30, 2015
Commercial paper payable	$ 2,746,000	$ 2,111,000	$ 1,066,000
Less: Unamortized discount	(1,789)	(3,218)	(479)
	$ 2,744,211	$ 2,107,782	$ 1,065,521
Interest rate	1.12%-2.02%	1.15%-2.02%	1.30%-1.64%
Last maturity date	June 2017	November 2016	August 2015

24. OTHER BORROWINGS

	June 30, 2016	December 31, 2015	June 30, 2015
Short-term credit borrowings	$ 1,671,803	$ 1,993,461	$ 2,862,109
Note issuance facility	799,836	1,299,341	1,818,350
Short-term secured borrowings	130,000	245,000	355,000
Long-term credit borrowings	239,991	334,407	170,238
Long-term secured borrowings	-	-	5,250
	$ 2,841,630	$ 3,872,209	$ 5,210,947
Interest rate	1.20%-4.75%	1.30%-5.25%	1.45%-5.75%
Last maturity date	July 2018	July 2018	October 2017

25. PROVISIONS

	June 30, 2016	December 31, 2015	June 30, 2015
Provision for employee benefits	$ 145,053	$ 155,692	$ 153,783
Provision for guarantee liabilities	107,735	104,564	112,308
Others	116,254	119,442	22,025
	$ 369,042	$ 379,698	$ 288,116

26. RETIREMENT BENEFIT PLANS

The Bank and subsidiaries' retirement plans consist of defined contribution and defined benefit plans. For defined benefit plans, employee benefit expenses for the six months ended June 30, 2016 and 2015 were calculated using the actuarially determined pension cost discount rates as of December 31, 2015 and 2014, respectively.

For the three and six months ended June 30, 2016 and 2015, the Bank and subsidiaries (a) recognized and reversed their contributions under the defined benefit plans as pension expenses (recognized as employee benefits) of $1,953 thousand, pension benefits of $591 thousand, pension expenses of $3,904 thousand and pension benefits of $1,126 thousand, respectively, and (b) recognized under the defined contribution plans pension expenses (recognized as employee benefits) of $30,448 thousand, $24,538 thousand, $60,523 thousand and $47,638 thousand, respectively.

27. OTHER LIABILITIES

	June 30, 2016	December 31, 2015	June 30, 2015
Temporary receipts and suspense accounts	$ 2,008,440	$ 471,089	$ 554,341
Guarantee deposits received	553,526	748,384	645,313
Advance receipts	117,003	255,253	436,592
Others	87,827	91,761	90,485
	$ 2,766,796	$ 1,566,487	$ 1,726,731

28. EQUITY

a. Capital

Common stock

	June 30, 2016	December 31, 2015	June 30, 2015
Number of shares authorized (in thousands) (Note)	20,000,000	20,000,000	20,000,000
Shares authorized	$ 200,000,000	$ 200,000,000	$ 200,000,000
Number of shares issued and fully paid (in thousands) (Note)	4,606,162	4,606,162	4,606,162
Shares issued	$ 46,061,623	$ 46,061,623	$ 46,061,623

Note: Share par value NT$10.

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

	June 30, 2016	December 31, 2015	June 30, 2015
Additional paid-in capital	$ 7,245,710	$ 7,245,710	$ 7,245,710
Issuance of employee share options	2,464	1,424	335
Change in capital surplus from investments in associates accounted for by using equity method	179	144	110
	$ 7,248,353	$ 7,247,278	$ 7,246,155

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.

Under Rule No. 10510001510 issued by the FSC on May 25, 2016, the Public Bank shall appropriate 2016 to 2018 annual surplus which is based on 0.5% to 1% of net income for special reserve. From fiscal year of 2017, the Bank can reverse the amount of expenditure of employees' transfer arising from financial technology development within the amount of the above special reserve.

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. 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 2015 and 2014 earnings for approved by board of directors which entitled to execute shareholders' meeting function on May 10, 2016 and May 21, 2015 respectively were as follows:

	2015	2014
Legal reserve	$ 947,782	$ 710,281
(Reversal of) special reserve	409,670	(142,987)
Cash dividends	1,801,821	1,838,110

Related information can be accessed through the Market Observation Post System on the Web site of the Taiwan Stock Exchange.

29. NET INTEREST

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Interest revenues				
Discounts and loans	$ 1,597,679	$ 1,889,357	$ 3,229,549	$ 3,803,831
Securities	243,113	423,232	504,122	893,622
Due from and call loans to banks	136,546	190,937	261,936	386,913
Accounts receivable - forfaiting	71,653	273,794	192,036	582,929
Others	147,123	141,304	301,503	348,290
	2,196,114	2,918,624	4,489,146	6,015,585
Interest expenses				
Deposits	613,659	788,381	1,318,477	1,619,916
Notes and bonds issued under repurchase agreements	92,256	73,777	205,360	152,345
Structured notes	32,938	50,583	70,427	98,812
Due to/borrowings from the Central Bank and other banks	16,932	19,320	30,347	37,844
Others	44,512	52,199	93,100	134,342
	800,297	984,260	1,717,711	2,043,259
	$ 1,395,817	$ 1,934,364	$ 2,771,435	$ 3,972,326

30. SERVICE FEE INCOME, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Service fee revenues				
Insurance commission	$ 170,139	$ 161,983	$ 339,119	$ 293,786
Loans	75,960	30,689	105,162	110,345
Trust	67,303	118,671	118,496	230,967
Credit card	38,126	42,921	68,216	74,146
Cash card	31,715	36,025	63,033	67,453
Others	52,428	61,447	105,405	128,719
	435,671	451,736	799,431	905,416
Service fee expenses				
Agency	23,985	23,208	48,808	44,712
Interbank	10,965	7,932	20,901	14,867
Custodian	1,059	1,024	1,987	2,050
Trust	860	860	1,720	1,720
Others	25,071	24,394	47,139	45,034
	61,940	57,418	120,555	108,383
	$ 373,731	$ 394,318	$ 678,876	$ 797,033

31. GAINS (LOSSES) ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Realized gain (loss)				
Derivative instruments	$ (118,735)	$ (1,039,130)	$ (16,071)	$ (1,325,518)
Bonds	290,228	78,675	584,598	319,102
Stocks	4,164	41,816	(41,004)	59,658
Others	-	2,082	-	5,311
	175,657	(916,557)	527,523	(941,447)
Revaluation gain (loss)				
Derivative instruments	(256,115)	975,552	(460,521)	784,092
Stocks	(2,828)	(30,761)	26,257	(25,083)
Bonds	239,975	57,851	634,136	374,982
Others	(61,781)	(21,116)	(10,898)	(188,211)
	(80,749)	981,526	188,974	945,780
	$ 94,908	$ 64,969	$ 716,497	$ 4,333

For the three and six months ended June 30, 2016 and 2015, the realized gain or loss on the Bank financial assets or liabilities at FVTPL included (a) disposal loss of $110,163 thousand, $1,099,658 thousand, $112,873 thousand and $1,352,303 thousand, respectively, (b) interest revenues of $363,027 thousand, $222,779 thousand, $762,159 thousand and $458,970 thousand, respectively, (c) dividend incomes of $1,562 thousand, $2,250 thousand, $1,562 thousand and $2,250 thousand, respectively, and (d) and interest expenses of $78,769 thousand, $41,928 thousand, $123,325 thousand and $50,364 thousand, respectively.

32. REALIZED GAINS (LOSSES) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Gain on bond disposal	$ 296,446	$ 219,487	$ 492,493	$ 337,495
Gain on stock disposal	67,558	98,258	116,344	140,952
Dividend income	59,351	50,933	71,760	63,507
Others	-	(19)	-	(106)
	$ 423,355	$ 368,659	$ 680,597	$ 541,848

33. OTHER NON-INTEREST INCOME

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Rental income	$ 20,913	$ 14,283	$ 41,144	$ 26,175
Net gains on financial assets at cost	8,600	6,779	8,600	6,779
Financial consulting income	-	1,955	400	5,613
Others	2,632	(1,815)	9,499	69
	$ 32,145	$ 21,202	$ 59,643	$ 38,636

34. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Employee benefit expense				
Salaries and wages	$ 677,604	$ 681,779	$ 1,328,234	$ 1,338,702
Employee insurance	49,041	50,592	109,534	95,889
Pension	32,401	23,947	64,427	46,512
Others	54,866	48,507	119,987	104,671
	$ 813,912	$ 804,825	$ 1,622,182	$ 1,585,774
Depreciation and amortization expenses	$ 74,480	$ 64,925	$ 147,683	$ 122,996

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% of net income (net of the bonus). For the three and six months ended June 30, 2015, the bonus to employees were $891 thousand and $1,291 thousand, respectively.

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% of net profit before income tax and employees' compensation. However, if the Bank had incurred cumulative losses, the profit should be used to offset the losses first. For the three and six months ended June 30, 2016, the employees' compensation were $1,124 thousand and $2,155 thousand, respectively.

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The distribution of the 2015 and 2014 employees' compensation and employees' bonus that approved by the board of directors on March 24, 2016 and board of directors entitled to execute shareholders' meeting function on May 21, 2015 were $3,755 thousand and $1,800 thousand, respectively. There was no difference between the amounts of the employees' compensation resolved by the board of directors and the employees' bonus approved in the shareholders' meetings, and the respective amounts recognized in the consolidated financial statements for the years ended December 31, 2015 and 2014. The Bank has reported the employees' compensation of 2015, by the board of directors which was entitled to execute shareholders' meeting functions on May 10, 2016.

The information on the proposed and approved employees' compensation and employees' bonuses are available on the Market Observation Post System website of the Taiwan Stock Exchange.

35. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Taxation	$ 34,922	$ 130,798	$ 227,649	$ 257,993
Rental	79,984	70,915	158,811	135,786
Professional services	66,502	58,582	123,721	108,952
Computer information	43,303	25,586	94,340	45,293
Marketing	42,868	60,227	72,990	94,059
Maintenance and insurance	24,772	21,211	44,571	42,491
Office administration	21,568	16,324	42,204	33,789
Postage	23,106	28,759	42,128	87,802
Others	72,998	88,596	143,089	179,901
	$ 410,023	$ 500,998	$ 949,503	$ 986,066

36. INCOME TAX

a. Income tax expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Current income tax				
Current year	$ 115,733	$ 60,611	$ 194,393	$ 166,317
Prior year's adjustments	(9,705)	15,822	(9,705)	15,822
	106,028	76,433	184,688	182,139
Deferred income tax	(3,899)	168,375	(54,104)	258,303
Income tax expenses	$ 102,129	$ 244,808	$ 130,584	$ 440,442

b. Integrated income tax

	June 30, 2016	December 31, 2015	June 30, 2015
Imputation credit accounts - the Bank	$ 229	$ 40,281	$ 77

The Bank's creditable tax ratios for the distribution of the earnings of 2015 and 2014 were 1.27% (estimated) and 17.96%, respectively.

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

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

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

	June 30, 2016	December 31, 2015	June 30, 2015
Tax paid to the parent company	$ 283,330	$ 181,150	$ 19,992

d. Income tax assessments

Since 2015, the Bank used the linked-tax system in filing of the income tax and unappropriated earnings returns 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 2014 had been examined by the tax authorities.

37. EARNINGS PER SHARE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Earnings used in the computation of the EPS				
Attributable to shareholders of parent company	$ 1,030,833	$ 1,249,000	$ 2,024,409	$ 1,842,520
Attributable to former owner of business combination under common control	-	438,288	-	1,165,910
	$ 1,030,833	$ 1,687,288	$ 2,024,409	$ 3,008,430
Weighted average outstanding common shares (shares in thousands)	4,606,162	4,606,162	4,606,162	4,606,162
Basic EPS (in dollars)	$0.22	$0.37	$0.44	$0.65

38. 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	Parent company
China Development Industrial Bank	Subsidiary of the parent company
KGI Securities Co., Ltd.	Subsidiary of the parent company
Others	Other related parties

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

	Amount	%
June 30, 2016	$ 115,458	2
December 31, 2015	65,144	1
June 30, 2015	207,871	2

For the six months ended June 30, 2016 and 2015, the interest revenue from due from banks were $0 thousand.

b. Excess margin of futures (recognized as cash and cash equivalents)

	Amount	%
June 30, 2016	$ 18,004	-
December 31, 2015	18,004	-
June 30, 2015	18,001	-

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

For the three and six months ended June 30, 2016 and 2015, the interest revenues from call loans to banks were $0 thousand, $1,950 thousand, $861 thousand and $2,023 thousand, respectively.

d. Credit card (recognized as receivable, net)

	Amount	%
June 30, 2016	$ 36,096	-
December 31, 2015	27,612	-
June 30, 2015	42,952	-

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

	Amount	%
June 30, 2016	$ 62,648	-
December 31, 2015	117,459	-
June 30, 2015	1,786	-

f. Accrued income (recognized as receivable, net)

	Amount	%
June 30, 2015	$ 24,300	-

g. Discounts and loans, net

	Amount	%	Interest Rate (%)
June 30, 2016	$ 832,956	-	1.62-15.00
December 31, 2015	999,266	-	1.43-18.25
June 30, 2015	952,231	-	1.48-18.25

For the three and six months ended June 30, 2016 and 2015, the interest revenues from discounts and loans were $4,009 thousand, $4,233 thousand, $8,298 thousand and $7,342 thousand, respectively.

Balance as of June 30, 2016

(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	37	$ 27,267	$ 16,368	$ 16,368	-	None	Yes
Residential mortgage loans	68	1,110,643	807,281	807,281	-	Real estate	Yes
Others	10	22,056	9,307	9,307	-	Deposit/real estate	Yes

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 June 30, 2015

(In Thousands of New Taiwan Dollars)

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

h. Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the six months ended June 30, 2016		
Subsidiary of the parent company	$ 3,423,022	$ 1,257,954
For the six months ended June 30, 2015		
Subsidiary of the parent company	2,189,116	3,644,997

i. Guarantee deposits paid (recognized as other assets)

	Amount	%
June 30, 2016	$ 18,541	-
December 31, 2015	18,582	-
June 30, 2015	20,473	-

j. Call loans from banks (recognized as deposits from the Central Bank and banks)

	Amount	%
June 30, 2016	$ 322,860	2

For the three and six months ended June 30, 2016 and 2015, the interest expense for call loans from banks were $772 thousand, $934 thousand, $915 thousand and $1,563 thousand, respectively.

k. Payables for securities purchased (recognized as payables)

	Amount	%
June 30, 2016	$ 9,454	-
December 31, 2015	193,325	5
June 30, 2015	40,486	1

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

	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	%	Amount	%	Amount	%
Parent company	$ 283,330	98	$ 181,150	97	$ 19,992	58

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

m. Deposits

	Amount	%	Interest Rate (%)
June 30, 2016	$ 32,399,767	10	0-5.80
December 31, 2015	29,796,397	8	0-6.50
June 30, 2015	25,981,628	7	0-6.50

For the three and six months ended June 30, 2016 and 2015, the interest expenses for deposits were $32,033 thousand, $12,758 thousand, $66,926 thousand and $24,678 thousand, respectively.

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

	Amount	%
December 31, 2015	$ 25,000	1
June 30, 2015	132,138	3

For the three and six months ended June 30, 2016 and 2015, the interest expenses for short-term borrowings were $0 thousand, $777 thousand, $98 thousand and $1,571 thousand, respectively.

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%
2016	$ 3,677	1	$ 4,257	1
2015	722	-	1,532	-

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

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%
2016	$ 19,687	5	$ 39,102	4
2015	14,343	3	16,447	2

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

q. Other general and administrative expenses (Note)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%
2016	$ 22,116	5	$ 26,994	3
2015	2,109	-	2,560	-

Note: These expenses were for the use of the subsidiary of the parent company’s workplace, IT equipment, financial consulting expense of issuing bank debentures and etc.

r. Outstanding derivative financial instruments

June 30, 2016

(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	July 9, 2015 - November 17, 2016	$ 1,285,320	$ 7,817	Financial assets held for trading	$ 9,978
					Financial liabilities held for trading	14,057
Subsidiaries of the parent company	Asset swap-interest rate swap contracts	January 5, 2016 - June 3, 2019	152,500	6,425	Financial assets held for trading	6,884
	Asset swap-option contracts	January 5, 2016 - May 20, 2019	152,500	(2,633)	Financial liabilities held for trading	9,735
	Currency swap contracts	June 3, 2016 - July 7, 2016	75,619	71	Financial assets held for trading	71

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

June 30, 2015

(In Thousands of New Taiwan Dollars)

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

s. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Salary and short-term employee benefits	$ 39,145	$ 32,702	$ 73,348	$ 61,442
Post-employment benefits	575	669	1,173	1,069
	$ 39,720	$ 33,371	$ 74,521	$ 62,511

In addition to the above, the Bank also paid housing rental, car rental and drivers' salaries, $1,735 thousand, $1,663 thousand, $3,636 thousand and $3,053 thousand for the three and six months ended June 30, 2016 and 2015, 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.

39. PLEDGED ASSETS

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

Assets	Object	Purpose	June 30, 2016	December 31, 2015	June 30, 2015
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	$ 20,895,000	$ 10,075,000	$ 10,200,000
Lease receivables	Notes receivable	Short-term borrowing	3,391,789	3,424,754	3,196,750
Available-for-sale financial assets	Government bonds	Guarantees for provisional seizure	20,774	22,219	14,178
Available-for-sale financial assets	Government bonds	Guarantees and provisions	162,401	161,432	259,377
Available-for-sale financial assets	Stocks	Commercial paper payable	-	9,358	11,560
Property and equipment	Property	Short-term borrowing	13,400	13,556	13,739
Investment property, net	Investment property	Short-term borrowing	43,578	44,255	44,932
Other financial assets	Time deposits	Short-term borrowing	1,300	1,300	1,300
Other assets	Cash in banks - impound account	Commercial paper payable and short-term borrowing	40,123	49,178	68,048

40. COMMITMENTS AND CONTINGENCIES

a. In response to rapid business development, changes in external regulations and IT demands for innovative products and enhanced IT service levels, the Bank planned to outsource its IT operations. Thus, in their meeting held on October 30, 2012, the board of directors approved the plan to outsource the Bank's IT operations to International Business Machines Corp., Taiwan (IBM Taiwan) for the next 10 years, starting from October 31, 2012. Throughout the validity period of the IT outsourcing contract, in addition to paying for extra services in accordance with professional rates, the Bank has to pay, starting from June 30, 2016, 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 $947,453 thousand for the remaining years.

b. 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 August 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.

41. FAIR VALUE AND HIERARCHY INFORMATION OF FINANCIAL INSTRUMENTS

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

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

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

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

b. Financial instrument measured at fair value

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

June 30, 2016

(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	$ 57,018	$ -	$ -	$ 57,018
Bond investments	25,931,143	-	-	25,931,143
Others	12,768	-	-	12,768
Financial assets designated as at FVTPL	14,342,370	25,623,182	-	39,965,552
Available-for-sale financial assets				
Stock investments	5,816,327	-	-	5,816,327
Bond investments	27,142,414	26,495,874	323,758	53,962,046
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	-	10,493,907	-	10,493,907
Derivative financial instruments				
Assets				
Financial assets at FVTPL	1,042	17,563,600	173,271	17,737,913
Liabilities				
Financial liabilities at FVTPL	-	20,594,338	277,563	20,871,901

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

June 30, 2015

(In Thousands of New Taiwan Dollars)

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

2) Basis of fair value determination

For financial assets and liabilities at fair value through profit or loss, and available-for-sale financial assets, 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.

The credit valuation adjustment is an adjustment to the valuation of OTC derivative contracts to reflect within fair value the possibility that the counterparty may default and that the Corporation may not receive the full market value of the transactions.

The debit valuation adjustment is an adjustment to the valuation of OTC derivative contracts to reflect within fair value the possibility that the Corporation may default, and that the Corporation may not pay full market value of the transactions.

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 Level I and Level II

	For the Six Months Ended June 30, 2016		For the Six Months Ended June 30, 2015	
	Transfer from Level I to Level II	Transfer from Level II To Level I	Transfer from Level I to Level II	Transfer from Level II to Level I
Bond investments				
Financial assets at FVTPL	$ 234,124	$ 1,289,860	$ -	$ -
Available-for-sale financial assets	7,310,415	938,080	-	-

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 I into Level II or from Level II into Level I.

5) Reconciliation of Level III items of financial instruments

The movements of Level III financial assets were as follows:

For the Six Months Ended June 30, 2016

(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 (b)	
Financial assets at FVTPL	$ 2,919,020	$ (660,040)	$ -	$ -	$ 28,680	$ 2,057,029	$ 173,271
Available-for-sale financial assets	327,725	(3,967)	-	-	-	-	323,758

For the Six Months Ended June 30, 2015

(In Thousands of New Taiwan Dollars)

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

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

b) Valuation method of part of the financial assets at FVTPL of the Bank changed from quoted price of prior party to observable data model, resulting Level III securities turn into Level II securities.

The movements of Level III financial liabilities were as follows:

For the Six Months Ended June 30, 2016

(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 (b)	
Financial liabilities at FVTPL	$ 3,043,322	$ (655,042)	$ -	$ -	$ 47,284	$ 2,063,433	$ 277,563

For the Six Months Ended June 30, 2015

(In Thousands of New Taiwan Dollars)

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

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

b) Valuation method of part of the financial liabilities at FVTPL of the Bank changed from quoted price of prior party to observable data model, resulting Level III securities turn into Level II securities.

The total gains and losses were gain of $3,648 thousand, loss of $43,923 thousand, gain of $18,622 thousand and loss of $3,376 thousand on the assets and liabilities held for the three and six months ended June 30, 2016, and 2015 respectively.

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 June 30, 2016	Valuation Technique(s)	Significant Unobservable Inputs	Interval	The Relationship Between Inputs and Fair Value
Measured on a recurring basis					
Non-derivative financial assets					
Available-for-sale financial assets					
Bond investments	$ 323,758	Discounted cash flow	Credit spread	Adjusted daily based on market information	When credit spread or yields rate is higher, fair value is lower.
Derivative financial assets					
Financial assets at FVTPL	173,271	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	277,563	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

	Fair Value at December 31, 2015	Valuation Technique(s)	Significant Unobservable Inputs	Interval	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	Credit spread	Adjusted daily based on market information	When credit spread or yields rate is higher, fair value is lower.
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

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

7) Pricing process of Level III fair value

The Bank’s risk management department is responsible for the pricing process of Level III fair value. The pricing models and conditions assumed are conform to market practice; the basis of the theory are commonly recognized by the industry as a basis of valuation in conducting measurement of fair value. Further, the department confirms whether the sources of the information are independent or not, reasonably reflecting the prices in normal circumstances, and examines and adjusts fair value periodically to insure results of the valuation is reasonable.

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

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. Please refer to Notes 16 and 22.

42. 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, banking book securities investment, 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:

Items	June 30, 2016	December 31, 2015	June 30, 2015
Irrevocable loan commitments, guarantees and letters of credit issued yet unused	$ 103,257,060	$ 95,728,457	$ 92,343,278

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 standby letter of credit) 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, due from and call loans to banks, investments, receivables and derivatives. To manage credit risk concentration, the Bank maintains a diversified portfolio and monitors its exposure continually. The Bank's most significant concentrations of credit risk are summarized as follows:

a) By industry

	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	%	Amount	%	Amount	%
Public and private enterprises	$ 158,911,694	67.21	$ 144,211,746	65.28	$ 148,907,947	66.42
Natural persons	77,090,918	32.60	76,343,186	34.56	74,690,155	33.32
Non-profit organizations	451,063	0.19	371,376	0.16	581,633	0.26
Total	$ 236,453,675	100.00	$ 220,926,308	100.00	$ 224,179,735	100.00

b) By region

	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	%	Amount	%	Amount	%
Domestic	$ 190,535,253	80.58	$ 178,752,940	80.91	$ 174,143,913	77.68
Overseas	45,918,422	19.42	42,173,368	19.09	50,035,822	22.32
Total	$ 236,453,675	100.00	$ 220,926,308	100.00	$ 224,179,735	100.00

c) By collateral

	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Credit	$ 149,359,982	63.17	$ 137,464,454	62.22	$ 131,742,174	58.77
Secured						
Financial collaterals	6,219,918	2.63	6,047,359	2.74	5,795,428	2.59
Receivables	-	-	-	-	1,328	-
Real estate	64,597,744	27.32	58,966,463	26.69	58,490,249	26.09
Guarantees	12,337,730	5.22	13,689,559	6.20	23,332,510	10.41
Other	3,938,301	1.66	4,758,473	2.15	4,818,046	2.14
Total	$ 236,453,675	100.00	$ 220,926,308	100.00	$ 224,179,735	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, parts of receivables, guarantee deposits paid, 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

June 30, 2016	Neither Overdue Nor Impaired Amount (A)	Overdue But Not Yet 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	$ 20,155,718	$ 38,545	$ 80,970	$ 20,275,233	$ 46,761	$ 276,537	$ 19,951,935
Other	9,590,190	5,526	1,921,168	11,516,884	1,181,253	74,615	10,261,016
Discounts and loans	234,064,790	1,381,577	1,007,308	236,453,675	516,718	2,750,128	233,186,829

December 31, 2015	Neither Overdue Nor Impaired Amount (A)	Overdue But Not Yet 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

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

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 rating standards was as follows:

June 30, 2016	Neither Overdue Nor Impaired Amount				
	Excellent	Good	Normal	No Ratings	Total (A)
Consumer banking					
Mortgage loans	$ 18,937,205	$ 7,348,389	$ 9,135	$ -	$ 26,294,729
Cash card	8,549,572	2,679,562	590,225	2,995,951	14,815,310
Micro credit loans	16,365,693	2,036,265	131,098	82,190	18,615,246
Other - secured	13,324,657	1,300,237	90,890	42,778	14,758,562
Other - unsecured	50,413	-	-	3,667	54,080
Corporate banking					
Secured	10,980,623	21,673,170	10,567,278	2,461,199	45,682,270
Unsecured	26,218,619	63,593,022	18,915,305	5,117,647	113,844,593
Total	$ 94,426,782	$ 98,630,645	$ 30,303,931	$ 10,703,432	$ 234,064,790

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

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

June 30, 2016	Neither Overdue Nor Impaired Amount				
	Excellent	Good	Normal	No Ratings	Total (A)
Credit card and credit business					
Credit card	$ 1,002,741	$ 631,067	$ 785,966	$ 377,282	$ 2,797,056
Accounts receivable - forfaiting	7,484,499	5,846,617	-	1,669,169	15,000,285
Accounts receivable - factoring without recourse	27,920	600,619	-	1,371,800	2,000,339
Acceptances	56,064	276,553	25,421	-	358,038
Total	$ 8,571,224	$ 7,354,856	$ 811,387	$ 3,418,251	$ 20,155,718

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

June 30, 2015	Neither Overdue Nor Impaired Amount				
	Excellent	Good	Normal	No Ratings	Total (A)
Credit card and credit business					
Credit card	$ 1,017,740	$ 685,316	$ 891,429	$ 519,265	$ 3,113,750
Accounts receivable - forfaiting	17,350,872	16,021,774	-	1,146,678	34,519,324
Accounts receivable - factoring without recourse	27,110	520,796	-	651,899	1,199,805
Acceptances	-	623,095	36,415	-	659,510
Total	$ 18,395,722	$ 17,850,981	$ 927,844	$ 2,317,842	$ 39,492,389

c) Credit analysis of marketable securities

June 30, 2016	Neither Overdue Nor Impaired				Overdue but Not Yet Impaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)	Net Amount (A)+(B)+ (C)-(D)
	Excellent	Good	Normal	Total (A)					
Available-for-sale financial assets - investment in bonds	$ 53,962,046	$ -	$ -	$ 53,962,046	$ -	$ -	$ 53,962,046	$ -	$ 53,962,046

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $6,550,421 thousand, loss on valuation of $734,094 thousand and accumulated impairment of $0 thousand.

Note 2: Financial assets measured at cost have an initial cost of $296,423 thousand and accumulated impairments of $40,764 thousand.

December 31, 2015	Neither Overdue Nor Impaired				Overdue but Not Yet Impaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)	Net Amount (A)+(B)+ (C)-(D)
	Excellent	Good	Normal	Total (A)					
Available-for-sale financial assets - investment in bonds	$ 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 $303,683 thousand and accumulated impairments of $40,764 thousand.

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

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

Note 2: Financial assets measured at cost have an initial cost of $306,308 thousand and accumulated impairments of $43,389 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 credits, financial assets overdue within 90 days are not considered impaired unless other evidence proves otherwise.

Items	**June 30, 2016**		
	1 Month	**Over 1 Month - 3 Months**	**Total**
Credit card	$ 20,565	$ 17,970	$ 38,535
Accounts receivable - factoring without recourse	10	-	10
Discount and loans			
Consumer banking			
Mortgage loans	216,459	31,795	248,254
Cash card	262,573	70,512	333,085
Micro credit loans	359,953	57,487	417,440
Other - secured	130,719	9,815	140,534
Other - unsecured	307	-	307
Corporate banking			
Secured	20,953	8,205	29,158
Unsecured	182,666	30,133	212,799

Items	**December 31, 2015**		
	1 Month	**Over 1 Month - 3 Months**	**Total**
Credit card	$ 29,346	$ 25,013	$ 54,359
Discount 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

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

8) Analysis of impairment for financial assets

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

Items		Discounts and Loans			Allowance for Bad Debts		
		June 30, 2016	December 31, 2015	June 30, 2015	June 30, 2016	December 31, 2015	June 30, 2015
With objective evidence of impairment	Assessment of individual impairment	$ 216,565	$ 209,879	$ 212,094	$ 83,335	$ 84,667	$ 52,618
	Assessment of collective impairment	790,743	784,792	798,115	433,383	432,473	450,773
With no objective evidence of impairment	Assessment of collective impairment	235,446,367	219,931,637	223,169,526	2,750,128	2,598,556	2,441,334
Total		236,453,675	220,926,308	224,179,735	3,266,846	3,115,696	2,944,725

Items		Receivables			Allowance for Bad Debts		
		June 30, 2016	December 31, 2015	June 30, 2015	June 30, 2016	December 31, 2015	June 30, 2015
With objective evidence of impairment	Assessment of individual impairment	$ 1,908,972	$ 1,884,175	$ 2,091,556	$ 1,171,325	$ 1,169,447	$ 1,079,299
	Assessment of collective impairment	93,166	87,984	89,049	56,689	53,327	58,019
With no objective evidence of impairment	Assessment of collective impairment	29,789,979	40,537,844	48,494,626	351,152	526,154	452,986
Total		31,792,117	42,510,003	50,675,231	1,579,166	1,748,928	1,590,304

9) Management policies on foreclosed collaterals

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

The Bank and subsidiaries' foreclosed collaterals were mainly securities, land and buildings. As of June 30, 2016, December 31, 2015 and June 30, 2015, the carrying amounts of the collaterals were $0 thousand. Foreclosed collaterals assumed are classified as other assets in the consolidated balance sheets.

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

a) Asset quality of nonperforming loans and overdue receivable

Item			June 30, 2016				
			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 201,553	$ 45,887,397	0.44%	$ 557,390	276.55%
	Unsecured		164,881	114,215,531	0.14%	1,445,253	876.54%
Consumer banking	Mortgage (Note 4)		34,920	26,592,540	0.13%	355,196	1,017.18%
	Cash card		192,297	15,519,598	1.24%	432,643	224.99%
	Micro credit (Note 5)		139,940	19,272,975	0.73%	276,500	197.59%
	Other (Note 6)	Secured	7,530	14,909,779	0.05%	199,118	2,644.26%
		Unsecured	2,551	55,855	4.57%	746	29.25%
Total			743,672	236,453,675	0.31%	3,266,846	439.29%
			Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			40,233	2,912,560	1.38%	66,903	166.29%
Account receivable - factoring without recourse (Note 7)			59	2,002,740	0.00%	26,181	44,131.45%

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

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: Household 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 - factoring without recourse.

b) Exemption on nonperforming loans and overdue receivables

Items	June 30, 2016		June 30, 2015	
	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
Amounts of executed contracts on negotiated debts not reported (Note 1)	$ 43,242	$ 239	$ 65,789	$ 293
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	33,718	4,519	42,529	4,222
Total	$ 76,960	$ 4,758	$ 108,318	$ 4,515

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

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

c) Concentration of credit risk

June 30, 2016

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth (%)
1	A Group - 016100 telecommunication industry	$ 6,387,123	10.94
2	B Group - 016700 real estate brokerage	4,756,522	8.15
3	C Group - 015100 civil aviation transportation	4,610,451	7.89
4	D Group - 012641 LCD and related components manufacturing	3,885,141	6.65
5	E Group - 012740 data storage media	3,750,000	6.42
6	F Group - 012711 computer manufacturing	3,665,713	6.28
7	G Group - 017112 Engineering activities and related technical consultancy	2,965,540	5.08
8	H Group - 012411 iron and steel smelting	2,961,018	5.07
9	I Group - 012611 IC manufacturing	2,898,336	4.96
10	J Group - 012630 printed circuit boards manufacturing	2,879,723	4.93

June 30, 2015

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

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.

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) Maturity analysis of non-derivative financial liabilities

The following tables show the cash outflows on the Bank's non-derivative 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)

June 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 14,374,885	$ 119,978	$ 504,427	$ 571,748	$ -	$ 15,571,038
Notes and bonds issued under repurchase agreements	3,023,648	837,923	-	-	-	3,861,571
Deposits and remittances	47,670,978	53,716,008	51,981,286	58,989,022	21,777,527	234,134,821
Bank debentures payable	-	-	-	-	2,750,000	2,750,000
Other capital outflow on maturity	4,264,742	211,450	296,881	637,769	618,068	6,028,910
Total	$ 69,334,253	$ 54,885,359	$ 52,782,594	$ 60,198,539	$ 25,145,595	$ 262,346,340

(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 capital 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)

June 30, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 84,824	$ 121,416	$ 507,501	$ 577,439	$ -	$ 1,291,180
Notes and bonds issued under repurchase agreements	6,574,557	300,000	-	-	-	6,874,557
Deposits and remittances	39,127,665	57,547,388	65,305,684	47,187,911	22,518,907	231,687,555
Bank debentures payable	-	-	-	1,063,698	2,750,000	3,813,698
Other capital outflow on maturity	1,645,218	201,196	278,896	366,698	1,164,553	3,656,561
Total	$ 47,432,264	$ 58,170,000	$ 66,092,081	$ 49,195,746	$ 26,433,460	$ 247,323,551

(In Thousands of U.S. Dollars)

June 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 30,000	$ 80,000	$ -	$ -	$ -	$ 110,000
Notes and bonds issued under repurchase agreements	823,809	578,260	-	-	-	1,402,069
Deposits and remittances	890,176	616,884	391,784	557,397	26,458	2,482,699
Bank debentures payable	-	-	-	-	325,030	325,030
Other capital outflow on maturity	16,217	13,455	1,947	736	11,825	44,180
Total	$ 1,760,202	$ 1,288,599	$ 393,731	$ 558,133	$ 363,313	$ 4,363,978

(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 capital 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)

June 30, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 27,000	$ -	$ -	$ -	$ -	$ 27,000
Notes and bonds issued under repurchase agreements	501,286	984,198	235,433	-	-	1,720,917
Deposits and remittances	2,175,351	472,991	545,279	370,001	267	3,563,889
Bank debentures payable	-	-	-	-	97,617	97,617
Other capital outflow on maturity	17,730	9,498	1,992	6,235	8,080	43,535
Total	$ 2,721,367	$ 1,466,687	$ 782,704	$ 376,236	$ 105,964	$ 5,452,958

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 derivative instruments was as follows:

(In Thousands of New Taiwan Dollars)

June 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	$ (177,529,259)	$ (177,990,288)	$ (148,384,569)	$ (45,146,489)	$ (327,000)	$ (549,377,605)
Cash inflow	182,863,409	153,732,850	159,809,847	38,056,177	1,127,525	535,589,808
Interest rate derivatives instruments						
Cash outflow	(175,400)	(355,848)	(16,209)	(1,508,524)	(8,437,261)	(10,493,242)
Cash inflow	159,147	337,857	18,604	-	-	515,608
Others						
Cash outflow	-	-	-	-	-	-
Cash inflow	2,790	-	-	-	-	2,790
Cash outflow subtotal	(177,704,659)	(178,346,136)	(148,400,778)	(46,655,013)	(8,764,261)	(559,870,847)
Cash inflow subtotal	183,025,346	154,070,707	159,828,451	38,056,177	1,127,525	536,108,206
Net cash flow	$ 5,320,687	$ (24,275,429)	$ 11,427,673	$ (8,598,836)	$ (7,636,736)	$ (23,762,641)

(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 exchange derivatives 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 rate derivatives 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
Others						
Cash outflow	(770)	-	-	-	-	(770)
Cash inflow	-	-	-	-	-	-
Cash outflow subtotal	(211,559,665)	(193,950,831)	(154,025,125)	(17,435,655)	(12,263,792)	(589,235,068)
Cash inflow subtotal	208,414,727	193,583,366	112,758,681	36,762,530	52,369	551,571,673
Net cash flow	$ (3,144,938)	$ (367,465)	$ (41,266,444)	$ 19,326,875	$ (12,211,423)	$ (37,663,395)

(In Thousands of New Taiwan Dollars)

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

(In Thousands of U.S. Dollars)

June 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	$ (6,768,797)	$ (5,095,573)	$ (5,033,490)	$ (1,551,025)	$ (147,894)	$ (18,596,779)
Cash inflow	6,630,423	5,913,754	4,663,854	1,678,454	133,671	19,020,156
Interest rate derivatives instruments						
Cash outflow	(69,909)	(22,978)	(16,787)	(1,188)	(94,195)	(205,057)
Cash inflow	8,741	19,037	20,033	871	-	48,682
Others						
Cash outflow	(399)	-	-	-	-	(399)
Cash inflow	314	-	-	-	-	314
Cash outflow subtotal	(6,839,105)	(5,118,551)	(5,050,277)	(1,552,213)	(242,089)	(18,802,235)
Cash inflow subtotal	6,639,478	5,932,791	4,683,887	1,679,325	133,671	19,069,152
Net cash flow	$ (199,627)	$ 814,240	$ (366,390)	$ 127,112	$ (108,418)	$ 266,917

(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 exchange derivatives 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 rate derivatives 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
Others						
Cash outflow	(460)	-	-	-	-	(460)
Cash inflow	259	-	-	-	-	259
Cash outflow subtotal	(7,425,377)	(6,203,159)	(3,603,251)	(1,524,355)	(256,111)	(19,012,253)
Cash inflow subtotal	7,289,668	6,184,250	4,908,247	835,097	72,396	19,289,658
Net cash flow	$ (135,709)	$ (18,909)	$ 1,304,996	$ (689,258)	$ (183,715)	$ 277,405

(In Thousands of U.S. Dollars)

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

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.

June 30, 2016	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	$ 5,780,270	$ 12,406,943	$ 10,970,037	$ 28,049,804	$ 46,050,006	$ 103,257,060

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

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

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:

June 30, 2016	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	$ 3,780,335	$ 2,819,875	$ -	$ 6,600,210
Financial lease present value income (lessor)	3,527,460	2,648,861	-	6,176,321
Operating lease payment (lessee)	259,468	491,569	1,650	752,687
Operating lease income (lessor)	16,047	30,986	-	47,033
Present value of financial lease payment (lessee)	2,635	141	-	2,776

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
Present value of financial lease payment (lessee)	3,916	876	-	4,792

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

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

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

(In Thousands of New Taiwan Dollars)

June 30, 2016	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 100,603,417	$ 225,215,420	$ 185,360,863	$ 187,870,853	$ 79,151,622	$ 95,568,786	$ 873,770,961
Main capital outflow on maturity	86,519,511	186,231,274	283,967,156	240,635,057	134,599,184	129,798,183	1,061,750,365
Gap	14,083,906	38,984,146	(98,606,293)	(52,764,204)	(55,447,562)	(34,229,397)	(187,979,404)

(In Thousands of New Taiwan Dollars)

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

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

(In Thousands of U.S. Dollars)

June 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 8,702,375	$ 6,755,329	$ 5,214,109	$ 1,984,132	$ 858,815	$ 23,514,760
Main capital outflow on maturity	9,787,551	8,783,637	7,179,008	2,113,576	659,418	28,523,190
Gap	(1,085,176)	(2,028,308)	(1,964,899)	(129,444)	199,397	(5,008,430)

(In Thousands of U.S. Dollars)

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

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. 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 department of the Bank independently performs daily market risk limit controls, and makes regularly reports to both the Risk Management Committee and CDFH's Risk Management Committee. Besides, the above reports are quarterly 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.

(In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30, 2016			For the Year Ended December 31, 2015			For the Six Months Ended June 30, 2015		
	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	$ 31,334	$ 53,221	$ 17,493	$ 47,779	$ 118,218	$ 11,394	$ 44,634	$ 147,893	$ -
Equity risk	5,317	12,389	2,336	15,831	28,568	7,542	11,284	18,642	4,977
Foreign exchange risk	41,120	68,827	18,915	8,539	27,412	1,514	8,337	24,882	197

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) Foreign 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)

	June 30, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 5,371,925	32.29	$ 173,437,980
RMB	2,021,217	4.85	9,799,469
HKD	964,011	4.16	4,011,441
EUR	64,091	35.88	2,299,441
JPY	4,572,971	0.31	1,436,827
ZAR	566,549	2.18	1,235,076
SGD	30,534	23.93	730,710
GBP	9,380	43.46	407,634
AUD	9,616	23.98	230,559
NZD	6,332	22.90	145,008
Nonmonetary items			
HKD	553,575	4.16	2,303,536
Financial liabilities			
Monetary items			
USD	5,627,013	32.29	181,673,730
RMB	2,083,554	4.85	10,101,693
ZAR	1,495,868	2.18	3,260,991
AUD	86,656	23.98	2,077,754
HKD	482,880	4.16	2,009,359
EUR	53,311	35.88	1,912,681
JPY	4,608,717	0.31	1,448,059
GBP	8,243	43.46	358,225
KRW	3,993,213	0.03	111,738

	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

	June 30, 2015		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 5,085,563	31.07	$ 158,008,434
RMB	3,095,988	5.01	15,501,613
EUR	50,576	34.70	1,754,837
JPY	4,351,573	0.25	1,105,735
HKD	130,129	4.01	521,545
AUD	7,686	23.86	183,403
Nonmonetary items			
HKD	438,799	4.01	1,758,662
Financial liabilities			
Monetary items			
USD	5,995,748	31.07	185,045,076
RMB	2,240,981	5.01	11,220,590
ZAR	424,217	2.54	1,076,791
JPY	3,824,618	0.25	971,835
EUR	22,250	34.70	772,014

(Continued)

	June 30, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
AUD	$ 31,350	23.86	$ 748,100
HKD	186,530	4.01	747,592
NZD	19,277	21.15	407,667
KRW	7,257,290	0.03	202,094

(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)

June 30, 2016

(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	$ 214,382,200	$ 15,059,897	$ 3,919,158	$ 77,710,660	$ 311,071,915
Interest rate-sensitive liabilities	111,592,591	97,770,500	35,533,671	7,740,597	252,637,359
Interest rate sensitivity gap	102,789,609	(82,710,603)	(31,614,513)	69,970,063	58,434,556
Net worth					56,637,576
Ratio of interest rate-sensitive assets to liabilities (%)					123.13
Ratio of interest rate-sensitive gap to net worth (%)					103.17

June 30, 2015

(In Thousands of New Taiwan Dollars)

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

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)

June 30, 2016

(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	$ 2,075,850	$ 394,668	$ 279,553	$ 1,297,099	$ 4,047,170
Interest rate-sensitive liabilities	3,245,018	339,656	383,637	351,488	4,319,799
Interest rate sensitivity gap	(1,169,168)	55,012	(104,084)	945,611	(272,629)
Net worth					54,016
Ratio of interest rate-sensitive assets to liabilities (%)					93.69
Ratio of interest rate-sensitive gap to net worth (%)					(504.72)

June 30, 2015

(In Thousands of U.S. Dollars)

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

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:

June 30, 2016					
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	$ 24,132,258	$ 22,952,345	$ 24,132,258	$ 22,952,345	$ 1,179,913
Available-for-sale financial assets	22,197,148	20,829,209	22,197,148	20,829,209	1,367,939

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

June 30, 2015					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Fair Value of Net Position
Notes and bonds issued under repurchase agreements					
Financial assets at fair value through profit or loss	$ 29,082,295	$ 27,516,042	$ 29,082,295	$ 27,516,042	$ 1,566,253
Available-for-sale financial assets	31,309,683	29,923,291	31,309,683	29,923,291	1,386,392

f. Offsetting financial assets and financial liabilities

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

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

June 30, 2016						
Financial Assets Under Offsetting, Net Settlement Contracts or Similar Agreements						
Financial Assets	**Recognized Financial Assets - Gross Amount (a)**	**Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount (b)**	**Recognized Financial Assets - Net Amount (c)=(a)-(b)**	**Related Amount Not Netted on the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Securities purchased under resell agreements	$ 8,016,394	$ -	$ 8,016,394	$ 8,016,394	$ -	$ -
Derivative financial instruments	17,737,913	-	17,737,913	7,837,268	331,734	9,568,911
Total	$ 25,754,307	$ -	$ 25,754,307	$ 15,853,662	$ 331,734	$ 9,568,911

June 30, 2016						
Financial Liabilities Under Offsetting, Net Settlement Contracts or Similar Agreements						
Financial Liabilities	**Recognized Financial Liabilities - Gross Amount (a)**	**Netted Financial Assets Recognized on the Balance Sheet - Gross Amount (b)**	**Recognized Financial Liabilities - Net Amount (c)=(a)-(b)**	**Related Amount Not Netted on the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Pledged**	
Notes and bonds issued under repurchase agreements	$ 49,128,784	$ -	$ 49,128,784	$ 48,740,508	$ 388,276	$ -
Derivative financial instruments	20,871,901	-	20,871,901	7,837,268	6,553,893	6,480,740
Total	$ 70,000,685	$ -	$ 70,000,685	$ 56,577,776	$ 6,942,169	$ 6,480,740

December 31, 2015						
Financial Assets Under Offsetting, Net Settlement Contracts or Similar Agreements						
Financial Assets	**Recognized Financial Assets - Gross Amount (a)**	**Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount (b)**	**Recognized Financial Assets - Net Amount (c)=(a)-(b)**	**Related Amount Not Netted on 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 financial 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						
Financial Liabilities Under Offsetting, Net Settlement Contracts or Similar Agreements						
Financial Liabilities	**Recognized Financial Liabilities - Gross Amount (a)**	**Netted Financial Assets Recognized on the Balance Sheet - Gross Amount (b)**	**Recognized Financial Liabilities - Net Amount (c)=(a)-(b)**	**Related Amount Not Netted on the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Pledged**	
Notes and bonds issued under repurchase agreements	$ 61,010,030	$ -	$ 61,010,030	$ 60,540,403	$ 469,627	$ -
Derivative financial 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

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

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

Note: Financial instruments include master netting arrangements and non-cash collateral.

43. 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

Items		Year	June 30, 2016	December 31, 2015	June 30, 2015
Eligible capital	Common equity Tier 1 capital		$ 52,659,987	$ 53,124,545	$ 51,349,289
	Additional Tier 1 capital		-	-	-
	Tier 2 capital		-	179,269	-
	Eligible capital		52,659,987	53,303,814	51,349,289
Risk-weighted assets	Credit risk	Standardized approach	306,244,891	296,938,821	294,991,082
		Internal rating-based approach	-	-	-
		Securitization	-	-	-
	Operational risk	Basic indicator approach	18,539,893	18,407,174	11,389,552
		Standardized approach/ alternative standardized approach	-	-	-
		Advanced measurement approach	-	-	-
	Market risk	Standardized approach	29,611,575	40,872,275	33,407,700
		Internal model approach	-	-	-
	Total risk-weighted assets		354,396,359	356,218,270	339,788,334
Capital adequacy ratio			14.86%	14.96%	15.11%
Ratio of common equity to risk-weighted assets			14.86%	14.91%	15.11%
Ratio of Tier 1 capital to risk-weighted assets			14.86%	14.91%	15.11%
Leverage ratio			9.47%	9.28%	8.87%

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.

44. TRUST BUSINESS OPERATIONS UNDER THE TRUST ENTERPRISES ACT

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

Balance Sheets of Trust Accounts

(In Thousands of New Taiwan Dollars)

Trust Assets	June 30, 2016	December 31, 2015	June 30, 2015	Trust Liabilities	June 30, 2016	December 31, 2015	June 30, 2015
Bank deposits	$ 408,224	$ 654,161	$ 960,009	Payables	$ 152,563	$ 154,615	$ 152,598
Short-term investment	30,164,221	31,338,483	34,709,275	Other liabilities	1,324,930	1,336,311	1,349,080
Receivables	104,475	51,927	125,983	Trust capital	35,316,337	37,805,193	41,737,334
Payments for others	1,166,795	1,166,813	1,159,802	Accumulated earnings	735,395	795,758	1,132,135
Financial assets at FVTPL	2,467,147	3,697,006	4,229,165				
Financial assets measured at cost	1,401,426	1,401,010	1,400,000				
Real estate, net	831,400	797,943	797,943				
Intangible assets - surface rights	984,534	984,534	984,534				
Other assets	1,003	-	4,436				
Total	$ 37,529,225	$ 40,091,877	$ 44,371,147	Total	$ 37,529,225	$ 40,091,877	$ 44,371,147

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended June 30 2016	For the Three Months Ended June 30 2015	For the Six Months Ended June 30 2016	For the Six Months Ended June 30 2015
Trust income and gains				
Operating income	$ 56,913	$ 51,396	$ 66,042	$ 51,585
Interest income	355,612	429,819	661,855	836,219
Rental income	7,956	7,763	15,057	15,639
Gain or loss on financial assets at FVTPL, net	(175,812)	682,311	286,794	806,021
Others income	721	132	21,107	692
Total trust income and gains	245,390	1,171,421	1,050,855	1,710,156
Property transaction losses	(596,358)	(254,074)	(1,131,174)	(411,996)

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Trust expenses				
Administrative expenses	$ 6,066	$ 9,269	$ 11,726	$ 16,373
Interest expenses	16,322	16,320	32,642	32,640
Service fee	106	42	123	42
Other expenses	4,817	1,282	9,737	2,444
Total trust expenses	27,311	26,913	54,228	51,499
Net income (loss)	$ (378,279)	$ 890,434	$ (134,547)	$ 1,246,661

(Concluded)

The above income from trust operations were excluded from Bank's income.

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	June 30, 2016	December 31, 2015	June 30, 2015
Bank deposits	$ 408,224	$ 654,161	$ 960,009
Short-term investments			
Funds	28,356,693	29,808,756	33,483,556
Bonds	1,391,260	1,113,036	890,983
Common shares	79,600	81,400	82,900
Structured notes	212,692	215,507	208,302
ETF	123,976	119,784	43,534
Financial assets at FVTPL	2,467,147	3,697,006	4,229,165
Payment for others	1,166,795	1,166,813	1,159,802
Financial assets measured at cost	1,401,426	1,401,010	1,400,000
Real estate, net	831,400	797,943	797,943
Intangible assets - surface rights	984,534	984,534	984,534
Other assets	105,478	51,927	130,419
Total	$ 37,529,225	$ 40,091,877	$ 44,371,147

45. 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 38 to the consolidated financial statements.

46. PROFITABILITY

(%)

Items		June 30, 2016	June 30, 2015 (Note 6)
Return on total assets	Before income tax	0.81	1.24
	After income tax	0.76	1.08
Return on net worth	Before income tax	7.44	12.36
	After income tax	6.99	10.78
Profit margin		41.48	54.45

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.

47. 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): For the Bank and other subsidiaries' information: None.

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 3 (attached).

13) Derivative transactions: Please refer to Notes 8, 41 and 42 to the consolidated financial statements.

b. Information on investments in Mainland China: Table 4 (attached).

c. Business relationships and significant transactions among the Bank and subsidiaries. Table 5 (attached).

48. 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. Retail banking segment: The segment mainly provides cash cards, credit cards, personal loans, mortgages, emerging corporate, 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:

	Retail Banking Segment	Corporate Banking Segment	Global Markets Segment	Others	Total
For the three months ended June 30, 2015					
Interest revenue, net	$ 641,351	$ 861,305	$ 326,885	$ 104,823	$ 1,934,364
Net revenue (loss) - intersegment	349,721	(218,915)	(218,086)	87,280	-
Noninterest profits and gains (losses), net	358,334	33,583	585,788	(52,697)	925,008
Net revenue	1,349,406	675,973	694,587	139,406	2,859,372
Reversal of allowance for (allowance) bad debts expense and guarantee liability provision, net	76,061	501,513	6,454	(136,035)	447,993
Operating expenses	(608,535)	(139,122)	(90,312)	(532,779)	(1,370,748)
Income (loss) before income tax	816,932	1,038,364	610,729	(529,408)	1,936,617
Income tax expense	-	-	-	(244,808)	(244,808)
Net income (loss)	$ 816,932	$ 1,038,364	$ 610,729	$ (774,216)	$ 1,691,809
For the three months ended June 30, 2016					
Interest revenue, net	$ 553,871	$ 565,445	$ 217,361	$ 59,140	$ 1,395,817
Net revenue (loss) - intersegment	477,122	(44,626)	(159,558)	(272,938)	-
Noninterest profits and gains (losses), net	137,813	77,374	580,939	300,181	1,096,307
Net revenue	1,168,806	598,193	638,742	86,383	2,492,124
Reversal of allowance for (allowance) bad debts expense and guarantee liability provision, net	56,983	(26,010)	(27,280)	(58,163)	(54,470)
Operating expenses	(734,577)	(151,033)	(23,907)	(388,898)	(1,298,415)
Income (loss) before income tax	491,212	421,150	587,555	(360,678)	1,139,239
Income tax expense	-	-	-	(102,129)	(102,129)
Net income (loss)	$ 491,212	$ 421,150	$ 587,555	$ (462,807)	$ 1,037,110
For the six months ended June 30, 2015					
Interest revenue, net	$ 1,372,859	$ 1,584,369	$ 864,686	$ 150,412	$ 3,972,326
Net revenue (loss) - intersegment	526,087	(333,662)	(502,648)	310,223	-
Noninterest profits and gains (losses), net	667,169	152,411	794,947	(44,475)	1,570,052
Net revenue	2,566,115	1,403,118	1,156,985	416,160	5,542,378
Reversal of allowance for (allowance) bad debts expense and guarantee liability provision, net	138,796	598,952	(3,732)	(123,263)	610,753
Operating expenses	(1,197,639)	(295,176)	(196,858)	(1,005,163)	(2,694,836)
Income (loss) before income tax	1,507,272	1,706,894	956,395	(712,266)	3,458,295
Income tax expense	-	-	-	(440,442)	(440,442)
Net income (loss)	$ 1,507,272	$ 1,706,894	$ 956,395	$ (1,152,708)	$ 3,017,853

(Continued)

	Retail Banking Segment	Corporate Banking Segment	Global Markets Segment	Others	Total
For the six months ended June 30, 2016					
Interest revenue, net	$ 1,108,292	$ 1,128,094	$ 414,901	$ 120,148	$ 2,771,435
Net revenue (loss) - intersegment	667,407	(122,132)	(491,434)	(53,841)	-
Noninterest profits and gains (losses), net	533,737	122,118	1,392,210	90,066	2,138,131
Net revenue	2,309,436	1,128,080	1,315,677	156,373	4,909,566
Reversal of allowance for (allowance) bad debts expense and guarantee liability provision, net	102,147	28,835	(63,216)	(90,710)	(22,944)
Operating expenses	(1,424,390)	(296,664)	(200,872)	(797,442)	(2,719,368)
Income (loss) before income tax	987,193	860,251	1,051,589	(731,779)	2,167,254
Income tax expense	-	-	-	(130,584)	(130,584)
Net income (loss)	$ 987,193	$ 860,251	$ 1,051,589	$ (862,363)	$ 2,036,670

(Concluded)

b. Segment assets and liabilities

	Retail Banking Segment	Corporate Banking Segment	Global Markets Segment	Others	Total
June 30, 2016					
Assets	$ 98,071,822	$ 121,006,755	$ 242,458,766	$ 57,519,017	$ 519,056,360
Liabilities	$ 137,765,580	$ 189,169,353	$ 121,406,755	$ 12,108,663	$ 460,450,351
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
June 30, 2015					
Assets	$ 88,684,048	$ 243,535,404	$ 204,308,478	$ 14,887,307	$ 551,415,237
Liabilities	$ 234,278,821	$ 170,841,804	$ 80,956,941	$ 8,531,760	$ 494,609,326

KGI BANK AND SUBSIDIARIES

COLLATERALS/GUARANTEE PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(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 Corporation	Note 1	$ 6,783,050	$ 3,471,015	$ 3,148,155	$ 1,420,584	$ -	232.06%	$ 6,783,050 (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 statements.

TABLE 2

KGI BANK AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
JUNE 30, 2016
(In Thousands of New Taiwan Dollars)

Holding Company	Marketable Security Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2016				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 2)	
CDIB Management Consulting Corporation	Stocks							
	CDC Finance & Leasing Corp.	Subsidiary	Investments accounted for using the equity method	58,328,460	$ 660,053	76.04	$ 660,053	
	CDIB International Leasing Corp.	Subsidiary	Investments accounted for using the equity method	-	585,824	100.00	585,824	
CDC Finance & Leasing Corp.	Stocks							
	Hwahong Corporation	Associate	Investments accounted for using the equity method	23,750	877	19.00	877	
	First Financial Holding Co., Ltd.	-	Available-for-sale financial assets	786,860	13,298	0.01	13,298	

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 June 30, 2016. 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: No securities were treated as collaterals or warrants.

Note 4: The above companies which are the subsidiaries of the Bank were eliminated from the consolidated financial statements.

TABLE 3

KGI BANK AND SUBSIDIARIES

INFORMATION ON INVESTED ENTERPRISES
JUNE 30, 2016
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business	Balance as of June 30, 2016			Consolidated Investment (Note 1)				Note
			Percentage of Ownership	Carrying Value	Investment Gain (Loss)	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	-	18,369,733	-	18,369,733	6.18	
Financial Information Service Co., Ltd.	Taiwan	Telecommunication service; information system service	1.23	49,120	-	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	5,966	7,500,000	-	7,500,000	0.57	
Reliance Securities Investment Trust Co., Ltd.	Taiwan	Issue beneficiary certificates; raise investment funds	12.31	46,752	-	3,840,175	-	3,840,175	12.31	
Sunlight Asset Management Co., Ltd.	Taiwan	Purchasing for financial institutions' loans	5.74	3,445	411	344,476	-	344,476	5.74	
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	1,290,976	(68,464)	153,171,873	-	153,171,873	100.00	
Nonfinancial industry-related										
Euroc II Venture Capital Corp.	Taiwan	Venture capital corporation	7.50	8,759	1,003	2,244,000	-	2,244,000	7.50	
Cosmos Construction Management Corporation	Taiwan	Valuation on real estate, contract evaluation	9.39	-	-	6,991,000	-	6,991,000	9.39	
Lieu-An Service Co.	Taiwan	ATM cash cartridge replacement and service provision	5.00	1,250	-	125,000	-	125,000	5.00	
Euroc III Venture Capital Corp.	Taiwan	Venture capital corporation	5.00	4,283	900	990,000	-	990,000	5.00	
CDIB & Partners Investment Holding Corp.	Taiwan	General investment corporation	4.95	688,291	4,308	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: The above companies which are the subsidiaries of the Bank were eliminated from the consolidated financial statements.

KGI BANK AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
JUNE 30, 2016
(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, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2016	Net Loss of the investee	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of June 30, 2016	Accumulated Inward Remittance of Earnings as of June 30, 2016
					Outflow	Inflow						
CDIB International Leasing Corporation	Financial leasing and management business consulting	RMB 187,750 thousand	Note 1 (a)	US$ 30,000 thousand	$ -	$ -	US$ 30,000 thousand	$ (98,615)	100.00	$ (98,615)	$ 585,824	$ -

Accumulated Investment in Mainland China as of June 30, 2016	Investment Amount Authorized by the Investment Commission, MOEA	Limit on Investment
$968,580 (US$30,000 thousand)	US$30,000 thousand	$774,586

Note 1: The investment types are as follows:

a. Direct investments.

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

c. 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 audited by an international CPA firm having a cooperative relation with CPA firms in the Republic of China;
2) Financial statements audited 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 SIX MONTHS ENDED JUNE 30, 2016
(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	CDC Finance & Leasing Corp.	1	Deposit and remittances	$ 68,322	Note 4	0.01%
1	CDC Finance & Leasing Corp.	KGI Bank	2	Cash and cash equivalents	68,322	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.