KGI Bank and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2017 and 2016 and Independent Auditors’ Report

勤業眾信

勤業眾信聯合會計師事務所
10596 台北市民生東路三段156號12樓

Deloitte & Touche
12th Floor, Hung Tai Financial Plaza
156 Min Sheng East Road, Sec. 3
Taipei 10596, Taiwan

Tel :+886 (2) 2545-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REPORT

KGI Bank

Opinion

We have audited the accompanying consolidated financial statements of KGI Bank (the Bank) and subsidiaries, which comprise the consolidated balance sheets as of June 30, 2017, December 31, 2016 and June 30, 2016, and the related consolidated statements of comprehensive income for the three and six months ended June 30, 2017 and 2016, changes in equity and cash flow for the six months then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank and subsidiaries as of June 30, 2017, December 31, 2016 and June 30, 2016, and their consolidated financial performance for the three and six months ended June 30, 2017 and 2016, and their consolidated cash flows for the six months then end, in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank and subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the consolidated financial statements of the Bank and subsidiaries for the six months ended June 30, 2017 are stated as follows:

<u>Impairment of Discounts, Loans and Receivables</u>

Loan is the main business of the Bank, which is material to the consolidated financial statement as a whole as it accounts for 47% of the total assets of the consolidated financial statement. As stated in Note 5, to determine the impairment loss of discounts, loans and receivables, the management should (1) judge whether there is any objective evidence of impairment, (2) estimate the expected future cash flow based on historical loss on assets with similar credit risk, and (3) review periodically the methodology and assumptions adopted for both expected future cash flow and its timing to decrease the difference between estimated and actual amount of impairment. The methodology and assumptions adopted for the assessment of objective evidence of impairment and the amount and timing of future cash flows (e.g. impairment occurrence rate, and recovery rate) require the exercise of critical judgments and estimates; therefore, the impairment of discounts, loans and receivables is deemed to be a key audit matter for the six months ended June 30, 2017.

Refer to Notes 4, 5 and 42 for the critical accounting policy, judgment, estimation uncertainty and related disclosure of the impairment for discounts, loans and receivables.

Our key audit procedures performed in respect of the above area included the following:

We understood and assessed the Bank's internal controls related to the discounts, loans and receivables. We verified whether the methodology used in impairment model and parameters of the assumptions reflected actual outcome appropriately. We assessed the consistency of the impairment occurrence rate and recovery rate, etc. used in estimating expected future cash flows and evaluating values of collateral. Finally, we performed sampling on discounts, loans and receivables cases to verify whether the allowance thereof complies with the law and related regulations issued by the authorities.

Other Matter

We have also audited the parent company only financial statements of the Bank as of and for the six months ended June 30, 2017 and 2016 on which we have issued an unqualified opinion thereon, respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Public Banks, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of the Bank and subsidiaries to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the financial reporting process of the Bank and subsidiaries.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Bank and subsidiaries.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Bank and subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank and subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank and subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Bank and subsidiaries audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six months ended June 30, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Mei-Hui Wu and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 24, 2017

<u>*Notice to Readers*</u>

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, 2017		December 31, 2016		June 30, 2016	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 6 and 38)	$ 10,271,056	2	$ 6,844,281	1	$ 4,741,802	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 7 and 39)	43,762,617	7	71,884,564	13	75,352,677	14
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8, 38 and 39)	68,147,525	11	97,839,572	17	83,704,394	16
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 9)	908,096	-	795,850	-	8,016,394	2
RECEIVABLES, NET (Notes 10, 38 and 39)	27,423,652	5	28,853,761	5	30,551,197	6
CURRENT TAX ASSETS (Notes 36 and 38)	13,260	-	16	-	16	-
ASSETS HELD FOR SALE, NET (Note 15)	12,290	-	12,290	-	-	-
DISCOUNTS AND LOANS, NET (Notes 11 and 38)	276,521,855	47	252,376,992	44	233,103,615	45
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 12 and 39)	144,441,126	24	88,722,046	15	59,778,373	11
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Note 13)	801,032	-	733,888	-	689,168	-
OTHER FINANCIAL ASSETS, NET (Notes 14 and 39)	4,287,130	1	3,883,814	1	3,088,366	1
PROPERTY AND EQUIPMENT, NET (Notes 15 and 39)	5,915,574	1	5,937,605	1	6,042,288	1
INVESTMENT PROPERTY, NET (Notes 16 and 39)	842,557	-	671,022	-	558,656	-
INTANGIBLE ASSETS, NET	263,364	-	256,303	-	236,451	-
DEFERRED TAX ASSETS (Note 36)	4,169,348	1	4,477,043	1	5,115,397	1
OTHER ASSETS, NET (Notes 17, 38 and 39)	6,664,508	1	8,853,552	2	8,077,566	2
TOTAL	$ 594,444,990	100	$ 572,142,599	100	$ 519,056,360	100
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits from the Central Bank and banks (Notes 18 and 38)	$ 28,356,201	5	$ 30,917,374	5	$ 19,122,498	4
Financial liabilities at fair value through profit or loss (Notes 8 and 38)	42,044,882	7	39,408,142	7	31,365,808	6
Notes and bonds issued under repurchase agreements (Notes 8, 12 and 19)	66,742,065	11	62,138,314	11	49,128,784	9
Payables (Notes 20 and 38)	9,701,020	2	4,189,647	1	5,275,963	1
Current tax liabilities (Notes 36 and 38)	352,595	-	379,732	-	290,433	-
Deposits and remittances (Notes 21 and 38)	352,821,254	59	343,447,506	60	326,213,961	63
Bank debentures payable (Note 22)	3,719,875	1	2,684,236	1	2,648,007	-
Principal received on structured notes	22,138,708	4	21,875,414	4	17,621,073	3
Commercial paper payable, net (Note 23)	1,879,077	-	2,557,309	-	2,744,211	1
Other borrowings (Note 24)	3,047,253	-	3,162,103	1	2,841,630	1
Other financial liabilities	1,490	-	877	-	2,776	-
Provisions (Note 25)	236,922	-	236,659	-	369,042	-
Deferred tax liabilities (Note 36)	175,384	-	78,585	-	59,369	-
Other liabilities (Note 27)	3,343,674	1	2,146,125	-	2,766,796	1
Total liabilities	534,560,400	90	513,222,023	90	460,450,351	89
EQUITY (Note 28)						
Equity attributable to owners of parent						
Capital						
Common stock	46,061,623	8	46,061,623	8	46,061,623	9
Capital surplus						
Additional paid-in capital	7,245,710	1	7,245,710	1	7,245,710	1
Other capital surplus	4,304	-	3,570	-	2,643	-
Total capital surplus	7,250,014	1	7,249,280	1	7,248,353	1
Retained earnings						
Legal reserve	3,694,540	1	2,573,818	-	2,573,818	1
Special reserve	1,323,519	-	409,670	-	409,670	-
Unappropriated earnings	1,638,765	-	3,735,739	1	2,024,409	-
Total retained earnings	6,656,824	1	6,719,227	1	5,007,897	1
Other equity						
Exchange differences on translation of foreign financial statements	3,231	-	29,311	-	45,990	-
Unrealized gains (losses) on available-for-sale financial assets	(285,424)	-	(1,334,152)	-	34,190	-
Total other equity	(282,193)	-	(1,304,841)	-	80,180	-
Total equity of parent company	59,686,268	10	58,725,289	10	58,398,053	11
Non-controlling interests	198,322	-	195,287	-	207,956	-
Total equity	59,884,590	10	58,920,576	10	58,606,009	11
TOTAL	$ 594,444,990	100	$ 572,142,599	100	$ 519,056,360	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			
	2017		2016		2017		2016	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
INTEREST REVENUES (Notes 29 and 38)	$ 2,597,506	96	$ 2,196,114	88	$ 4,906,404	93	$ 4,489,146	91
INTEREST EXPENSES (Notes 29 and 38)	(972,950)	(36)	(800,297)	(32)	(1,876,178)	(35)	(1,717,711)	(35)
NET INTEREST	1,624,556	60	1,395,817	56	3,030,226	58	2,771,435	56
NET REVENUES OTHER THAN INTEREST								
Service fee income, net (Notes 30 and 38)	388,199	14	373,731	15	775,701	15	678,876	14
Gains on financial assets or liabilities measured at fair value through profit or loss, net (Note 31)	550,911	20	94,908	4	1,574,277	30	716,497	15
Realized gains on available-for-sale financial assets, net (Note 32)	370,163	14	423,355	17	223,070	4	680,597	14
Foreign exchange gain (loss), net	(273,085)	(10)	166,647	7	(430,468)	(8)	(1,671)	-
Share of the profit of associates for using equity method	6,928	-	5,521	-	16,041	-	4,189	-
Other non-interest income, net (Notes 33 and 38)	42,017	2	32,145	1	74,806	1	59,643	1
Total net revenues other than interest	1,085,133	40	1,096,307	44	2,233,427	42	2,138,131	44
TOTAL NET REVENUE	2,709,689	100	2,492,124	100	5,263,653	100	4,909,566	100
ALLOWANCE FOR BAD DEBTS EXPENSE AND GUARANTEE LIABILITY PROVISION	(206,194)	(8)	(54,470)	(2)	(344,644)	(7)	(22,944)	(1)
OPERATING EXPENSES (Notes 26, 34, 35 and 38)								
Employee benefits expense	(855,164)	(32)	(805,940)	(32)	(1,702,545)	(32)	(1,605,637)	(33)
Depreciation and amortization expense	(88,661)	(3)	(74,480)	(3)	(170,656)	(3)	(147,683)	(3)
Other general and administrative expenses	(469,557)	(17)	(417,995)	(17)	(945,262)	(18)	(966,048)	(19)
Total operating expenses	(1,413,382)	(52)	(1,298,415)	(52)	(2,818,463)	(53)	(2,719,368)	(55)
INCOME BEFORE INCOME TAX	1,090,113	40	1,139,239	46	2,100,546	40	2,167,254	44
INCOME TAX EXPENSE (Note 36)	(337,946)	(12)	(102,129)	(4)	(457,170)	(9)	(130,584)	(3)
NET INCOME	752,167	28	1,037,110	42	1,643,376	31	2,036,670	41

(Continued)

KGI BANK AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2017		2016		2017		2016	
	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	$ 11,355	1	$ (21,520)	(1)	$ 4,758	-	$ (110,475)	(2)
Unrealized gains (losses) on available-for-sale financial assets	356,328	13	(24,206)	(1)	953,827	18	598,382	12
Share of the other comprehensive income of associates accounted for using the equity method	35,082	1	7,908	-	64,063	2	2,245	-
Other comprehensive income (loss), net of tax	402,765	15	(37,818)	(2)	1,022,648	20	490,152	10
TOTAL COMPREHENSIVE INCOME, NET OF TAX	$ 1,154,932	43	$ 999,292	40	$ 2,666,024	51	$ 2,526,822	51
NET PROFIT ATTRIBUTABLE TO:								
Shareholders of parent company	$ 750,645	28	$ 1,030,833	42	$ 1,638,765	31	$ 2,024,409	41
Non-controlling interests	1,522	-	6,277	-	4,611	-	12,261	-
	$ 752,167	28	$ 1,037,110	42	$ 1,643,376	31	$ 2,036,670	41
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Shareholders of parent company	$ 1,153,410	43	$ 992,826	40	$ 2,661,413	51	$ 2,514,259	51
Non-controlling interests	1,522	-	6,466	-	4,611	-	12,563	-
	$ 1,154,932	43	$ 999,292	40	$ 2,666,024	51	$ 2,526,822	51
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 37)								
Basic	$ 0.16		$ 0.22		$ 0.36		$ 0.44	

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	Non-controlling Interests	Total Equity
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
BALANCE AT JANUARY 1, 2017	$ 46,061,623	$ 7,249,280	$ 2,573,818	$ 409,670	$ 3,735,739	$ 29,311	$ (1,334,152)	$ 58,725,289	$ 195,287	$ 58,920,576
Appropriation of earnings										
Legal reserve	-	-	1,120,722	-	(1,120,722)	-	-	-	-	-
Special reserve	-	-	-	913,849	(913,849)	-	-	-	-	-
Cash dividends - common stocks	-	-	-	-	(1,701,168)	-	-	(1,701,168)	-	(1,701,168)
Change in equity of associate accounted for using equity method	-	(18)	-	-	-	-	-	(18)	-	(18)
Net income for the six months ended June 30, 2017	-	-	-	-	1,638,765	-	-	1,638,765	4,611	1,643,376
Other comprehensive income(loss) for the six months ended June 30, 2017, net of income tax	-	-	-	-	-	(26,080)	1,048,728	1,022,648	-	1,022,648
Total comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	-	1,638,765	(26,080)	1,048,728	2,661,413	4,611	2,666,024
Share-based payments	-	752	-	-	-	-	-	752	-	752
Changes in non-controlling interest	-	-	-	-	-	-	-	-	(1,576)	(1,576)
BALANCE AT JUNE 30, 2017	$ 46,061,623	$ 7,250,014	$ 3,694,540	$ 1,323,519	$ 1,638,765	$ 3,231	$ (285,424)	$ 59,686,268	$ 198,322	$ 59,884,590

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 2017	For the Six Months Ended June 30 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,100,546	$ 2,167,254
Adjustments for:		
Depreciation expenses	123,172	101,752
Amortization expenses	47,484	45,931
Allowance for bad debts expense and guarantee liability provision	344,644	22,944
Interest expense	1,876,178	1,717,711
Interest income	(4,906,404)	(4,489,146)
Dividend income	(55,517)	(81,922)
Share of profits of associates accounted for using equity method	(16,041)	(4,189)
Others	3,277	1,281
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to banks	12,500,948	(16,007,046)
Decrease (increase) in financial assets at fair value through profit or loss	29,692,047	(4,641,996)
Decrease in receivables	1,493,077	10,661,011
Increase in discounts and loans	(24,412,550)	(15,392,490)
Increase in available-for-sale financial assets	(54,765,253)	(3,929,325)
Increase in other financial assets	(403,316)	(2,816,254)
Decrease in other assets	2,470,061	563,620
(Decrease) increase in deposits from the Central Bank and banks	(2,561,173)	9,561,023
Increase in financial liabilities at fair value through profit or loss	2,636,740	5,181,153
Increase (decrease) in notes and bonds issued under repurchase agreements	4,603,751	(11,881,246)
Increase in payables	5,010,732	925,935
Increase (decrease) in deposits and remittances	9,373,748	(27,956,884)
Increase (decrease) in other financial liabilities	263,907	(4,681,768)
Increase in other liabilities	2,009,970	1,256,979
Cash outflow generated from operations	(12,569,972)	(59,675,672)
Interest received	4,716,883	4,419,299
Dividend received	52,067	99,260
Interest paid	(1,383,683)	(1,653,752)
Income taxes paid	(160,211)	(169,319)
Net cash flows used in operating activities	(9,344,916)	(56,980,184)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipments	(188,636)	(101,125)
Proceeds from disposal of property and equipments	5,965	14,518
Acquisition of intangible assets	(48,458)	(67,813)
Net cash flows used in investing activities	(231,129)	(154,420)

(Continued)

KGI BANK AND SUBSIDIARIES

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

	For the Six Months Ended June 30 2017	For the Six Months Ended June 30 2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	$ (353,776)	$ (436,658)
(Decrease) increase in commercial paper payable	(678,232)	636,429
Proceeds from long-term borrowings	238,926	-
Repayments of long-term borrowings	-	(593,921)
Cash dividends paid	(1,701,168)	(1,801,821)
Net cash flows used in financing activities	(2,494,250)	(2,195,971)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(11,683)	(20,317)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,081,978)	(59,350,892)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	42,658,453	110,638,094
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 30,576,475	$ 51,287,202

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, 2017 and 2016:

	June 30 2017	June 30 2016
Cash and cash equivalents in consolidated balance sheets	$ 10,271,056	$ 4,741,802
Due from the Central Bank and call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7	19,397,323	38,529,006
Securities purchased under agreements to resell qualifying as cash and cash equivalents under the definition of IAS 7	908,096	8,016,394
Cash and cash equivalents in consolidated statements of cash flows	$ 30,576,475	$ 51,287,202

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

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, 2017, the Bank had a main office, an international banking department, a trust department, an insurance department, various major departments, an offshore banking unit (OBU), and 52 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 CDIB Capital Group (formerly China Development Industrial Bank) of (a) the assets and liabilities associated with the commercial banking business of CDIB Capital Group and (b) CDIB Capital Group's holdings of shares in 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 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 June 30, 2016 as the date of the merger.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the board of directors and authorized for issue on August 24, 2017.

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

a. The international Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the IFRSs) endorsed by the FSC for application and amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks

The related amendments to the IFRSs endorsed by the FSC and the Regulations Governing the Preparation of Financial Reports by Public Banks would not have any material impact on the Bank and subsidiaries' accounting policies, except for the following:

1) Annual Improvements to IFRSs: 2010-2012 Cycle

The amended IFRS 8 "Operating Segments" 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. Please refer to Note 48.

2) Annual Improvements to IFRSs: 2011-2013 Cycle

IAS 40 "Investment Property" 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. The amendment will be applied prospectively to acquisitions of investment property on or after January 1, 2017.

3) Amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments include emphasis on certain recognition and measurement considerations as well as requirements for disclosures of related party transactions.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Bank are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

The disclosures of related party transactions will be enhanced when the above amendments are retrospectively applied in 2017. Please refer to Note 38.

b. New IFRSs endorsed by the FSC for application starting from 2018 and the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
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
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IFRS 15 "Clarification to IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of investment property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) Annual Improvements to IFRSs: 2014-2016 Cycle

Several standards, including IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures," were amended in this annual improvement.

The amendment to IFRS 12 clarified that when the Bank's interest in a subsidiary, a joint venture or an associate is classified as held for sale or is included in a disposal group that is classified as held for sale, the entity is not required to disclose summarized financial information of that subsidiary, joint venture or associate in accordance with IFRS 12. However, all other requirements in IFRS 12 apply to interests in entities classified as held for sale in accordance with IFRS 5. The Bank and subsidiaries shall apply the aforementioned amendments retrospectively.

The amendment to IAS 28 clarified that when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, or a unit trust or similar entities (including investment-linked insurance funds), the Bank and subsidiaries may elect to measure that investment at fair value through profit or loss. The Bank and subsidiaries shall make this election separately for each associate or joint venture at the initial recognition of the associate or joint venture. The Bank and subsidiaries shall apply the aforementioned amendments retrospectively.

2) IFRS 9 "Financial Instruments"

Recognition, measurement and impairment 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.

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.

Transition

IFRS 9, when effective, cannot be applied retrospectively to financial instruments derecognized prior to its effective date. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount on the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

3) 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.

4) 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.

In assessing deferred tax asset, the Bank and subsidiaries currently assumes it will recover the asset at its carrying amount to estimate probable future taxable profit; the amendment will be applied retrospectively in 2018.

5) Amendments to IAS 40 "Transfers of Investment Property"

The amendments clarify that the Bank and subsidiaries should transfer to, or from, investment property when, and only when, the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments also clarify that the evidence of the change in use is not limited to those illustrated in IAS 40.

6) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IAS 21 stipulate that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency on the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Bank will apply prospectively IFRIC 22 on January 1, 2018.

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.

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

New IFRSs	Effective Date Announced by IASB (Note)
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 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

1) 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 (or a joint venture), 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 (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 (or joint venture), 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 (or joint venture), i.e. the Bank and subsidiaries' share of the gain or loss is eliminated.

2) 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.

3) IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Bank and subsidiaries should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Bank and subsidiaries conclude that it is probable that the taxation authority will accept their tax treatment, the Bank and subsidiaries should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used in their income tax filings. If it is not probable that the taxation authority will accept their tax treatment, the Bank and subsidiaries should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Bank and subsidiaries have to reassess their judgments and estimates if facts and circumstances change.

The Bank and subsidiaries may elect to apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of IFRIC 23 recognized at the date of initial application.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the 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 of these consolidated financial statements please refer to the consolidated financial statements for the year ended December 31, 2016, 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 statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The operating cycle in the banking industry cannot be reasonably identified; thus, asset and liability accounts were not classified as current or noncurrent. Nevertheless, these accounts were properly categorized in accordance with the nature of each account and sequenced according to their liquidity. Please refer to Note 42 for the maturity analysis of assets and liabilities.

Principles for Preparing Consolidated Financial Statements

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 (%)		
			June 30, 2017	December 31, 2016	June 30, 2016
The Bank	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 Corporation	Leasing	100.00	100.00	100.00

Financial Instruments

Impairment of financial assets

Financial assets measured at amortized cost

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

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

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

Based on the Order No. 10300329440 issued by the FSC, for the Bank to have an enhanced risk coverage toward collateral and exposures in Mainland China, the minimum provision for the loan loss reserve is 1.5% of the mortgage and construction loans that have been classified as normal assets before 2016. Based on the Order No. 10410001840 issued by the FSC, for the Bank to have an enhanced control of the exposure to the risk in Mainland China, the minimum provision for the credit loss reserve is 1.5% of the credit include short-term trade finance that were granted to companies based in Mainland China before 2015 and classified as normal assets.

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

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

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

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

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

Impairment Loss on Loans and Receivables

The management reviews loan and receivable portfolios to assess impairment periodically. To determine whether an impairment loss should be recognized, the management exercises its judgments on whether there is any indication of impairment. For the purpose of impairment assessment, the management determines the expected future cash flows based on historical loss on assets with similar credit risks. The management also reviews periodically the methodology and assumptions adopted for both expected future cash flow and its timing to decrease the difference between estimated and actual amount of impairment.

6. CASH AND CASH EQUIVALENTS

	June 30, 2017	December 31, 2016	June 30, 2016
Due from banks	$ 7,613,219	$ 4,339,174	$ 2,568,452
Cash on hand	1,285,885	1,244,322	1,325,814
Cash in banks	682,056	494,670	554,476
Checks for clearing	182,984	619,580	179,151
Excess margin of futures	506,912	146,535	113,909
	$ 10,271,056	$ 6,844,281	$ 4,741,802

Cash and cash equivalents as of December 31, 2016 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, 2017 and 2016:

	December 31, 2016
Cash and cash equivalents in consolidated balance sheets	$ 6,844,281
Due from the Central Bank and call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7	35,018,322
Securities purchased under agreements to resell qualifying as cash and cash equivalents under the definition of IAS 7	795,850
Cash and cash equivalents in consolidated statements of cash flows	$ 42,658,453

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

	June 30, 2017	**December 31, 2016**	**June 30, 2016**
Due from the Central Bank	$ 10,930,000	$ 37,130,000	$ 42,540,000
Call loans to banks	18,004,323	13,568,474	19,369,696
Deposit reserve - demand accounts	7,535,800	8,078,055	7,173,647
Deposit reserve - checking accounts	6,968,914	12,358,953	5,939,157
Due from the Central Bank - interbank settlement funds	183,574	600,599	181,661
Deposit reserve - foreign currencies	140,006	148,483	148,516
	$ 43,762,617	$ 71,884,564	$ 75,352,677

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 collaterals by the Bank, please refer to Note 39.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2017	**December 31, 2016**	**June 30, 2016**
Financial assets held for trading			
Derivative instruments			
Currency swap contracts	$ 8,153,984	$ 11,634,089	$ 6,834,357
Interest rate swap contracts	8,176,825	9,633,684	7,806,763
Option contracts	851,065	2,836,207	2,326,567
Others	1,295,272	1,330,628	770,226

(Continued)

	June 30, 2017	December 31, 2016	June 30, 2016
Non-derivative financial assets			
Bank debentures	$ 2,300,654	$ 20,819,329	$ 21,347,064
Convertible (exchangeable) corporate bonds	2,973,766	3,121,853	2,585,340
Corporate bonds	-	1,979,093	1,998,739
Government bonds	-	2,320,164	-
Commercial papers	5,157,706	2,797,870	-
Others	148,995	3,849	69,786
	29,058,267	56,476,766	43,738,842
Financial assets designated as at FVTPL			
Government bonds	31,796,188	39,174,578	38,272,002
Others	7,293,070	2,188,228	1,693,550
	39,089,258	41,362,806	39,965,552
Financial assets at FVTPL	$ 68,147,525	$ 97,839,572	$ 83,704,394
Financial liabilities held for trading			
Derivative instruments			
Interest rate swap contracts	$ 8,540,578	$ 10,427,499	$ 8,229,737
Currency swap contracts	7,878,566	11,275,914	6,981,269
Option contracts	7,419,840	4,539,652	4,901,225
Others	800,463	1,273,065	759,670
	24,639,447	27,516,130	20,871,901
Financial liabilities designated as at FVTPL			
Bank debentures payable	17,405,435	11,892,012	10,493,907
Financial liabilities at FVTPL	$ 42,044,882	$ 39,408,142	$ 31,365,808

(Concluded)

As of June 30, 2017, December 31, 2016 and June 30, 2016, bank debentures issued by the Bank and designated as at FVTPL were as follows:

Name	June 30, 2017	December 31, 2016	June 30, 2016	Issuance Period	Method of Paying Principal and Interests	Interest Rate
15KGIB 1	$ 3,226,216	$ 3,421,574	$ 3,422,316	2015.03.24-2045.03.24 (Note 1)	Principal due on maturity	0%
P16KGIB 1	3,347,960	3,550,690	3,551,460	2016.05.03-2046.05.03 (Note 2)	Principal due on maturity	0%
P16KGIB 2	3,347,960	3,550,690	3,551,460	2016.05.27-2046.05.27 (Note 2)	Principal due on maturity	0%
P16KGIB 3	2,434,880	2,582,320	-	2016.11.08-2046.11.08 (Note 1)	Principal due on maturity	0%
P17KGIB1	6,087,200	-	-	2017.01.23-2047.01.23 (Note 1)	Principal due on maturity	0%
	18,444,216	13,105,274	10,525,236			
Valuation adjustments	(1,038,781)	(1,213,262)	(31,329)			
	$ 17,405,435	$ 11,892,012	$ 10,493,907			

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 and subsidiaries' outstanding derivative financial instruments as of June 30, 2017, December 31, 2016 and June 30, 2016 are summarized as follows:

	Contract Amount		
	June 30, 2017	**December 31, 2016**	**June 30, 2016**
Currency swap contracts	$ 1,358,366,072	$ 1,240,148,072	$ 1,133,622,254
Interest rate swap contracts	902,025,403	829,752,256	537,862,282
Option contracts	237,902,992	216,325,745	220,169,604
Forward exchange contracts	42,612,238	29,499,827	43,691,033
Cross-currency swap contracts	38,515,704	23,941,077	30,616,276
Asset swap contracts	2,061,952	2,185,975	2,136,644
Non-deliverable forward contracts	1,097,719	852,483	1,343,347
Commodity swap contracts	714,051	104,891	163,167
Futures contracts	22,811,879	-	16,900

As of June 30, 2017, December 31, 2016 and June 30, 2016, financial assets at fair value through profit or loss with aggregate carrying values of $5,180,974 thousand, $33,509,311 thousand and $22,952,345 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

The Bank and subsidiaries have not applied hedged accounting.

For the information on financial instruments at fair value through profit or loss pledged as collateral for the Bank and subsidiaries, please refer to Note 39.

9. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	June 30, 2017	**December 31, 2016**	**June 30, 2016**
Commercial paper	$ 908,096	$ 745,844	$ 2,784,501
Corporate bonds	-	-	830,098
Government bonds	-	50,006	3,572,715
Bank debentures	-	-	829,080
	$ 908,096	$ 795,850	$ 8,016,394
Agreed-upon resell amounts	$ 908,199	$ 795,943	$ 8,018,277
Last maturity date	July 2017	January 2017	August 2016

10. RECEIVABLES, NET

	June 30, 2017	December 31, 2016	June 30, 2016
Accounts receivable - forfaiting	$ 5,468,843	$ 7,912,584	$ 15,000,285
Lease receivables	4,984,138	6,424,942	6,600,210
Credit cards	2,960,050	2,649,551	2,928,754
Interest receivable	1,944,113	1,754,592	1,463,246
Accounts receivables factoring without recourse	8,916,480	9,590,021	2,002,681
PEM receivable	876,398	926,028	926,229
Acceptances receivable	330,659	171,441	358,037
Rental deposits	467,748	467,748	467,748
Receivable on securities sold	2,402,112	64,212	1,985,198
Others	833,737	970,710	793,549
	29,184,278	30,931,829	32,525,937
Less: Unrealized interest	(274,745)	(378,214)	(423,889)
Allowance for bad debts	(1,485,881)	(1,699,854)	(1,550,851)
Net amount	$ 27,423,652	$ 28,853,761	$ 30,551,197

As of June 30, 2017, December 31, 2016 and June 30, 2016, the rental deposits receivable amounting to $467,748 thousand and the allowance for bad debts was $409,848 thousand, 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.

On February 14, 2014, the Taiwan District Court had judged that the Bank lost the lawsuit against the third party which claimed that the Bank had fraudulently infringed the rights of the creditors regarding property rights of Dun Nun Building, and the Bank then filed appeal. The court has revoked the original adjudication and rejected the third party appeal on July 26, 2017. 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, 2017, the PEM receivable amounting to $876,398 thousand (US$28,794 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, 2017	
	USD	**TWD**
Life insurance policies	$ 13,218	$ 402,314
Non-life insurance policies	15,576	474,084
	28,794	876,398
Less: Allowance for bad debts	(16,215)	(493,520)
Net amount	$ 12,579	$ 382,878

	December 31, 2016	
	USD	**TWD**
Life insurance policies	$ 13,112	$ 423,237
Non-life insurance policies	15,576	502,791
	28,688	926,028
Less: Allowance for bad debts	(16,215)	(523,404)
Net amount	$ 12,473	$ 402,624

	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

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

	For the Six Months Ended June 30	
	2017	**2016**
Balance, January 1	$ 1,699,854	$ 1,725,839
Provisions (reversal)	92,945	(31,799)
Write-offs	(265,224)	(118,967)
Recovery of written-off credits	16,743	-
Effects of exchange rate changes	(58,437)	(24,222)
Balance, June 30	$ 1,485,881	$ 1,550,851

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, 2017	December 31, 2016	June 30, 2016
Short-term loans	$ 70,985,769	$ 60,824,456	$ 51,194,844
Medium-term loans	163,069,985	152,145,653	144,056,024
Long-term loans	45,536,728	42,061,948	40,580,500
Overdue loans	628,991	708,046	558,998
Export negotiations	141,489	139,441	63,309
	280,362,962	255,879,544	236,453,675
Less: Allowance for bad debts	(3,773,595)	(3,429,672)	(3,266,846)
Less: Discounts on loans	(67,512)	(72,880)	(83,214)
Net amount	$ 276,521,855	$ 252,376,992	$ 233,103,615

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

	For the Six Months Ended June 30	
	2017	2016
Balance, January 1	$ 3,429,672	$ 3,115,696
Provisions	267,687	69,203
Recovery of written-off credits	371,366	374,420
Write-offs	(232,162)	(264,008)
Reduction and exemption	(15,189)	(14,249)
Effects of exchange rate changes	(47,779)	(14,216)
Balance, June 30	$ 3,773,595	$ 3,266,846

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

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016
Government bonds	$ 62,634,164	$ 65,719,269	$ 30,035,141
Bank debentures	22,650,383	13,051,597	16,086,121
Corporate bonds	27,671,187	5,149,833	7,840,784
Stocks	5,682,852	4,801,347	5,816,327
Negotiable certificates of deposits	25,802,540	-	-
	$ 144,441,126	$ 88,722,046	$ 59,778,373

As of June 30, 2017, December 31, 2016 and June 30, 2016, available-for-sale financial assets, with aggregate carrying values of $59,731,319 thousand, $28,629,003 thousand and $20,829,209 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, 2017		December 31, 2016		June 30, 2016	
	Carrying Amount	**%**	**Carrying Amount**	**%**	**Carrying Amount**	**%**
CDIB & Partners Investment Holding Corporation	$ 800,417	4.95	$ 733,152	4.95	$ 688,291	4.95
Others	615		736		877	
	$ 801,032		$ 733,888		$ 689,168	

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, 2017	December 31, 2016	June 30, 2016
Financial assets measured at cost, net	$ 255,659	$ 255,659	$ 255,659
Due from banks (original maturities over three months)	1,503,983	3,045,833	2,831,407
Debt instruments with no active market	2,526,188	581,022	-
Overdue receivables	13,523	14,726	28,315
Pledged time deposits	1,300	1,300	1,300
	4,300,653	3,898,540	3,116,681
Less: Allowance for bad debts - overdue receivables	(13,523)	(14,726)	(28,315)
Net amount	$ 4,287,130	$ 3,883,814	$ 3,088,366

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, 2017	December 31, 2016	June 30, 2016
Land	$ 3,510,433	$ 3,673,053	$ 3,756,724
Buildings and facilities	1,678,788	1,718,854	1,775,618
Machinery and computer equipment	128,636	121,605	113,008
Leased assets	376,171	240,303	227,843
Leasehold improvement	165,834	153,079	122,649
Transportation equipment	419	521	16,289
Miscellaneous equipment	31,632	26,910	23,958
Prepayments for acquisition of properties	23,661	3,280	6,199
	$ 5,915,574	$ 5,937,605	$ 6,042,288

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, 2017 and 2016.

The board of directors held in September 2016 approved selling the building located in Sanchong, thus it was transferred from property and equipment to assets held for sale. Further, the building had no impairment loss which evaluated by the external independent appraiser appointed by the Bank.

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
Miscellaneous 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, 2017	December 31, 2016	June 30, 2016
Land	$ 706,190	$ 543,570	$ 466,875
Buildings and facilities	136,367	127,452	91,781
	$ 842,557	$ 671,022	$ 558,656

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

	For the Six Months Ended June 30	
	2017	2016
Cost		
Beginning balance	$ 902,137	$ 773,349
Reclassification	192,510	-
Ending balance	1,094,647	773,349
Accumulated depreciation		
Beginning balance	(80,199)	(61,962)
Depreciation	(2,357)	(1,815)
Reclassification	(18,618)	-
Ending balance	(101,174)	(63,777)
Accumulated impairment		
Beginning balance	(150,916)	(150,916)
Impairment	-	-
Ending balance	(150,916)	(150,916)
Carrying amount, net	$ 842,557	$ 558,656

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 2016 and 2015 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, 2017, December 31, 2016 and June 30, 2016 were $990,999 thousand, $886,233 thousand and $710,905 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, 2017	December 31, 2016	June 30, 2016
Guarantee deposits paid	$ 5,730,926	$ 7,912,082	$ 7,344,397
Prepaid expenses	641,161	627,305	298,466
Prepaid pension costs	131,760	126,223	232,313
Others	160,661	187,942	202,390
	$ 6,664,508	$ 8,853,552	$ 8,077,566

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, 2017	December 31, 2016	June 30, 2016
Call loans from banks	$ 27,152,489	$ 29,702,027	$ 17,901,460
Deposits from Chunghwa Post Co., Ltd.	1,203,712	1,215,347	1,221,038
	$ 28,356,201	$ 30,917,374	$ 19,122,498

19. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	June 30, 2017	December 31, 2016	June 30, 2016
Bank debentures	$ 21,270,005	$ 24,880,975	$ 31,444,622
Corporate bonds	20,547,064	5,747,596	8,899,706
Government bonds	24,924,996	31,509,743	8,784,456
	$ 66,742,065	$ 62,138,314	$ 49,128,784
Repurchase amounts	$ 66,855,816	$ 62,218,952	$ 49,190,344
Last maturity date	September 2017	March 2017	August 2016

20. PAYABLES

	June 30, 2017	December 31, 2016	June 30, 2016
Accounts payable factoring	$ 675,633	$ 832,360	$ 750,396
Accrued interest	1,458,632	966,137	693,173
Accrued expenses	539,361	881,548	493,041
Acceptances	330,659	171,441	358,037
Funds for clearing	231,966	245,276	258,837
Checks for clearing	182,984	619,580	179,151
Payables for securities purchased	5,779,976	-	1,995,047
Others	501,809	473,305	548,281
	$ 9,701,020	$ 4,189,647	$ 5,275,963

21. DEPOSITS AND REMITTANCES

	June 30, 2017	December 31, 2016	June 30, 2016
Time deposits	$ 195,269,309	$ 205,674,615	$ 195,097,183
Savings deposits	99,811,390	98,220,082	95,593,964
Demand deposits	50,134,892	33,124,542	31,728,222
Checking deposits	3,395,775	4,307,826	3,679,771
Negotiable certificates of deposits	4,155,000	1,896,300	67,200
Remittances	54,888	224,141	47,621
	$ 352,821,254	$ 343,447,506	$ 326,213,961

22. BANK DEBENTURES PAYABLE

Name	June 30, 2017	December 31, 2016	June 30, 2016	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.	0.0%
P06 KGIB 1	1,000,000	-	-	2017.05.19-2020.05.19	Interest payable annually; Principal due on maturity.	0.9%
	3,750,000	2,750,000	2,750,000			
Unamortized discount	(30,125)	(65,764)	(101,993)			
Net amount	$ 3,719,875	$ 2,684,236	$ 2,648,007			

23. COMMERCIAL PAPER PAYABLE, NET

	June 30, 2017	December 31, 2016	June 30, 2016
Commercial paper payable	$ 1,880,000	$ 2,558,000	$ 2,746,000
Less: Unamortized discount	(923)	(691)	(1,789)
	$ 1,879,077	$ 2,557,309	$ 2,744,211
Interest rate	1.07%-1.88%	1.03%-1.87%	1.12%-2.02%
Last maturity date	October 2017	October 2017	June 2017

24. OTHER BORROWINGS

	June 30, 2017	December 31, 2016	June 30, 2016
Short-term credit borrowings	$ 1,391,774	$ 1,680,550	$ 1,671,803
Note issuance facility	1,199,537	799,676	799,836
Short-term secured borrowings	150,000	215,000	130,000
Long-term credit borrowings	305,942	466,877	239,991
	$ 3,047,253	$ 3,162,103	$ 2,841,630
Interest rate	1.10%-4.75%	1.05%-4.75%	1.20%-4.75%
Last maturity date	June 2020	December 2019	July 2018

25. PROVISIONS

	June 30, 2017	December 31, 2016	June 30, 2016
Provision for guarantee liabilities	$ 103,835	$ 97,555	$ 107,735
Provision for employee benefits	14,452	23,559	145,053
Others	118,635	115,545	116,254
	$ 236,922	$ 236,659	$ 369,042

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, 2017 and 2016 were calculated using the actuarially determined pension cost discount rates as of December 31, 2016 and 2015, respectively.

For the three and six months ended June 30, 2017 and 2016, the Bank and subsidiaries (a) recognized their contributions under the defined benefit plans as pension expenses (recognized as employee benefits expense) of $1,398 thousand, $1,953 thousand, $2,796 thousand and $3,904 thousand, respectively, and (b) recognized under the defined contribution plans pension expenses (recognized as employee benefits expense) of $31,757 thousand, $30,448 thousand, $63,136 thousand and $60,523 thousand, respectively.

27. OTHER LIABILITIES

	June 30, 2017	December 31, 2016	June 30, 2016
Guarantee deposits received	$ 1,324,420	$ 1,295,801	$ 553,526
Temporary receipts and suspense accounts	1,865,304	641,752	2,008,440
Advance receipts	81,699	129,686	117,003
Others	72,251	78,886	87,827
	$ 3,343,674	$ 2,146,125	$ 2,766,796

28. EQUITY

a. Capital

Common stock

	June 30, 2017	December 31, 2016	June 30, 2016
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.

b. Capital surplus

	June 30, 2017	December 31, 2016	June 30, 2016
Additional paid-in capital	$ 7,245,710	$ 7,245,710	$ 7,245,710
Issuance of employee share options	4,115	3,363	2,464
Change in capital surplus from investments in associates accounted for by using equity method	189	207	179
	$ 7,250,014	$ 7,249,280	$ 7,248,353

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 Order 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 Order 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 2016 and 2015 earnings for approved by board of directors which entitled to execute shareholders' meeting function on May 18, 2017 and May 10, 2016 respectively were as follows:

	2016	**2015**
Legal reserve	$ 1,120,722	$ 947,782
Special reserve	913,849	409,670
Cash dividends	1,701,168	1,801,821

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	
	2017	2016	2017	2016
Interest revenues				
Discounts and loans	$ 1,826,006	$ 1,597,679	$ 3,548,098	$ 3,229,549
Securities	475,823	243,113	755,832	504,122
Accounts receivable - forfaiting	26,950	71,653	59,548	192,036
Due from and call loans to banks	92,725	136,546	187,891	261,936
Accounts receivable factoring without recourse	56,329	2,562	117,622	5,682
Others	119,673	144,561	237,413	295,821
	2,597,506	2,196,114	4,906,404	4,489,146
Interest expenses				
Deposits	689,907	613,659	1,333,607	1,318,477
Notes and bonds issued under repurchase agreements	134,226	92,256	265,551	205,360
Structured notes	30,740	32,938	60,046	70,427
Due to/borrowings from the Central Bank and other banks	66,274	16,932	117,053	30,347
Others	51,803	44,512	99,921	93,100
	972,950	800,297	1,876,178	1,717,711
	$ 1,624,556	$ 1,395,817	$ 3,030,226	$ 2,771,435

30. SERVICE FEE INCOME, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Service fee revenues				
Insurance commission	$ 155,280	$ 170,139	$ 297,620	$ 339,119
Trust	98,295	67,303	194,413	118,496
Cash card	33,117	31,715	60,217	63,033
Credit card	44,281	38,126	87,952	68,216
Loans	76,556	75,960	170,849	105,162
Others	48,773	52,428	96,286	105,405
	456,302	435,671	907,337	799,431
Service fee expenses				
Agency	23,624	23,985	46,296	48,808
Interbank	12,493	10,965	24,864	20,901
Custodian	1,985	1,059	3,904	1,987
Others	30,001	25,931	56,572	48,859
	68,103	61,940	131,636	120,555
	$ 388,199	$ 373,731	$ 775,701	$ 678,876

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	
	2017	2016	2017	2016
Realized gain (loss)				
Bonds	$ 13,357	$ 290,228	$ (114,593)	$ 584,598
Derivative instruments	518,213	(118,735)	664,994	(16,071)
Stocks	(3,200)	4,164	(283)	(41,004)
Others	2,302	-	5,075	-
	530,672	175,657	555,193	527,523
Revaluation gain (loss)				
Bonds	(299,325)	239,975	313,796	634,136
Derivative instruments	601,929	(256,115)	2,114,061	(460,521)
Stocks	1,497	(2,828)	118	26,257
Others	(283,862)	(61,781)	(1,408,891)	(10,898)
	20,239	(80,749)	1,019,084	188,974
	$ 550,911	$ 94,908	$ 1,574,277	$ 716,497

For the three and six months ended June 30, 2017 and 2016, the realized gain or loss on the Bank and subsidiaries financial assets or liabilities at FVTPL included (a) disposal gain of $519,002 thousand, loss of $110,163 thousand, gain of $411,511 thousand and loss of $112,873 thousand, respectively, (b) interest revenues of $210,844 thousand, $363,027 thousand, $512,442 thousand and $762,159 thousand, respectively, (c) dividend incomes of $0 thousand, $1,562 thousand, $0 thousand and $1,562 thousand, respectively, and (d) interest expenses of $199,174 thousand, $78,769 thousand, $368,760 thousand and $123,325 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	
	2017	2016	2017	2016
Gain on bond disposal	$ 335,278	$ 296,446	$ 165,387	$ 492,493
Gain on stock disposal	-	67,558	12,357	116,344
Dividend income	34,885	59,351	45,326	71,760
	$ 370,163	$ 423,355	$ 223,070	$ 680,597

33. OTHER NON-INTEREST INCOME

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Rental income	$ 34,323	$ 20,913	$ 59,642	$ 41,144
Net gains on financial assets at cost	10,191	8,600	10,191	8,600
Others	(2,497)	2,632	4,973	9,899
	$ 42,017	$ 32,145	$ 74,806	$ 59,643

34. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Employee benefit expense				
Salaries and wages	$ 720,825	$ 677,509	$ 1,419,377	$ 1,328,035
Employee insurance	53,002	49,041	117,832	109,534
Pension	33,155	32,401	65,932	64,427
Others	48,182	46,989	99,404	103,641
	$ 855,164	$ 805,940	$ 1,702,545	$ 1,605,637
Depreciation and amortization expenses	$ 88,661	$ 74,480	$ 170,656	$ 147,683

To comply 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 compensation of employees 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, 2017 and 2016, the employee's compensation were $1,188 thousand, $1,124 thousand, $2,172 thousand and $2,155 thousand, respectively.

If there is a change in the proposed amounts after the consolidated financial statements of the fiscal year were authorized for issue, the differences will be recorded as a change in the accounting estimate.

The distribution of the compensation of employees for 2016 and 2015 approved by the board of directors respectively on March 23, 2017 and March 24, 2016 were $4,703 thousand and $3,755 thousand.

There was no difference between the amounts of the employees' compensation resolved by the board of directors and the respective amounts recognized in the consolidated financial statements for the year ended December 31, 2016 and 2015.

The information on the proposed and approved employees' compensation is 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	
	2017	2016	2017	2016
Taxation	$ 99,642	$ 34,922	$ 201,074	$ 227,649
Rental	87,540	79,984	174,149	158,811
Professional services	66,940	74,474	128,236	140,266
Computer information	35,391	43,303	96,428	94,340
Marketing	36,984	42,868	71,511	72,990
Others	143,060	142,444	273,864	271,992
	$ 469,557	$ 417,995	$ 945,262	$ 966,048

36. INCOME TAX

a. Income tax expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Current income tax				
Current year	$ 79,979	$ 115,733	$ 86,780	$ 194,393
Prior year's adjustments	(26,465)	(9,705)	(26,465)	(9,705)
	53,514	106,028	60,315	184,688
Deferred income tax	284,432	(3,899)	396,855	(54,104)
Income tax expenses	$ 337,946	$ 102,129	$ 457,170	$ 130,584

b. Integrated income tax

	June 30, 2017	December 31, 2016	June 30, 2016
Imputation credit accounts - the Bank	$ 40	$ 23,787	$ 229

The Bank's creditable tax ratios for the distribution of the earnings of 2016 and 2015 were 1.26% (estimated) and 1.27%, 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, 2017	December 31, 2016	June 30, 2016
Tax paid to the parent company	$ 352,595	$ 379,060	$ 283,330
Tax charge for the parent company	$ 13,230	$ -	$ -

d. Income tax assessments

Since 2015, the Bank used the linked-tax system in filing together its income tax and unappropriated earnings returns and those of its parent company and eligible subsidiaries.

The income tax returns of CDIB Management Consulting Corporation, CDC Finance & Leasing Corporation through 2015 had been examined by the tax authorities and the Bank, formerly Cosmos Insurance Brokers Co., Ltd. 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	
	2017	2016	2017	2016
Earnings used in the computation of the EPS				
Attributable to shareholders of parent company	$ 750,645	$ 1,030,833	$ 1,638,765	$ 2,024,409
Weighted average outstanding common shares (shares in thousands)	4,606,162	4,606,162	4,606,162	4,606,162
Basic EPS (in dollars)	$ 0.16	$ 0.22	$ 0.36	$ 0.44

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
CDIB Capital Group	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, 2017	$ 167,135	2
December 31, 2016	234,544	3
June 30, 2016	115,458	2

For the three and six months ended June 30, 2017 and 2016, the interest revenue from due from banks were $0 thousand.

b. Future contracts (recognized as cash and cash equivalents, financial assets at FVTPL)

	Amount	%
June 30, 2017	$ 794,522	1
December 31, 2016	18,005	-
June 30, 2016	18,004	-

c. Credit card (recognized as receivable, net)

	Amount	%
June 30, 2017	$ 28,277	-
December 31, 2016	16,619	-
June 30, 2016	36,096	-

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

	Amount	%
December 31, 2016	$ 18,039	-
June 30, 2016	62,648	-

e. Receivables from parent (recognized as current tax assets)

	June 30, 2017	
	Amount	**%**
Parent company	$ 13,230	99

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

f. Discounts and loans, net

	Amount	%	Interest Rate (%)
June 30, 2017	$ 883,253	-	1.54-15.00
December 31, 2016	912,472	-	1.54-15.00
June 30, 2016	832,956	-	1.62-15.00

For the three and six months ended June 30, 2017 and 2016, the interest revenues from discounts and loans were $3,534 thousand, $4,009 thousand, $7,217 thousand and $8,298 thousand, respectively.

Balance as of June 30, 2017

(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	31	$ 20,180	$ 15,958	$ 15,958	$ -	None	Yes
Residential mortgage loans	63	955,597	847,786	847,786	-	Real estate	Yes
Others	13	24,793	19,509	19,509	-	Deposit/real estate	Yes

Balance as of December 31, 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	42	$ 32,490	$ 16,502	$ 16,502	$ -	None	Yes
Residential mortgage loans	78	1,227,071	883,732	883,732	-	Real estate	Yes
Others	14	30,505	12,238	12,238	-	Deposit/real estate	Yes

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

g. Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the six months ended June 30, 2017		
Subsidiary of the parent company	$ 2,332,059	$ 1,845,381
For the six months ended June 30, 2016		
Subsidiary of the parent company	3,423,022	1,257,954

h. Guarantee deposits paid (recognized as other assets, net)

	Amount	%
June 30, 2017	$ 21,137	-
December 31, 2016	20,186	-
June 30, 2016	18,541	-

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

	June 30, 2017		December 31, 2016		June 30, 2016	
	Amount	%	Amount	%	Amount	%
Other related parties	$ 4,500,000	16	$ 4,322,790	14	$ 322,860	2

For the three and six months ended June 30, 2017 and 2016, the interest expense for call loans from banks were $4,675 thousand, $772 thousand, $6,382 thousand and $915 thousand, respectively.

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

	June 30, 2017		December 31, 2016		June 30, 2016	
	Amount	%	Amount	%	Amount	%
Parent company	$ 352,595	100	$ 379,060	99	$ 283,330	98

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

k. Accrued interest (recognized as payable)

	Amount	%
June 30, 2017	$ 25,575	-
December 31, 2016	14,443	-
June 30, 2016	12,984	-

l. Deposits

	Amount	%	Interest Rate (%)
June 30, 2017	$ 32,874,769	9	0-5.58
December 31, 2016	29,060,162	8	0-5.80
June 30, 2016	32,399,767	10	0-5.80

For the three and six months ended June 30, 2017 and 2016, the interest expenses for deposits were $42,589 thousand, $32,033 thousand, $75,425 thousand and $66,926 thousand, respectively.

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%
2017	$ 2,617	1	$ 3,726	-
2016	3,677	1	4,257	1

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

n. Rental income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%
2017	$ 731	2	$ 1,556	3
2016	892	4	1,679	4

The rent was based on market prices and receivable monthly.

o. Rental (recognized as other general and administrative expenses)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%
2017	$ 23,486	5	$ 46,971	5
2016	19,687	5	39,102	4

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

p. Other general and administrative expenses (Note)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%
2017	$ 18,315	4	$ 39,445	4
2016	22,116	5	26,994	3

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.

q. Outstanding derivative financial instruments

June 30, 2017

(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	Interest rate swap contracts	March 17, 2017 - April 7, 2047	$ 11,565,680	$ (119,769)	Financial liabilities at FVTPL	$ 119,769
Subsidiaries of the parent company	Asset swap-interest rate swap contracts	March 23, 2016 - March 10, 2019	576,540	11,983	Financial assets at FVTPL	16,325
	Asset swap-option contracts	March 23, 2016 - February 10, 2019	576,540	(49,218)	Financial liabilities at FVTPL	54,299
	Interest rate swap contracts	November 4, 2016 - January 24, 2020	973,952	2,112	Financial liabilities at FVTPL	2,573
					Financial assets at FVTPL	565

December 31, 2016

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet Account	Balance Sheet Balance
Subsidiaries of the parent company	Asset swap-interest rate swap contracts	January 5, 2016 - June 3, 2019	$ 114,000	$ 3,883	Financial assets at FVTPL	$ 4,342
	Asset swap-option contracts	January 5, 2016 - May 20, 2019	114,000	2,020	Financial liabilities at FVTPL	5,081
	Interest rate swap contracts	November 4, 2016 - October 27, 2019	710,138	(4,120)	Financial liabilities at FVTPL	4,120

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 at FVTPL	$ 9,978
					Financial liabilities at FVTPL	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 at FVTPL	6,884
	Asset swap-option contracts	January 5, 2016 - May 20, 2019	152,500	(2,633)	Financial liabilities at FVTPL	9,735
	Currency swap contracts	June 3, 2016 - July 7, 2016	75,619	71	Financial assets at FVTPL	71

r. Compensation of key management personnel

	For the Three Months Ended June 30 2017	For the Three Months Ended June 30 2016	For the Six Months Ended June 30 2017	For the Six Months Ended June 30 2016
Salary and short-term employee benefits	$ 40,153	$ 39,145	$ 77,298	$ 73,348
Post-employment benefits	590	575	1,166	1,173
Share-based payment	241	284	481	565
	$ 40,984	$ 40,004	$ 78,945	$ 75,086

In addition to the above, the Bank also paid housing rental, car rental and drivers' salaries, $1,634 thousand, $1,735 thousand, $3,375 thousand and $3,636 thousand for the three and six months ended June 30, 2017 and 2016, 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, 2017	December 31, 2016	June 30, 2016
Due from the Central Bank and call loans to banks	Certificates of deposit issued by the Central Bank	As collaterals for day-term overdraft and US dollar liquidation and other transactions of the guarantee	$ 10,830,000	$ 21,230,000	$ 20,895,000
Financial assets at fair value through profit or loss	Government bonds	Guarantees for provisional seizure	1,020	-	-
Lease receivables	Notes receivable	Commercial paper payable and short-term borrowing	2,568,792	2,983,362	3,391,789
Available-for-sale financial assets	Government bonds	Guarantees for provisional seizure	23,548	23,389	20,774
Available-for-sale financial assets	Government bonds	Guarantees and provisions	156,667	155,249	162,401
Available-for-sale financial assets	Negotiable certificates of deposits	US dollar liquidation and other transactions of the guarantee	7,300,704	-	-
Property and equipment	Property	Commercial paper payable and short-term borrowing	13,087	13,244	13,400
Investment property, net	Investment property	Commercial paper payable and short-term borrowing	42,224	42,901	43,578
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	45,595	48,012	40,123

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, 2017, 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 $797,225 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. The court has revoked the original adjudication and rejected the third party appeal on July 26, 2017. The third party filed appeal in the appeal period.

41. FAIR VALUE AND HIERARCHY INFORMATION

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, 2017

(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				
Bond investments	$ 5,274,420	$ -	$ -	$ 5,274,420
Commercial paper investments	-	5,157,706	-	5,157,706
Others	148,995	-	-	148,995
Financial assets designated as at FVTPL	182,744	38,906,514	-	39,089,258
Available-for-sale financial assets				
Stock investments	5,682,852	-	-	5,682,852
Bond investments	56,265,012	56,690,722	-	112,955,734
Negotiable CDS	-	25,802,540	-	25,802,540
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	-	17,405,435	-	17,405,435
Derivative financial instruments				
Assets				
Financial assets at FVTPL	337,692	18,074,746	64,708	18,477,146
Liabilities				
Financial liabilities at FVTPL	-	24,500,900	138,547	24,639,447

December 31, 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				
Bond investments	$ 27,993,775	$ 246,664	$ -	$ 28,240,439
Commercial paper investments	-	2,797,870	-	2,797,870
Others	3,849	-	-	3,849
Financial assets designated as at FVTPL	191,269	41,171,537	-	41,362,806
Available-for-sale financial assets				
Stock investments	4,801,347	-	-	4,801,347
Bond investments	37,816,486	46,104,213	-	83,920,699
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	-	11,892,012	-	11,892,012
Derivative financial instruments				
Assets				
Financial assets at FVTPL	-	25,256,903	177,705	25,434,608
Liabilities				
Financial liabilities at FVTPL	-	27,281,713	234,417	27,516,130

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				
Bond investments	$ 25,931,143	$ -	$ -	$ 25,931,143
Others	69,786	-	-	69,786
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

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's 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 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.

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, 2017		For the Six Months Ended June 30, 2016	
	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	8,225,907	1,330,449	7,310,415	938,080

Because of changes in market liquidity, evaluation sources applied by some NTD government bonds 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, 2017

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level III	Sale, Disposal or Settlement	Transfer from Level III	
Financial assets at FVTPL	$ 177,705	$ (112,997)	$ -	$ -	$ -	$ -	$ 64,708

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 (Note)	
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

Note: 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, 2017

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level III	Sale, Disposal or Settlement	Transfer from Level III	
Financial liabilities at FVTPL	$ 234,417	$ (95,870)	$ -	$ -	$ -	$ -	$ 138,547

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

Note: 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 loss of $4,792 thousand, gain of $3,648 thousand, loss of $12,265 thousand and gain of $18,622 thousand on the assets and liabilities held for the three and six months ended June 30, 2017, and 2016 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, 2017	Valuation Technique(s)	Significant Unobservable Inputs	Interval	The Relationship Between Inputs and Fair Value
Measured on a recurring basis					
Derivative financial instruments					
Financial assets at FVTPL	$ 64,708	HullWhite, Libor market model, discounted cash flow	Quality/factor FREQ/simulate method	Adjusted daily based on market information	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank select the applicable one according to the analysis.
Financial liabilities at FVTPL	138,547	HullWhite, Libor market model, discounted cash flow	Quality/factor FREQ/simulate method	Adjusted daily based on market information	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank select the applicable one according to the analysis.

	Fair Value at December 31, 2016	Valuation Technique(s)	Significant Unobservable Inputs	Interval	The Relationship Between Inputs and Fair Value
Measured on a recurring basis					
Derivative financial instruments					
Financial assets at FVTPL	$ 177,705	HullWhite, Libor market model, discounted cash flow	Quality/factor FREQ/simulate method	Adjusted daily based on market information	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank select the applicable one according to the analysis.
Financial liabilities at FVTPL	234,417	HullWhite, Libor market model, discounted cash flow	Quality/factor FREQ/simulate method	Adjusted daily based on market information	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank select the applicable one according to the analysis.

	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 instruments					
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 instruments					
Financial assets at FVTPL	173,271	HullWhite, Libor market model, discounted cash flow	Quality/factor FREQ/simulate method	Adjusted daily based on market information	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank select the applicable one according to the analysis.
Financial liabilities at FVTPL	277,563	HullWhite, Libor market model, discounted cash flow	Quality/factor FREQ/simulate method	Adjusted daily based on market information	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank select the applicable one according to the analysis.

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

1) Assets and liabilities measured at cost, excluding investment properties, bank debentures payable and debt instruments with no active market, have carrying amounts that are reasonably close to their fair value or their fair value cannot be measure reliably; thus, their fair values are not disclosed.

2) Information of fair value hierarchy

June 30, 2017

(In Thousands of New Taiwan Dollars)

	Level I	Level II	Level III	Total
Financial assets				
Debt instruments with no active market	$ -	$ -	$ 2,526,188	$ 2,526,188
Non-financial assets				
Investment properties	-	-	990,999	990,999
Financial liabilities				
Bank debentures payable	-	3,715,655	-	3,715,655

December 31, 2016

(In Thousands of New Taiwan Dollars)

	Level I	Level II	Level III	Total
Financial assets				
Debt instruments with no active market	$ -	$ -	$ 581,022	$ 581,022
Non-financial assets				
Investment properties	-	-	886,233	886,233
Financial liabilities				
Bank debentures payable	-	2,672,291	-	2,672,291

June 30, 2016

(In Thousands of New Taiwan Dollars)

	Level I	Level II	Level III	Total
Non-financial assets				
Investment properties	$ -	$ -	$ 710,905	$ 710,905
Financial liabilities				
Bank debentures payable	-	2,632,119	-	2,632,119

3) Valuation techniques

a) Because the maturity date is close to the balance sheet date, the fair value of the financial assets can be reasonably estimated by referring to their book value in the balance sheet. The technique applies to cash and cash equivalent, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables, other financial assets, guarantee deposits paid, deposits from the Central Bank and banks, notes and bonds issued under repurchase agreements, payables, deposits and remittances, other financial liabilities and guarantee deposits received, etc.

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

c) The floating rates are usually adopted as the interest of the loan, which reflects market interest; thus, it is reasonable to estimate the fair value of a loan by referring to its book value together with the consideration in the collectability.

d) Due to the lack of quoted market price in an active market, the fair value of debt instruments with no active market is estimated by referring to quoted price of counter-parties.

e) The fair value of the payables of the Bank debenture is estimated by referring to the discounted expected cash flow, of which the discount rate is reference to interest rates with similar maturity date.

f) For valuation technique of investment property, refer to Note 16.

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, 2017	December 31, 2016	June 30, 2016
Irrevocable loan commitments, guarantees and letters of credit issued yet unused	$ 95,331,346	$ 102,215,434	$ 103,257,060

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, 2017		December 31, 2016		June 30, 2016	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Public and private enterprises	$ 191,474,950	68.30	$ 173,659,505	67.87	$ 158,911,694	67.21
Natural persons	88,463,112	31.55	81,877,228	32.00	77,090,918	32.60
Non-profit organizations	424,900	0.15	342,811	0.13	451,063	0.19
Total	$ 280,362,962	100.00	$ 255,879,544	100.00	$ 236,453,675	100.00

b) By region

	June 30, 2017		December 31, 2016		June 30, 2016	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Domestic	$ 216,552,179	77.24	$ 199,963,503	78.15	$ 190,535,253	80.58
Overseas	63,810,783	22.76	55,916,041	21.85	45,918,422	19.42
Total	$ 280,362,962	100.00	$ 255,879,544	100.00	$ 236,453,675	100.00

c) By collateral

	June 30, 2017		December 31, 2016		June 30, 2016	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Credit	$ 174,223,298	62.14	$ 159,432,165	62.31	$ 149,359,982	63.17
Secured						
Financial collaterals	6,959,447	2.48	5,533,267	2.16	6,219,918	2.63
Real estate	75,942,543	27.09	69,541,082	27.18	64,597,744	27.32
Guarantees	17,172,576	6.13	15,837,714	6.19	12,337,730	5.22
Other	6,065,098	2.16	5,535,316	2.16	3,938,301	1.66
Total	$ 280,362,962	100.00	$ 255,879,544	100.00	$ 236,453,675	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, parts of other financial assets, 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, 2017	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	$ 17,487,053	$ 43,796	$ 59,943	$ 17,590,792	$ 36,597	$ 227,979	$ 17,326,216
Other	9,077,101	81,314	1,806,046	10,964,461	1,175,588	59,240	9,729,633
Discounts and loans	278,010,677	1,285,948	1,066,337	280,362,962	527,767	3,245,828	276,589,367

December 31, 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	$ 20,187,004	$ 48,726	$ 60,944	$ 20,296,674	$ 36,825	$ 274,288	$ 19,985,561
Other	7,908,772	98,184	1,916,337	9,923,293	1,328,120	75,347	8,519,826
Discounts and loans	253,320,668	1,415,205	1,143,671	255,879,544	523,710	2,905,962	252,449,872

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

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, 2017	Neither Overdue Nor Impaired Amount				
	Excellent	Good	Normal	No Ratings	Total (A)
Consumer banking					
Mortgage loans	$ 22,290,424	$ 10,009,638	$ 107,393	$ -	$ 32,407,455
Cash card	8,310,077	2,459,605	604,522	2,602,167	13,976,371
Micro credit loans	17,076,874	2,271,340	147,207	80,034	19,575,455
Other - secured	16,485,188	1,611,503	74,363	47,696	18,218,750
Other - unsecured	39,205	-	-	2,269	41,474
Corporate banking					
Secured	15,334,282	19,307,300	18,909,477	1,799,945	55,351,004
Unsecured	30,728,316	75,703,835	29,474,197	2,533,820	138,440,168
Total	$ 110,264,366	$ 111,363,221	$ 49,317,159	$ 7,065,931	$ 278,010,677

December 31, 2016	Neither Overdue Nor Impaired Amount				
	Excellent	Good	Normal	No Ratings	Total (A)
Consumer banking					
Mortgage loans	$ 20,619,402	$ 7,823,627	$ 60,603	$ -	$ 28,503,632
Cash card	8,183,177	2,716,848	639,023	2,772,738	14,311,786
Micro credit loans	16,524,651	2,030,135	155,321	81,658	18,791,765
Other - secured	15,126,807	1,443,817	96,230	59,219	16,726,073
Other - unsecured	43,490	-	-	2,764	46,254
Corporate banking					
Secured	14,348,674	19,565,638	15,836,689	757,145	50,508,146
Unsecured	26,744,197	68,938,717	25,144,016	3,606,082	124,433,012
Total	$ 101,590,398	$ 102,518,782	$ 41,931,882	$ 7,279,606	$ 253,320,668

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

June 30, 2017	Neither Overdue Nor Impaired Amount				
	Excellent	Good	Normal	No Ratings	Total (A)
Credit card and credit business					
Credit card	$ 953,794	$ 598,325	$ 663,904	$ 555,081	$ 2,771,104
Accounts receivable - forfaiting	1,817,626	811,719	-	2,839,499	5,468,844
Accounts receivable - factoring without recourse	5,391,896	3,410,653	71,424	42,473	8,916,446
Acceptances	-	259,296	71,363	-	330,659
Total	$ 8,163,316	$ 5,079,993	$ 806,691	$ 3,437,053	$ 17,487,053

December 31, 2016	Neither Overdue Nor Impaired Amount				
	Excellent	Good	Normal	No Ratings	Total (A)
Credit card and credit business					
Credit card	$ 802,014	$ 561,693	$ 730,325	$ 418,963	$ 2,512,995
Accounts receivable - forfaiting	1,205,206	3,471,384	-	3,235,994	7,912,584
Accounts receivable - factoring without recourse	6,479,896	2,963,430	-	146,658	9,589,984
Acceptances	-	64,383	107,058	-	171,441
Total	$ 8,487,116	$ 7,060,890	$ 837,383	$ 3,801,615	$ 20,187,004

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

c) Credit analysis of marketable securities

June 30, 2017	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	$ 112,955,734	$ -	$ -	$ 112,955,734	$ -	$ -	$ 112,955,734	$ -	$ 112,955,734
- others	25,802,540	-	-	25,802,540	-	-	25,802,540	-	25,802,540
Debt instruments with no active market	2,526,188	-	-	2,526,188	-	-	2,526,188	-	2,526,188

Note 1: Available-for-sale financial assets other than the above investment have an initial cost of $6,080,490 thousand, loss on valuation of $397,638 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, 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	$ 83,920,699	$ -	$ -	$ 83,920,699	$ -	$ -	$ 83,920,699	$ -	$ 83,920,699
Debt instruments with no active market	581,022	-	-	581,022	-	-	581,022	-	581,022

Note 1: Available-for-sale financial assets other than the above investment have an initial cost of $5,556,000 thousand, loss on valuation of $754,653 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.

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 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.

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, 2017		
	1 Month	Over 1 Month - 3 Months	Total
Credit card	$ 24,401	$ 19,395	$ 43,796
Discounts and loans			
Consumer banking			
Mortgage loans	269,707	37,025	306,732
Cash card	288,170	76,130	364,300
Micro credit loans	339,420	72,411	411,831
Other - secured	149,849	30,260	180,109
Other - unsecured	150	-	150
Corporate banking			
Secured	796	5,991	6,787
Unsecured	416	15,623	16,039

Items	December 31, 2016		
	1 Month	Over 1 Month - 3 Months	Total
Credit card	$ 23,777	$ 24,949	$ 48,726
Discounts and loans			
Consumer banking			
Mortgage loans	269,849	32,498	302,347
Cash card	258,200	72,214	330,414
Micro credit loans	306,991	69,996	376,987
Other - secured	132,069	16,131	148,200
Other - unsecured	236	-	236
Corporate banking			
Secured	25,493	229,889	255,382
Unsecured	618	1,021	1,639

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
Discounts 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

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, 2017	December 31, 2016	June 30, 2016	June 30, 2017	December 31, 2016	June 30, 2016
With objective evidence of impairment	Assessment of individual impairment	$ 341,638	$ 376,736	$ 216,565	$ 101,888	$ 72,202	$ 83,335
	Assessment of collective impairment	724,699	766,935	790,743	425,879	451,508	433,383
With no objective evidence of impairment	Assessment of collective impairment	279,296,625	254,735,873	235,446,367	3,245,828	2,905,962	2,750,128
Total		280,362,962	255,879,544	236,453,675	3,773,595	3,429,672	3,266,846

Items		Receivables			Allowance for Bad Debts		
		June 30, 2017	December 31, 2016	June 30, 2016	June 30, 2017	December 31, 2016	June 30, 2016
With objective evidence of impairment	Assessment of individual impairment	$ 1,791,993	$ 1,900,712	$ 1,908,972	$ 1,164,358	$ 1,315,493	$ 1,171,325
	Assessment of collective impairment	73,996	76,569	93,166	47,827	49,452	56,689
With no objective evidence of impairment	Assessment of collective impairment	26,689,264	28,242,686	29,789,979	287,219	349,635	351,152
Total		28,555,253	30,219,967	31,792,117	1,499,404	1,714,580	1,579,166

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’s foreclosed collaterals were mainly securities, land and buildings. As of June 30, 2017, December 31, 2016 and June 30, 2016, the carrying amounts of the collaterals were $0 thousand. Foreclosed collaterals assumed are classified as other assets in the 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, 2017				
			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 114,384	$ 55,463,521	0.21%	$ 661,106	577.97%
	Unsecured		295,647	138,746,663	0.21%	1,701,396	575.48%
Consumer banking	Mortgage (Note 4)		33,462	32,775,994	0.10%	438,644	1,310.87%
	Cash card		163,335	14,678,548	1.11%	419,356	256.75%
	Micro credit (Note 5)		150,680	20,233,132	0.74%	306,047	203.11%
	Other (Note 6)	Secured	22,475	18,421,707	0.12%	246,465	1,096.60%
		Unsecured	1,772	43,397	4.08%	581	32.79%
Total			781,755	280,362,962	0.28%	3,773,595	482.71%
			Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			$ 19,317	$ 2,874,142	0.67%	$ 55,143	285.47%
Account receivable - factoring without recourse (Note 7)			28	8,916,524	0.00%	130,457	459,159.92%

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%

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". Overdue credit card receivables are regulated by Order 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 (Order 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 (Order No. 0945000494), 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, 2017		June 30, 2016	
	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
Amounts of executed contracts on negotiated debts not reported (Note 1)	$ 15,417	$ 193	$ 43,242	$ 239
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	33,441	4,790	33,718	4,519
Total	$ 48,858	$ 4,983	$ 76,960	$ 4,758

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 (Order No. 09510001270).

Note 2: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau letters dated September 15, 2008 (Order No. 09700318940) and dated September 20, 2016 (Order No. 10500134790).

c) Concentration of credit risk

June 30, 2017

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth (%)
1	A Group - 011850 Manufacture of Man-Made Fibers	$ 5,159,530	8.64
2	B Group - 012711 Manufacture of Computers	4,484,775	7.51
3	C Group - 012411 Smelting and Refining of Iron and Steel	3,729,592	6.25
4	D Group - 012641 Manufacture of Liquid Crystal Panel and Components	3,726,978	6.24
5	E Group - 015100 Air Transport	3,601,954	6.03
6	F Group - 012641 Manufacture of Liquid Crystal Panel and Components	3,520,487	5.90
7	G Group - 016611 Securities Firms	3,479,466	5.83
8	H Group - 016700 Real Estate Development Activities	3,413,737	5.72
9	I Group - 012740 Manufacture of Magnetic and Optical Media	3,400,000	5.70
10	J Group - 014510 Wholesale on a Fee or Contract Basis	3,043,600	5.10

June 30, 2016

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth (%)
1	A Group - 016100 Telecommunications	$ 6,387,123	10.94
2	H Group - 016700 Real Estate Development Activities	4,756,522	8.15
3	E Group - 015100 Air Transport	4,610,451	7.89
4	D Group - 012641 Manufacture of Liquid Crystal Panel and Components	3,885,141	6.65
5	I Group - 012740 Manufacture of Magnetic and Optical Media	3,750,000	6.42
6	B Group - 012711 Manufacture of Computers	3,665,713	6.28
7	K Group - 017112 Engineering Activities and Related Technical Consultancy	2,965,540	5.08
8	C Group - 012411 Smelting and Refining of Iron and Steel	2,961,018	5.07
9	L Group - 012611 Manufacture of Integrated Circuits	2,898,336	4.96
10	M Group - 012630 Manufacture of Bare Printed Circuit Boards	2,879,723	4.93

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, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 16,724,885	$ 119,978	$ 498,736	$ 560,113	$ -	$ 17,903,712
Notes and bonds issued under repurchase agreements	19,576,028	2,763,882	-	-	-	22,339,910
Deposits and remittances	44,009,486	71,946,953	41,999,441	55,650,323	25,678,859	239,285,062
Bank debentures payable	-	-	2,750,000	-	1,000,000	3,750,000
Other capital outflow on maturity	2,190,375	211,978	292,954	739,661	469,505	3,904,473
Total	$ 82,500,774	$ 75,042,791	$ 45,541,131	$ 56,950,097	$ 27,148,364	$ 287,183,157

(In Thousands of New Taiwan Dollars)

December 31, 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	$ 23,484,126	$ 460,583	$ 253,739	$ 416,899	$ -	$ 24,615,347
Notes and bonds issued under repurchase agreements	21,868,872	459,685	-	-	-	22,328,557
Deposits and remittances	73,974,018	40,709,082	45,443,242	59,670,662	22,038,891	241,835,895
Bank debentures payable	-	-	-	2,750,000	-	2,750,000
Other capital outflow on maturity	1,634,569	616,498	282,125	404,150	483,030	3,420,372
Total	$ 120,961,585	$ 42,245,848	$ 45,979,106	$ 63,241,711	$ 22,521,921	$ 294,950,171

(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 U.S. Dollars)

June 30, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 150,000	$ 159,000	$ 30,000	$ -	$ -	$ 339,000
Notes and bonds issued under repurchase agreements	665,065	793,805	-	-	-	1,458,870
Deposits and remittances	982,972	899,980	606,728	777,591	10,068	3,277,339
Bank debentures payable	-	-	-	-	571,870	571,870
Other capital outflow on maturity	211,885	14,894	3,113	1,090	60,099	291,081
Total	$ 2,009,922	$ 1,867,679	$ 639,841	$ 778,681	$ 642,037	$ 5,938,160

(In Thousands of U.S. Dollars)

December 31, 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	$ 133,000	$ 30,000	$ -	$ -	$ -	$ 163,000
Notes and bonds issued under repurchase agreements	554,336	678,966	-	-	-	1,233,302
Deposits and remittances	783,074	543,615	501,747	942,410	26,490	2,797,336
Bank debentures payable	-	-	-	-	368,413	368,413
Other capital outflow on maturity	22,947	15,779	3,121	1,884	42,700	86,431
Total	$ 1,493,357	$ 1,268,360	$ 504,868	$ 944,294	$ 437,603	$ 4,648,482

(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

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, 2017	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	$ (183,469,810)	$ (266,453,053)	$ (150,605,151)	$ (63,298,001)	$ (5,296,770)	$ (669,122,785)
Cash inflow	181,198,011	251,154,510	142,079,740	64,459,972	4,969,770	643,862,003
Interest rate derivatives instruments						
Cash outflow	(211,259)	(441,835)	(324,610)	(907,974)	(16,214,873)	(18,100,551)
Cash inflow	184,581	431,040	17,479	-	-	633,100
Cash outflow subtotal	(183,681,069)	(266,894,888)	(150,929,761)	(64,205,975)	(21,511,643)	(687,223,336)
Cash inflow subtotal	181,382,592	251,585,550	142,097,219	64,459,972	4,969,770	644,495,103
Net cash flow	$ (2,298,477)	$ (15,309,338)	$ (8,832,542)	$ 253,997	$ (16,541,873)	$ (42,728,233)

(In Thousands of New Taiwan Dollars)

December 31, 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	$ (171,492,690)	$ (231,995,114)	$ (167,321,858)	$ (17,638,218)	$ (327,000)	$ (588,774,880)
Cash inflow	164,681,784	234,004,664	162,867,950	18,831,464	-	580,385,862
Interest rate derivatives instruments						
Cash outflow	(1,750,715)	(441,025)	(1,361)	(912,497)	(15,023,911)	(18,129,509)
Cash inflow	214,301	423,840	-	-	-	638,141
Others						
Cash outflow	-	-	-	-	-	-
Cash inflow	714	-	-	-	-	714
Cash outflow subtotal	(173,243,405)	(232,436,139)	(167,323,219)	(18,550,715)	(15,350,911)	(606,904,389)
Cash inflow subtotal	164,896,799	234,428,504	162,867,950	18,831,464	-	581,024,717
Net cash flow	$ (8,346,606)	$ 1,992,365	$ (4,455,269)	$ 280,749	$ (15,350,911)	$ (25,879,672)

(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 U.S. Dollars)

June 30, 2017	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	$ (6,925,338)	$ (8,996,633)	$ (5,081,788)	$ (2,542,234)	$ (302,916)	$ (23,848,909)
Cash inflow	7,304,286	9,412,674	5,295,807	2,447,784	305,435	24,765,986
Interest rate derivatives instruments						
Cash outflow	(22,536)	(45,947)	(33,185)	(21,770)	(22,734)	(146,172)
Cash inflow	24,445	51,299	34,365	583	-	110,692
Others						
Cash outflow	(812)	-	-	-	-	(812)
Cash inflow	908	-	-	-	-	908
Cash outflow subtotal	(6,948,686)	(9,042,580)	(5,114,973)	(2,564,004)	(325,650)	(23,995,893)
Cash inflow subtotal	7,329,639	9,463,973	5,330,172	2,448,367	305,435	24,877,586
Net cash flow	$ 380,953	$ 421,393	$ 215,199	$ (115,637)	$ (20,215)	$ 881,693

(In Thousands of U.S. Dollars)

December 31, 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	$ (5,801,671)	$ (7,928,173)	$ (5,383,285)	$ (1,081,788)	$ (149,201)	$ (20,344,118)
Cash inflow	6,155,681	7,902,248	5,527,944	928,621	174,935	20,689,429
Interest rate derivatives instruments						
Cash outflow	(19,852)	(33,865)	(30,342)	(1,006)	(20,264)	(105,329)
Cash inflow	13,143	33,962	29,726	689	-	77,520
Others						
Cash outflow	(744)	-	-	-	-	(744)
Cash inflow	275	-	-	-	-	275
Cash outflow subtotal	(5,822,267)	(7,962,038)	(5,413,627)	(1,082,794)	(169,465)	(20,450,191)
Cash inflow subtotal	6,169,099	7,936,210	5,557,670	929,310	174,935	20,767,224
Net cash flow	$ 346,832	$ (25,828)	$ 144,043	$ (153,484)	$ 5,470	$ 317,033

(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

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, 2017	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	$ 3,838,808	$ 6,456,332	$ 10,234,109	$ 28,574,157	$ 46,227,940	$ 95,331,346

December 31, 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	$ 6,402,878	$ 11,356,859	$ 11,247,994	$ 29,457,826	$ 43,749,877	$ 102,215,434

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

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, 2017	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	$ 2,560,547	$ 2,423,591	$ -	$ 4,984,138
Financial lease present value income (lessor)	2,398,947	2,310,446	-	4,709,393
Operating lease payment (lessee)	287,723	585,168	-	872,891
Operating lease income (lessor)	15,695	15,441	-	31,136
Present value of financial lease payment (lessee)	222	1,268	-	1,490

December 31, 2016	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	$ 3,268,707	$ 3,156,235	$ -	$ 6,424,942
Financial lease present value income (lessor)	3,076,383	2,970,345	-	6,046,728
Operating lease payment (lessee)	239,465	471,498	-	710,963
Operating lease income (lessor)	16,325	22,947	-	39,272
Present value of financial lease payment (lessee)	869	8	-	877

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

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, 2017	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	$ 137,938,731	$ 214,777,075	$ 293,719,412	$ 171,894,040	$ 101,072,928	$ 108,408,141	$ 1,027,810,327
Main capital outflow on maturity	129,430,978	147,099,296	362,209,198	222,417,985	185,861,848	202,168,258	1,249,187,563
Gap	8,507,753	67,677,779	(68,489,786)	(50,523,945)	(84,788,920)	(93,760,117)	(221,377,236)

(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)

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

(In Thousands of U.S. Dollars)

June 30, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 9,004,995	$ 10,556,366	$ 5,831,939	$ 2,701,281	$ 2,409,522	$ 30,504,103
Main capital outflow on maturity	9,215,268	11,423,578	6,416,036	4,544,043	2,968,822	34,567,747
Gap	(210,273)	(867,212)	(584,097)	(1,842,762)	(559,300)	(4,063,644)

(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)

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, 2017			For the Year Ended December 31, 2016			For the Six Months Ended June 30, 2016		
	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	$ 76,331	$ 136,332	$ 29,201	$ 33,310	$ 74,214	$ 17,157	$ 31,334	$ 53,221	$ 17,493
Equity risk	7,461	10,929	4,918	5,951	12,389	2,336	5,317	12,389	2,336
Foreign exchange risk	11,262	44,645	2,682	36,105	80,973	6,133	41,120	68,827	18,915

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, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 6,089,621	30.44	$ 185,343,708
RMB	2,066,134	4.49	9,275,910
EUR	116,377	34.73	4,041,772
HKD	622,290	3.90	2,426,308
JPY	2,198,897	0.27	597,220
AUD	17,382	23.36	406,039
ZAR	90,777	2.33	211,329
Nonmonetary items			
HKD	579,386	3.90	2,259,025
Financial liabilities			
Monetary items			
USD	6,726,337	30.44	204,722,795
RMB	2,570,726	4.49	11,541,275
ZAR	1,473,167	2.33	3,429,532
AUD	62,703	23.36	1,464,753
EUR	39,237	34.73	1,362,688
JPY	2,890,886	0.27	785,165
HKD	115,440	3.90	450,101
NZD	15,843	22.29	353,142

	December 31, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 5,345,458	32.28	$ 172,546,025
RMB	1,934,700	4.62	8,941,990
HKD	604,307	4.16	2,515,248
EUR	61,196	33.92	2,075,584
GBP	45,031	39.61	1,783,666
JPY	3,860,310	0.28	1,064,287
AUD	11,789	23.30	274,698
ZAR	85,730	2.37	203,017
THB	169,664	0.90	152,884
CAD	6,237	23.93	149,229
Nonmonetary items			
HKD	521,348	4.16	2,169,956
Financial liabilities			
Monetary items			
USD	5,475,408	32.28	176,740,694
RMB	1,955,014	4.62	9,035,879
ZAR	1,454,274	2.37	3,443,867
AUD	65,000	23.30	1,514,621
EUR	36,380	33.92	1,233,894
HKD	293,670	4.16	1,222,312
JPY	2,345,749	0.28	646,723
NZD	15,481	22.42	347,017
GBP	3,801	39.61	150,540

	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

(Continued)

	June 30, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
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

(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, 2017

(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	$ 231,791,093	$ 16,245,837	$ 4,188,623	$ 103,691,548	$ 355,917,101
Interest rate-sensitive liabilities	147,364,851	105,591,219	22,529,186	4,397,547	279,882,803
Interest rate sensitivity gap	84,426,242	(89,345,382)	(18,340,563)	99,294,001	76,034,298
Net worth					58,876,410
Ratio of interest rate-sensitive assets to liabilities (%)					127.17
Ratio of interest rate-sensitive gap to net worth (%)					129.14

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

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, 2017

(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	$ 2,957,844	$ 374,019	$ 184,465	$ 1,486,201	$ 5,002,529
Interest rate-sensitive liabilities	4,012,231	553,326	499,585	581,938	5,647,080
Interest rate sensitivity gap	(1,054,387)	(179,307)	(315,120)	904,263	(644,551)
Net worth					26,696
Ratio of interest rate-sensitive assets to liabilities (%)					88.59
Ratio of interest rate-sensitive gap to net worth (%)					(2,414.41)

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)

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

Transferred financial assets not qualifying for full derecognition

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, 2017					
Category	Transferred Financial Assets - Book value	Related Financial Liabilities - Book value	Transferred Financial Assets - Fair value	Related Financial Liabilities - Fair value	Net Position - Fair value
Notes and bonds issued under repurchase agreements					
Financial assets at fair value through profit or loss	$ 5,444,352	$ 5,180,974	$ 5,444,352	$ 5,180,974	$ 263,378
Available-for-sale financial assets	63,960,770	59,731,319	63,960,770	59,731,319	4,229,451

December 31, 2016					
Category	Transferred Financial Assets - Book value	Related Financial Liabilities - Book value	Transferred Financial Assets - Fair value	Related Financial Liabilities - Fair value	Net Position - Fair value
Notes and bonds issued under repurchase agreements					
Financial assets at fair value through profit or loss	$ 35,227,572	$ 33,509,311	$ 35,227,572	$ 33,509,311	$ 1,718,261
Available-for-sale financial assets	30,023,890	28,629,003	30,023,890	28,629,003	1,394,887

June 30, 2016					
Category	Transferred Financial Assets - Book value	Related Financial Liabilities - Book value	Transferred Financial Assets - Fair value	Related Financial Liabilities - Fair value	Net Position - Fair value
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

f. Offsetting financial assets and financial liabilities

The Bank and subsidiaries have 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, 2017						
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	$ 908,096	$ -	$ 908,096	$ 908,096	$ -	$ -
Derivative financial instruments	18,477,146	-	18,477,146	7,723,048	1,007,327	9,746,771
Total	$ 19,385,242	$ -	$ 19,385,242	$ 8,631,144	$ 1,007,327	$ 9,746,771

June 30, 2017						
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	$ 66,742,065	$ -	$ 66,742,065	$ 66,742,065	$ -	$ -
Derivative financial instruments	24,639,447	-	24,639,447	7,723,048	4,397,185	12,519,214
Total	$ 91,381,512	$ -	$ 91,381,512	$ 74,465,113	$ 4,397,185	$ 12,519,214

December 31, 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	$ 795,850	$ -	$ 795,850	$ 795,850	$ -	$ -
Derivative financial instruments	25,434,608	-	25,434,608	7,171,127	1,018,564	17,244,917
Total	$ 26,230,458	$ -	$ 26,230,458	$ 7,966,977	$ 1,018,564	$ 17,244,917

December 31, 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	$ 62,138,314	$ -	$ 62,138,314	$ 61,725,136	$ 413,178	$ -
Derivative financial instruments	27,516,130	-	27,516,130	7,171,127	6,655,765	13,689,238
Total	$ 89,654,444	$ -	$ 89,654,444	$ 68,896,263	$ 7,068,943	$ 13,689,238

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

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 to the "Regulations Governing the Capital Adequacy and Capital Category of Banks"

c. Capital adequacy ratio

(In Thousands of New Taiwan Dollars, %)

Items		Year	June 30, 2017	December 31, 2016	June 30, 2016
Eligible capital	Common equity Tier 1 capital		$ 54,152,597	$ 53,944,546	$ 52,659,987
	Additional Tier 1 capital		-	-	-
	Tier 2 capital		388,127	41,708	-
	Eligible capital		54,540,724	53,986,254	52,659,987
Risk-weighted assets	Credit risk	Standardized approach	348,387,151	335,603,806	306,244,891
		Internal rating-based approach	-	-	-
		Securitization	-	-	-
	Operational risk	Basic indicator approach	17,971,561	17,971,561	18,539,893
		Standardized approach/ alternative standardized approach	-	-	-
		Advanced measurement approach	-	-	-
	Market risk	Standardized approach	56,762,538	54,614,500	29,611,575
		Internal model approach	-	-	-
	Total risk-weighted assets		423,121,250	408,189,867	354,396,359
Capital adequacy ratio			12.89%	13.23%	14.86%
Ratio of common equity to risk-weighted assets			12.80%	13.22%	14.86%
Ratio of Tier 1 capital to risk-weighted assets			12.80%	13.22%	14.86%
Leverage ratio			8.46%	8.85%	9.47%

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, 2017	December 31, 2016	June 30, 2016	Trust Liabilities	June 30, 2017	December 31, 2016	June 30, 2016
Bank deposits	$ 370,953	$ 310,897	$ 408,224	Payables	$ 152,313	$ 153,951	$ 152,563
Short-term investment	29,831,549	30,860,207	30,164,221	Account payable on securities under custody	4,897,697	1,909,451	-
Financial assets at FVTPL	2,482,227	2,660,355	2,467,147	Other liabilities	19,109	30,906	1,324,930
Receivables	81,686	26,191	104,475	Donations	1,811	-	-
Payments for others	-	-	1,166,795	Trust capital	33,135,608	34,693,769	35,316,337
Financial assets measured at cost	7,650	687,150	1,401,426	Accumulated earnings	866,960	1,067,910	735,395
Real estate, net	417,202	417,202	831,400				
Intangible assets - surface rights	984,534	984,534	984,534				
Securities under custody	4,897,697	1,909,451	-				
Others	-	-	1,003				
Total	$ 39,073,498	$ 37,855,987	$ 37,529,225	Total	$ 39,073,498	$ 37,855,987	$ 37,529,225

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	**2016**	**2017**	**2016**
Trust income and gains				
Operating income	$ 60,313	$ 56,913	$ 71,274	$ 66,042
Interest income	313,538	355,612	626,414	661,855
Rental income	7,495	7,956	15,232	15,057
Gain on financial assets at FVTPL, net	182,447	(175,812)	615,790	286,794
Others income	3,692	721	7,819	21,107
Total trust income and gains	567,485	245,390	1,336,529	1,050,855
Property transaction losses	(74,783)	(596,358)	(187,079)	(1,131,174)
Trust expenses				
Administrative expenses	8,789	6,066	16,272	11,726
Interest expenses	-	16,322	-	32,642
Service fee	10	106	25	123
Other expenses	4,532	4,817	7,210	9,737
Total trust expenses	13,331	27,311	23,507	54,228
Net income (loss)	$ 479,371	$ (378,279)	$ 1,125,943	$ (134,547)

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

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	June 30, 2017	December 31, 2016	June 30, 2016
Bank deposits	$ 370,953	$ 310,897	$ 408,224
Short-term investments			
Funds	28,173,912	29,104,043	28,356,693
Bonds	1,375,465	1,468,806	1,391,260
Common shares	76,400	78,300	79,600
Structured notes	93,766	93,766	212,692
ETF	112,006	115,292	123,976
Financial assets at FVTPL	2,482,227	2,660,355	2,467,147
Payment for others	-	-	1,166,795
Financial assets measured at cost	7,650	687,150	1,401,426
Real estate, net	417,202	417,202	831,400
Intangible assets - surface rights	984,534	984,534	984,534
Securities under custody	4,897,697	1,909,451	-
Other assets	81,686	26,191	105,478
Total	$ 39,073,498	$ 37,855,987	$ 37,529,225

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, 2017	June 30, 2016
Return on total assets	Before income tax	0.72	0.81
	After income tax	0.56	0.76
Return on net worth	Before income tax	7.07	7.44
	After income tax	5.53	6.99
Profit margin		31.22	41.48

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.

47. ADDITIONAL DISCLOSURES

a. Information about significant transactions:

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

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

3) Marketable securities held: The Bank: Not applicable. For 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): None.

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

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

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

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

9) Sold nonperforming loans: None.

10) Financial asset securitization: None.

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

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

b. Related information and proportionate share in investees: Table 3 (attached).

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

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

48. SEGMENT INFORMATION

The information which the Bank and subsidiaries provide for decision makers to allocate resources and evaluate performance of departments is focused on operation's nature and profit or loss. 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.

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, 2017					
Interest revenue, net	$ 772,131	$ 490,499	$ 317,250	$ 44,676	$ 1,624,556
Net revenue (loss) - intersegment	104,051	132,825	(304,754)	67,878	-
Noninterest profits and gains, net	321,900	83,332	609,566	70,335	1,085,133
Net revenue	1,198,082	706,656	622,062	182,889	2,709,689
Allowance for bad debts expense and guarantee liability provision, net	(17,880)	(95,901)	(1,134)	(91,279)	(206,194)
Operating expenses	(720,883)	(161,801)	(76,584)	(454,114)	(1,413,382)
Income (loss) before income tax	459,319	448,954	544,344	(362,504)	1,090,113
Income tax expense	-	-	-	(337,946)	(337,946)
Net income (loss)	$ 459,319	$ 448,954	$ 544,344	$ (700,450)	$ 752,167
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 (allowance) for 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, 2017					
Interest revenue, net	$ 1,510,852	$ 961,220	$ 468,785	$ 89,369	$ 3,030,226
Net revenue (loss) - intersegment	197,625	301,140	(338,451)	(160,314)	-
Noninterest profits and gains, net	631,087	189,289	1,299,302	113,749	2,233,427
Net revenue	2,339,564	1,451,649	1,429,636	42,804	5,263,653
Reversal of allowance (allowance) for bad debts expense and guarantee liability provision, net	44,081	(277,631)	(8,123)	(102,971)	(344,644)
Operating expenses	(1,421,475)	(327,275)	(176,286)	(893,427)	(2,818,463)
Income (loss) before income tax	962,170	846,743	1,245,227	(953,594)	2,100,546
Income tax expense	-	-	-	(457,170)	(457,170)
Net income (loss)	$ 962,170	$ 846,743	$ 1,245,227	$ (1,410,764)	$ 1,643,376

(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 (allowance) for 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)

TABLE 1

KGI BANK AND SUBSIDIARIES

COLLATERALS/GUARANTEE PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(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	$ 5,274,760	$ 2,625,883	$ 2,079,553	$ 608,720	$ -	197.12%	$ 5,274,760 (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.

KGI BANK AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
JUNE 30, 2017
(In Thousands of New Taiwan Dollars)

Holding Company	Marketable Security Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2017				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 2)	
CDIB Management Consulting Corporation	Stock							
	CDC Finance & Leasing Corporation	Subsidiary	Investments accounted for using the equity method	58,328,460	$ 629,495	76.04	$ 629,495	
	CDIB International Leasing Corporation	Subsidiary	Investments accounted for using the equity method	-	266,047	100.00	266,047	
CDC Finance & Leasing Corporation	Stock							
	Hwahong Corporation	Associate	Investments accounted for using the equity method	23,750	615	19.00	615	

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

Note 2: The 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.

KGI BANK AND SUBSIDIARIES

INFORMATION ON INVESTED ENTERPRISES
JUNE 30, 2017
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business	Balance as of June 30, 2017			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	3,450	18,734,929	-	18,734,929	6.12	
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	6,020	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	401	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	936,679	(140,719)	153,171,873	-	153,171,873	100.00	
Nonfinancial industry-related										
Euroc II Venture Capital Corp.	Taiwan	Venture capital corporation	7.50	8,759	-	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	-	990,000	-	990,000	5.00	
CDIB & Partners Investment Holding Corp.	Taiwan	General investment corporation	4.95	800,417	16,163	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, 2017
(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, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2017	Net Loss of the investee (Note 2)	% Ownership of Direct or Indirect Investment	Investment Loss (Note 2)	Carrying Value as of June 30, 2017	Accumulated Inward Remittance of Earnings as of June 30, 2017
					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	$ (147,581)	100.00	$ (147,581)	$ 266,047	$ -

Accumulated Investment in Mainland China as of June 30, 2017	Investment Amount Authorized by the Investment Commission, MOEA	Limit on Investment
$913,080 (US$30,000 thousand)	US$30,000 thousand	$562,007

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: Financial statements audited by an international CPA firm having a cooperative relation with CPA firms in the Republic of China.

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, 2017
(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 Corporation	1	Deposit and remittances	$ 21,513	Note 4	-
1	CDC Finance & Leasing Corporation	KGI Bank	2	Cash and cash equivalents	21,513	Note 4	-

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.